

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 A.M. on February 16, 2005 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research
Lisa Montgomery, Office of Revisor of Statutes
Jacqui Jones, Committee Secretary

Conferees appearing before the committee:

Proponents:

Adrian Polansky, Secretary, Kansas Department of Agriculture
Jesse McCurry, Agriculture Marketing Division, Kansas Department of Commerce
John Neufeld, US Energy Partners
Ron Lamberty, American Coalition for Ethanol
Greg Kissek, United BioEnergy
Brad Harrelson, Kansas Farm Bureau
Jere White, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association

Written testimony was provided to the Committee by:

Lee Allison, Chair, Kansas Energy Council
Leslie Kaufman, Kansas Cooperative Council

Opponents:

Curtis Wright, Vice President Operations, Taylor Oil, Inc.

Written testimony was provided to the Committee by:

Ed Reitz, President, Fleming Corporation of Kansas

Others attending:

See attached list.

Chairman Taddiken asked that the hearing be opened on **SB-56 - Elimination of motor vehicle fuel retail pump labeling requirement regarding ethyl alcohol or other alcohol.**

Secretary Adrian Polansky, KDA was the first to give his testimony in support of **SB-56**. (Attachment 1).

As well as Secretary of KDA, he is a member of the Kansas Energy Council, a group that supports removal of E10 labeling.

Secretary Polansky remarked that, as a farmer and agri-businessman, he goes out of his way to use ethanol in his travels on the state's highways. Although he recognizes that many Kansans do not believe in the homegrown product, he does.

While traveling on state business he seeks to purchase ethanol whenever possible at the direction of the Governor, who has directed all state employees to do so.

Jesse McCurry, Ag Marketing Division, KDOC gave his testimony ([Attachment 2](#)) remarking that, without the ethanol industry, consumers would be forced to pay as much as 15% more at the pump for gasoline. He noted that producers are excellent re-payers of loans.

John Neufeld, General Manager, US Energy Partners was the next to testify. ([Attachment 3](#)). One of Mr. Neufeld's remarks was that the positive attributes of ethanol are supported by the fact that it has a positive net energy balance of 67%.

Ron Lamberty, Vice-president/Market Development Director, American Coalition for Ethanol testified that all US built cars since 1982 have ethanol compatible components and that all cars now have warranties for ethanol usage. ([Attachment 4](#)).

Greg Kissek, Director of Marketing and Government Affairs, United Bio Energy testified next. He remarked that it is a long-established policy in Kansas to support the development and use of ethanol fuels derived from agricultural products. The current labeling regulation impedes the accomplishment of this policy. Present day engine and fuel technology has made the labeling requirement obsolete. Not all gasoline stations will carry ethanol blends, but it is believed that those who do should not be penalized with an extra regulatory burden ([Attachment 5](#)).

Brad Harrelson, State Policy Director - Governmental Relations, Kansas Farm Bureau testified that ethanol demand continues to surge. Production records are increasing yearly. He remarked that consumption of ethanol reduces our dependence on foreign oil, and enhances market demand for corn and other grains. This is good for Kansas producers and the rural economy.

Mr. Harrelson said that the original intent of the labeling requirement at the pump has served its original intent and is no longer necessary. He noted that ethanol is found in more than 30% of fuel sold nationwide. Removal of the mandatory ethanol labeling would ease consumer confusion and stimulate an already enthusiastic demand ([Attachment 6](#)).

Jere White, Executive Director, Kansas Corn Growers and Kansas Grain Sorghum Producers Association was next to testify. He remarked that eleven states have eliminated the mandatory ethanol labeling requirement at the pump, believing it to be a deterrent to the sale of the product ([Attachment 7](#)).

Written testimony was received from Lee Allison, Chair, Kansas Energy Council stating that removing the mandatory requirement yet still allowing marketers to voluntarily display the label is likely to lead to increased use of ethanol which is an environmentally friendly, Kansas-produced fuel ([Attachment 8](#)).

Written testimony was also submitted by Leslie Kaufman, Governmental Relations Director, Kansas Cooperative Council (KCC). Ms. Kaufman's testimony reflected that the KCC promotes the use of renewable fuel sources such as ethanol. As such, it supports **SB-56** which would allow the removal of the mandatory labeling requirement at the pump ([Attachment 9](#)).

Written testimony was submitted in support of **SB-56** by Mary Jane Stankiewicz representing eighteen members of the Kansas Agricultural Alliance. The Alliance believes that retailers have a right to choose whether to label ethanol at the pump or not. Because there is no longer a reason or need to label ethanol at the pump, the mandatory requirement should be eliminated. This would allow the retailer to make the decision as to how he wants to market the fuel, as containing ethanol. ([Attachment 10](#)).

Curtis Wright, Vice President Operations, Taylor Oil, Inc., Wellsville, KS. , in his testimony, opposed the passage of **SB-56**. Mr. Wright stated that, by removing the current mandatory product label at the pump, it will be more difficult for the consumer to locate ethanol either for or against the purchase thereof. Better public education regarding ethanol is required ([Attachment 11](#)).

Written testimony was submitted by Ed Roitz, President of Fleming Corporation of Kansas in Pittsburg, KS. He wrote an overview of gasohol since its inception. His testimony covered product quality, tax policy, public enthusiasm and patriotism in regard to ethanol. His feeling was that Kansans should be made aware of what is in the product that they purchase and mandatory labeling at the pump fulfills this requirement. He requested that **SB-56** not be passed. ([Attachment 12](#)).

Several questions were answered by the conferees to the satisfaction of the Committee members.

Hearings on **SB-56** were closed.

Chairman Taddiken then called for testimony on **SB-234 - Requiring state rented or leased vehicles to use ethanol.**

Senator Tim Huelskamp, who is a member of the Senate Agriculture Committee, testified in support of this bill, explaining to the Committee that the bill was designed to require the State continue to lead by example in the use of renewable fuels(Attachment 13). More information in this regard was supplied by the Legislative Research Department and is included with his testimony regarding ethanol purchases by select state Agencies (Attachment 13 -2).

Senator Huelskamp then stood for questions.

The hearing on **SB-234** was closed.

Chairman Taddiken called for action on **SB-234**.

Senator Schmidt moved to amend SB-234 by inserting the following paragraph: "Any motor vehicle rental contract entered into by the state for the rent or lease of vehicles or renewed after the effective date of this act shall require that the lessor provide that all bulk motor-vehicle fuels purchased by lessor or on behalf of the lessor for use in vehicles leased to the state of Kansas, or any agency thereof, shall be motor-vehicle fuel blends containing at least 10% ethanol". The motion was seconded by Senator Huelskamp and the motion carried.

Senator Huelskamp then moved that SB-234 be passed favorably as amended, seconded by Senator Pine. The motion passed favorably.

At this time Chairman Taddiken asked the Committee for final action on SB-56. Senator Ostmeyer moved, and Senator Pine seconded that the Committee move to pass SB-56. There was no further discussion. The motion passed favorably.

The meeting adjourned at 9:30 p.m.

The next meeting is scheduled for February 22, 2005.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 2-16

NAME	REPRESENTING
Carole Jordan	KDA
Adrian Polansky	KDA
CV Cotsovradis	KDA
Robert White	Kansas Corn Growers
Jesse McHenry	Commerce
John Neufeld	KAEP
Ron Dunbar	KAEP
DAVE EDWIN	TAL
Lance Nelson	TAL
Kammi Schwarting	TAL
Travis Hirst	TAL
Jeff Wilkinson	TAL
Dick Tappin	TAL
JEFF J. MAYFIELD	TAL
Lawrence Baxa	TAL
Mary Jane Stankiewicz	KAEP
Jeru White	KCGA - KGSPA
Ken Peterson	KS Petroleum Council
Kim Beam	TAL



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

**Testimony on Senate Bill 56
To
The Senate Committee on Agriculture**

**by Adrian J. Polansky
Secretary
Kansas Department of Agriculture**

February 16, 2005

Good morning Chairman Taddiken and members of the committee. I am here to testify in support of SB 56. This bill will allow the Kansas Department of Agriculture to develop necessary rules and regulations to remove the current mandatory labeling requirement for E10 fuel from Kansas statutes.

In addition to being secretary of the Kansas Department of Agriculture, the agency that regulates fuel quantity and quality in Kansas, I am a member of the Kansas Energy Council, another group that supports the removal of E10 labeling.

I also am a lifelong Kansas farmer and an agribusinessman. When I travel the state's highways, I go out of my way to look for ethanol, because I believe in this homegrown product. But many other Kansans do not. In fact, if they think about it at all, they think the label is some kind of a warning, not a positive as we in agriculture know it is.

When I am traveling on state business, I also seek to purchase ethanol whenever possible for the vehicle I am driving. The governor has directed all state employees to do this, and SB 234, also before you today, would put that guidance into statute.

The Kansas Department of Agriculture's weights and measures program is the regulating agency for fuel quantity and quality in the state. Experts in that program assure me that removal of the labeling requirement does not conflict with any other state or federal law. Federal law has no special requirement for labeling E10 ethanol; it is just considered one of the many ingredients of regular gasoline.

Some have expressed concerns about the consumer's right to know that ethanol is an ingredient of gasoline. They may have forgotten that gasoline is a complex mix of many different ingredients, with ethanol being only one of more than a dozen others. If the labeling requirement is removed by the Legislature, the Department of Agriculture will sample fuel to

Senate Agriculture Committee

Date 02-16-05

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<http://www.access.kansas.gov> Attachment # /

ensure that it meets the correct specifications for its grade and to ensure that the ethanol volume does not exceed 10 percent, the level warranted by automobile manufacturers.

On the very technical side, some have worried that ethanol-blend gasoline is more susceptible to separation due to water contamination and that inspectors need a label to know which standard to apply to storage tanks. Their worries are unnecessary. State inspectors will employ a simple, nationally recognized test to identify ethanol or water in storage tanks.

Some have worried about transporting ethanol fuel. I can assure them that the same safety procedures used in the transport of ethanol-blend gasoline today will apply after the labeling requirement is revoked. Labeling has no effect on transport requirements or safety.

As the secretary of agriculture and as a regulator of fuel sales in Kansas, I support SB 56. Kansas produces far more ethanol than it consumes. This is not because some Kansans dislike ethanol; it is because they do not understand its benefits and they may view the label as a negative, not the positive we in agriculture know it is.

People will buy the fuel that is available at the pump, and more sales of E10 ethanol will not only drive Kansans on the highway—it will help carry us to a healthier agriculture, a cleaner environment and more prosperous rural communities.

This bill will give the Department of Agriculture the opportunity to create the rules and regulations necessary to make labeling of E10 voluntary rather than mandatory. I intend to do this upon passage of SB 56.

Thank you and I will stand for questions at the appropriate time.



Senate Committee on Agriculture

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Testimony by:

**Jesse McCurry, Manager, Industrial Ag Program
Ag Marketing Division
Kansas Department of Commerce**

Chairman Taddiken and members of the Committee, I am Jesse McCurry with the Ag Division at the Kansas Department of Commerce and appreciate the opportunity to appear before you in support of Senate Bill 56.

In short, whatever the state can do to promote the usage of biofuels is not only smart — it's statutory. Under Kansas Statute (K.S.A 74-50, 156) one of the obligations of the Agriculture Value Added Center at Commerce is to "act as a catalyst for the establishment of an industrial ag industry in Kansas." Indeed, the public policy of the state of Kansas is "to encourage and assist the development and expansion of new uses of agricultural products including ethanol (K.S.A. 74-5029).

By focusing resources and attention on pilot scale facilities and labs, entrepreneurial projects in the broader biosciences, and investment grade agriculture value added technologies and products, state agencies are responding to the call of the Prosperity Summit and other forums for an energy plan and better rural development solutions.

Ethanol is no longer a cottage industry producing a boutique fuel. Indeed, in 2004 the industry spent at least \$4.6 billion on raw materials, other inputs, goods and services to produce 3.5 billion gallons of ethanol. Ethanol production represents the third largest component of corn demand after feed use and exports and will account for 12 percent of total corn production this marketing season. Kansas capital investment should exceed \$250 million as our two newer plants are completed. When online, eight ethanol plants will produce more than 225 million gallons of ethanol/year employing 273 people. We have plants, at present, in Atchison, Colwich, Garden City, Leoti, Russell and Campus. Commerce is working seriously with five projects on the horizon. There are at least 17 projects in various stages of development.

States all around us are aggressively perusing legislative agendas to help foster an environment for this growth. There's no question states that have enacted similar provisions on alcohol labeling are seeing dramatic increases in utilization. At present, we are somewhere around 6% ethanol usage in our gas in Kansas; we can do better. States like Iowa, Illionis, and Nebraska are huge producers. If Kansas wants to be the kind of player it can be (and increasingly is), the legislature should continue to take an active role in ensuring a policy climate where it can thrive, as it has done in the past.

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Attachment # *2*

The age of the bio economy is upon us. According to DOE, the national average price of regular gasoline hit a record level \$2.064 per gallon in May '04. Another study has shown had ethanol not been available to provide consumers with a large supply of clean motor fuel, national average retail gasoline prices would be even higher than they already are. The need to find the additional gasoline to replace ethanol in today's tight market would result in a sharp short-term (several months) increase in the national average retail price of gasoline. Without the vibrant and growing domestic ethanol industry, consumers would be forced to pay as much as 14.6 percent more for gasoline at the pump.

We know Kansas has recently become a net energy importer. From an agriculture perspective, opportunities exist in the bio arena to help replace petroleum products and provide added value to our farmers and ranchers. Whether we're talking about ethanol, biodiesel, ag-based plastics/resins/fibers, compost—any non-food, non-feed utilization of agriculture commodities and waste streams--our state's vast biomass base (counted as third or fourth in the country) can help fill consumers' growing preferences for these products.

With the continued teamwork among state agencies, successful statewide marketing efforts have been undertaken on ethanol at the fair, through and among state employees and Enterprise, and with the Governor's coming role on the Governor's Ethanol Coalition.

We stand ready to fulfill our mission to expand this industry. Thank you for your attention to ethanol, and I'm happy to try to answer any questions.



Association Of Ethanol Processors

SENATE AGRICULTURE COMMITTEE

RE: SB 56 – Motor vehicle fuels; relating to pump labeling requirements

February 16, 2005

**Presented by:
John Neufeld, General Manager
U.S. Energy Partners**

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. I am John Neufeld and I am the general manager for U.S. Energy Partners, an ethanol plant in Russell, Kansas. I am also the chairman of the Kansas Association of Ethanol Processors (KAEP) which is an association of ethanol plants in Kansas and the suppliers and associated service providers that support the ethanol industry. I come before you in support of SB 56.

Our ethanol plant is part of a unique combination of ethanol plant, custom feed production and wheat gluten plant. We also partner with the city of Russell and have a combined heat and power plant. Today, I am going to focus on the ethanol side of the operation. Here are some of the general facts that you might be interested in knowing about:

- We have the capacity of producing 45 million gallons of ethanol a year.
- The plant employs 80 people with a payroll in excess of \$3 million.
- 18 million bushels of grain are used by the plant each year. If possible, grain is purchased from Kansas farmers.
- The company pays approximately \$300,000 in real estate taxes.
- The plant operates 24 hours, 365 days a week.

As you can see from this brief overview of the statistics of our plant, we are an integral and important part of the Russell community. We think that the potential for ethanol growth is substantial especially since the world is recognizing that ethanol is a renewable liquid fuel that increases the nation's self-sufficiency and reduces the environmental impact of auto emissions. These positive attributes are also supported by the fact that ethanol has a positive net energy balance of 67%.

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Because of these reasons, I urge you to support SB 56, which will allow the retailer to decide if he wants to market the fuel as containing ethanol. Ethanol is good for the economy, good for agriculture and good for the environment. These are positive elements for the future. Therefore, please support passage of SB 56. I will be happy to stand for questions at the appropriate time.

Senate Agriculture Committee

RE: SB 56 regarding Ethanol Labeling

February 16, 2005

**Presented by Ron Lamberty, Vice President/ Market Development
Director
American Coalition for Ethanol**

Thank you Mr. Chairman and members of the committee, for this opportunity to testify in support of SB 56.

My name is Ron Lamberty, I am the Vice President and Market Development Director for the American Coalition for Ethanol, also known as (ACE). ACE is a national non-profit trade association based in Sioux Falls, SD. We represent more than 700 members in 41 states. Approximately 40 of our members are Kansas companies or individuals. While much of the growth in the Kansas ethanol industry is quite visible, many people are not aware that one of the largest ethanol plant builders, and the second largest ethanol marketer in the United States (behind only ADM) are located in Kansas.

Those companies - ICM of Colwich, KS, and Ethanol Products of Wichita, K S, are both members of ACE, which is a grassroots organization, made up of ethanol plants, rural electric co-ops, commodity organizations, businesses and individuals, who are all interested in the increased production and use of ethanol across the United States.

I am also the owner of a convenience store in South Dakota and I spent the first twenty years of my professional life running convenience stores, and selling gasoline, diesel fuel, and ethanol, to other petroleum marketers in the upper Midwest. In As Market Development Director at ACE, I use that experience to help petroleum marketers add ethanol to their product mix, or help those who already sell ethanol, to sell more of it.

That is why ACE feels it is important to show our support for this legislation. Kansas, like many other states, currently requires the labeling of ethanol in gasoline. And, like many other states, this regulation, has led to the existence

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of labels that are reminiscent of the surgeon General's warning on a pack of cigarettes.

We prefer making ethanol labeling optional in all states. Removing this labeling "mandate" would give gasoline retailers the ability to provide their customers with the most economical fuel available, without having to worry about changing decals and signs if the price or supply situation changes.

More importantly, ACE prefers optional labeling because ethanol sales increase in states that do away with the mandatory pump labels. In 2003, Michigan made ethanol labeling optional, and ethanol sales were 31% higher than the previous year. Kansas' neighbor to the east, Missouri, made ethanol labels optional, and ethanol sales in that state rose by 58%. Given the current pricing, there is little doubt that many Kansas petroleum marketers would be blending all grades (unleaded, midgrade and premium) today to lower their fuel costs, if they did not have to deal with the accompanying label and signage "hassles."

Today, ethanol enjoys the unique distinction of being the **least** harmful component of gasoline, yet the only component people are warned about at the pump. When ethanol was introduced into the fuel supplies in the 1970's, gasoline was not as clean as it is today, and fuel systems were not designed to deal with the cleaning properties of ethanol, there was merit to letting motorists know that the additive was in their gasoline. Back then, owners' manuals did not mention ethanol. Today, every car manufactured for sale in the United States lists a ten percent blend of ethanol as an approved fuel in its owner's manual, and every car built in the US since 1982 has been built with ethanol compatible components.

Despite that fact, and despite the fact that there have been no increases in automobile repairs in the states and cities that have mandated the use of ethanol, there are still people out there who have an unfounded ethanol phobia - a phobia that is being reinforced by stickers they consider "warning labels." In areas where there that kind of resistance exists, a marketer may choose to have no ethanol label at all.

A couple of times a year, I get a call or e-mail from a Minnesota resident who experienced car trouble one of the surrounding states after filling his or her car with fuel that contained ethanol. Since Minnesota requires ethanol in gasoline, but does not require ethanol labels, those motorists are often shocked to find out that their car has never run on anything but ethanol, and that there is likely some other explanation for their car trouble.

ACE would certainly prefer that marketers proudly display the fact that ethanol is being sold in a particular pump, and given the current conditions in the world, buying a clean, American-made renewable fuel is going to be the choice made by many motorists. Optional labeling gives marketers the option to promote ethanol with a label that is not mandated by the state. For those who prefer a labeling requirement because they want to be sure they are buying ethanol, optional labeling is an even better way of knowing which companies not only use ethanol, but use ethanol proudly.

Thank You again for the opportunity to testify in support of SB 56, I welcome any questions you may have



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**TESTIMONY IN FAVOR OF SENATE BILL NO. 56
STATE OF KANSAS – SENATE AGRICULTURE COMMITTEE
FEBRUARY 16, 2005**

**PROVIDED BY
GREG KRISSEK
DIRECTOR OF MARKETING AND GOVERNMENT AFFAIRS
UNITED BIO ENERGY**

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. I appear before you today in support of Senate Bill No. 56 which removes the mandatory regulatory requirement for labeling fuel pumps used for sale of ethanol-blended fuels.

Other conferees have focused upon the chemical recipe of gasoline, whether or not it contains ethanol, and the unfairness of singling out ethanol for a warning label. All manufacturers of motor vehicles in the United States currently warrant, or guarantee, the use of ethanol-blends in their models. And today, growth of ethanol for environmental, octane, and economic reasons has resulted in over 30% of all gasoline in the United States containing ethanol blends.

I would like to focus for a few moments on the Kansas market for ethanol. As an octane-driven, or voluntary market, ethanol use in Kansas has generally been very small – under 5% of fuel typically. We have seen that generally begin to increase through promotion efforts of folks like the Kansas Corn Growers, Kansas Grain Sorghum Producers, and Kansas Farm Bureau. Also, with the growth of production in the state (currently six plants producing 130 million gallons and a seventh scheduled to begin June 1, 2005) local availability will also further this rate of increase.

United Bio Energy and one of its parent companies, ICM (one of the leading ethanol plant engineering and design firms in the United States), are both headquartered in the Wichita area. UBE offers several different professional management and marketing services to the fuel ethanol industry. UBE Ingredients markets distillers grains for nine operating plants including in Kansas - US Energy Partners (Russell), Western Plains

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Energy (Campus), Golden Triangle Energy (Craig, MO) and will market for East Kansas Agri Energy (Garnett). UBE Fuels markets approximately 170 million gallons of ethanol for four plants including in Kansas – US Energy Partners (Russell) and will market as well for East Kansas Agri Energy (Garnett).

The staff of UBE Fuels works extensively with the gasoline and oil industry – in Kansas and throughout the nation. We currently market approximately 2 million gallons per year in the state. Our experience here and elsewhere shows that especially in octane markets like Kansas, the presence of the pump label requirement is a regulatory hindrance to gasoline marketers effectively responding to opportunities presented by favorable blending economics.

Let's face it – oil marketers have to respond quickly to oil supply pricing with great flexibility. They cannot put up and take down permanent labels in a cost-effective or timely fashion that allows them to respond to whatever direction ethanol and gasoline pricing points them toward. Without a label requirement, they can do so in the future. And this is feasible because today's fuel-injected gasoline engines and detergent enhanced fuels have rendered engine performance questions moot.

Missouri has already removed their labeling requirement – so marketers in the Kansas City area on the Kansas side are now at a disadvantage to their counterparts across the state line. With current high oil prices combined with growing ethanol supplies, oil marketers have new opportunities to pursue blending economics using ethanol blends.

Currently Kansas City and Wichita do not utilize an extensive amount of ethanol blended gasoline. Overall, Kansas City could be a market for approximately 60 million gallons of ethanol and Wichita a market for 15 million gallons. When an area begins blending, construction of distribution infrastructure is required, mainly tankage at terminals, that then results in many marketers having access to ethanol blending. We are currently working with oil marketers in these areas to begin offering ethanol blends – if successful, our estimate is that our marketing alone would increase to 14 million gallons per year. And in case you were not aware, there are two other major ethanol marketers with operations in Wichita that would also compete for these markets.

It is long-established public policy in Kansas to support development and use of ethanol fuels derived from agricultural products. The current pump regulatory label stands out as an impediment to accomplishing this public policy. Engine and fuel technology has made this requirement obsolete. We are requesting that you provide gasoline marketers the flexibility to work with engine-warranted fuels based upon market conditions. Not all gasoline stations will carry ethanol blends, but those who do should not be penalized with an extra regulatory burden.

We appreciate your support and approval of SB 56.

PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

RE: SB Nos. 56 & 234 – acts concerning motor-vehicle fuels;
relating to retail pump labeling requirements and motor vehicles
and equipment used by the state; relating to fuel purchases

February 16, 2005
Topeka, Kansas

Testimony provided by:
Brad Harrelson
State Policy Director
KFB Governmental Relations

Chairman Taddiken, and members of the Senate Committee on Agriculture, thank you for the opportunity to appear today in support of SB 56 and SB 234. I am Brad Harrelson, State Policy Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

On behalf of Kansas Farm Bureau (KFB) I would like to extend our appreciation to the Kansas Legislature for it's past support for bio-fuels. You undoubtedly share our firm commitment to this valuable, renewable energy resource. We at KFB stand ready to assist you in your mission to promote these alternative fuels.

Ethanol is unquestionably, one of the most notable success stories in agriculture today. Ethanol demand continues to surge, and the industry is setting unprecedented production records with 3.3 billion gallons in 2004, up from 2.81 billion gallons in 2003. Consumption of this high-octane, low-emission fuel not only reduces our dependence on foreign oil; it enhances market demand for corn and other grains, which is good for Kansas producers, and the rural Kansas economy.

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Attachment # 6

While these statistics are most encouraging, we believe there is more that can be done to promote ethanol consumption. Current Kansas law requires ethanol to be conspicuously labeled at the retail pump. We believe, however, the labeling requirement has served the original intent to inform consumers and is no longer necessary. Our members took deliberate action at their recent annual meeting supporting elimination of this constraint, emphasizing the overall goal to increase consumption.

Ethanol is now a refined, consistent, high-quality product, much improved from the early "gasohol" days. In fact, all automobile manufacturers warranty the use of ethanol-blended fuel, which is found in over 30% of all fuel sold nationwide. Unfortunately, consumers may perceive ethanol labeling as a "warning" of inferior or adulterated product, and negatively impact demand. Repeal of mandatory ethanol labeling, we believe, would ease unwarranted consumer confusion and further stimulate already enthusiastic demand.

Several other states, including Minnesota, Indiana and Missouri have already repealed mandatory labeling requirements and ethanol sales increased dramatically. We urge you to join the farmers and ranchers of Kansas Farm Bureau and support repeal of this unnecessary impediment to increased ethanol consumption. This would be a positive step for Kansas agriculture and for all Kansans.

Furthermore, our members have long-standing policy encouraging the state to develop and implement an aggressive plan for increasing bio-fuel usage in state vehicles and fuel purchases. To the extent that these goals are addressed, we also offer our support to passage of SB 234. In fact, we support higher targets than outlined in the bill. For a state that supports increased usage of bio-fuels, we believe this to be good public policy, and sets in place meaningful requirements to ensure that commitment.

In summary, thank you for your consideration, your support of bio-fuels and Kansas agricultural producers. Kansas Farm Bureau respectfully urges your recommendation to pass favorably SB 56 and 234. We stand ready to assist as you consider these important measures. Thank you.



**Testimony Regarding Senate Bill No. 56
February 16, 2005**

Good morning Chairman Taddiken and members of the Committee, my name is Jere White. I am the Executive Director for both the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. We appreciate the opportunity to testify in support of SB 56. Knowing the scope of testimony from other proponents and mindful of the limited time I will focus on just two points.

The provisions of SB 56 would eliminate the statutory requirement that mandates motor vehicle fuels with blends containing ethanol to be labeled at the pump. We believe state government can play a significant role in expanding this use of 10% ethanol blends by eliminating the often assumed to be warning label on the pump. Eleven states have done so and Kansas should be the next.

Opponents might argue that there is a “consumers right to know” in play when they are offered anything but pure gasoline. Pure Gasoline? What is that? Gasoline is a mixture that changes from batch to batch— much like the soup my wife sometimes throws together. The main ingredients appear the same although the particular species of meat or veggies seems to change and in fact resemble something I have eaten earlier in the week. As you can see, I am not suffering from the offering! But just like you might throw various ingredients from one time to the other to make a soup, there are a lot of things thrown together to make the stuff we know as “gasoline.”

If the advocates of the “right to know” philosophy believed all ingredients in “pure gasoline” that might be of interest to consumers should be labeled, I might at least appreciate their concern. If you take a look at the Materials Safety Data Sheet for Unleaded Gasoline from Chevron, you will find **“Contains benzene, which has been classified as a carcinogen by the National Toxicology Program (NTP) and a Group 1 carcinogen (carcinogenic to humans) by the International Agency for Research on Cancer (IARC). Contains ethylbenzene which has been classified as a Group 2B carcinogen (possibly carcinogenic to humans) by the International Agency for Research on Cancer (IARC). Contains naphthalene, which has been classified as a Group 2B carcinogen (possibly carcinogenic to humans) by the International Agency for Research on Cancer (IARC).”** I think if you ask, you will find that ethanol is the only fuel component that they believe consumers should know about. Ethanol, the component in fuel that the Feds make us denature... to make it unfit for human consumption. And as far as vehicles and equipment having problems running on ethanol blends, in Minnesota, a state fuel standard requires that all motor fuels contain ethanol. It works fine, and retailers will benefit from the flexibility.

Also, we have recently been awarded a grant from KDOCH to do two educational mailings to assist retailers in assessing their options and requirements, if they were to add E-10 to their retail offerings.

Chairman Taddiken, members of the committee, this isn't 1979, Disco is dead, as the requirement to label ethanol in Kansas should be. I encourage this committee to favorably pass Senate Bill 56. Thank you.

**Written testimony on SB56
submitted to the
Senate Agriculture Committee**

February 16, 2005

**Lee Allison, Chair
Kansas Energy Council**

The Kansas Energy Council formally recommended five legislative actions in the 2005 Kansas Energy Report. One of them was to "Remove mandatory labeling for 10% ethanol mixtures at the gas pump. Rescind Subsection b of Kansas Statute No. 79-3408, which currently requires that retail gasoline pumps with ethanol blends be labeled."

The Energy Council determined that the labels are wrongly viewed by consumers as warnings, a hold over from two decades ago, when some alcohol additives caused problems in engines. Since then, all carmakers warranty their engines for ethanol-blend gasoline and gasoline has detergents so that those problems are long past us.

A few members of the Energy Council expressed concern that some part of the public still worries about those old problems. Some other Council members believe that mandatory posting of more information about gasoline additives is in the public interest.

In the end, however, the Energy Council recognized that the mandatory labels primarily serve to perpetuate an erroneous belief. Eliminating the mandatory requirement still allows marketers to voluntarily display the label, does not reduce consumer safety, and is likely to lead to increased use of ethanol, an environmentally-friendly, Kansas-produced fuel.

Senate Bill 56 will carry out that recommendation of the Energy Council. I urge you to pass it out favorably.

Senate Agriculture Committee
Date 02-16-05

Attachment # 8



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SENATE AGRICULTURE SUBCOMMITTEE

February 16, 2005
Topeka, Kansas

RE: SB 56 – removing the pump labeling requirement for sale of ethanol.

Chairman Taddiken and members of the Senate Agriculture Committee, thank you for the opportunity to share comments in support of SB 56. I am Leslie Kaufman and I serve the Council as Government Relations Director. The Council includes more 223 cooperative business members. Together, they have a combined membership of nearly 200,000 Kansans.

The KCC supports initiatives which promote the use of renewable fuel sources such as ethanol, bio-diesel and e-diesel. As you know, cooperatives are member-owned businesses. Our grain warehouse members are owned by agricultural producers who grow the grain that is used to make ethanol. They understand the importance of adding value to the commodities they grow and they appreciate the contribution bio-based fuels make in reducing reliance on non-renewable fuel sources.

As such, we support SB 56. The bill removes the mandatory labeling requirement. Too often a regulatory label causes consumers to react as if reading a warning label. We do not want consumers to fear today's ethanol blended fuels. Rather, any labeling needs to be seen as a marketing tool. We think the bill before you will help do just that. Thus, we respectfully encourage you to recommend favorably legislation which removes the mandatory labeling requirement for ethanol. Thank you for your consideration.

Leslie Kaufman
Government Relations Director
Kansas Cooperative Council
Cell: 785-220-4068
leslie@kansasco-op.coop

Senate Agriculture Committee
Date 02-16-05

Attachment # 9



KANSAS AGRICULTURAL ALLIANCE

800 SW Jackson ST., Ste. #1300, Topeka, Kansas 66612, 785.234.4535, Fax 785.234.0278

*Kansas Agribusiness
Retailers Association*

*Kansas Agricultural
Aviation Association*

Kansas Agri-Women

*Kansas Association of
Conservation Districts*

*Kansas Association of
Wheat Growers*

*Kansas Corn Growers
Association*

Kansas Cooperative Council

Kansas Dairy Association

*Kansas Electric
Cooperatives*

*Kansas Association of
Ethanol Processors*

Kansas Farm Bureau

*Kansas Grain & Feed
Association*

*Kansas Grain Sorghum
Producers*

*Kansas Livestock
Association*

Kansas Pork Association

*Kansas Seed Industry
Association*

Kansas Soybean Association

*Kansas Veterinary
Medical Association*

SENATE AGRICULTURE COMMITTEE

RE: SB 56 – Motor vehicle fuels; relating to pump labeling requirements

February 16, 2005

Good morning Chairman Taddiken and members of the Senate Agriculture Committee. KAA is a group of eighteen organizations representing agricultural, agribusiness and rural interests. As a point of information, the KAA only takes positions on specific legislation when its members are unanimous in their support or opposition to a bill. KAA submits this testimony in support of SB 56.

Most ethanol plants are located in rural areas and provide a significant employment opportunity in these local communities. Furthermore, this industry is significantly tied to the surrounding grain producers thus providing another outlet for our farmers to market their grain. Finally, ethanol is good for the environment.

We believe that the enactment of SB 56 would make it easier for the retailer to carry ethanol at their stations. SB 56 is about choices – giving the retailer the choice whether or not to label ethanol. We anticipate that some retailers will continue to label ethanol as a marketing tool, but each retailer should be given the right to chose.

Since there is no reason or need to label ethanol, we think it is appropriate to lessen the requirements on the retailer. Hopefully, this will spur the increase of ethanol usage which is good for the rural communities and good for the environment.

Because of these reasons, KAA urges you to support SB 56, which will allow the retailer to decide if he wants to market the fuel as containing ethanol. Ethanol is good for the economy, good for agriculture and good for the environment. These are positive elements for the future. Therefore, KAA respectfully urges your passage of SB 56.

Mary Jane Stanciewicz

Senate Agriculture Committee
Date 02-16-05

Attachment # 10

TAYLOR OIL, INC.

PO BOX 581, WELLSVILLE, KS 66092 800-883-2072 FAX 785-883-4194

My name is Curt Wright. I am Vice President of Taylor Oil, Inc. based in Wellsville, Kansas. We are a petroleum marketer that serves farm, commercial and retail customers in eastern Kansas and western Missouri. We also operate 4 convenience stores and 1 full service station in eastern Kansas.

I urge you to oppose Senate Bill 56. I am not an opponent of ethanol. I believe that ethanol is and will be an important part of the energy equation for the United States and Kansas. There is no doubt that the construction of an ethanol plant is an economic plus for the communities that have one. There is also no questioning the economic theory that by expanding the market for grains that prices should increase.

The central goal of many of the proponents is to increase the use of ethanol in Kansas, so we can help farmers and encourage the construction of additional ethanol plants in Kansas. These are very admirable goals. However, I do not believe that removing product information we are currently providing the consumer is the correct way to accomplish this goal. By removing the label, we make it more difficult for the consumer who wants to buy ethanol to find it. But the biggest disservice we do, is to those people who do not want to buy ethanol. There reasons may be varied: 1) the person or their family may make or have made their living in the Kansas oil and gas fields, which is a 3.5 billion dollar per year industry for the State of Kansas 2) the person may have had a bad experience with alcohol blended products that left them stranded along the road when the products were first introduced 20 to 25 years ago, even though those problems are virtually non-existent today 3) the person may simply object to the government subsidy of the product. Some people will argue that these are not valid reasons, but I believe that whether you agree or not, these people are still entitled to hold those opinions. By removing the mandatory label, these people will find it virtually impossible to satisfy their purchasing desires. The person who works at a gas station is more than likely not going to know the answer to the question, "Does your gas have ethanol in it?". According to employees at one of my locations, they are asked this question at least once per day. Over the last 4 months, I have answered this question myself more than a half dozen times in the limited time I have spent in that convenience store. Some customers leave and some stay. At some locations the answer to this question might change with each delivery. The proponents will argue that the label will be voluntary. That will not change the predicament facing the consumer who categorically does or does not want to use ethanol, they will both be left guessing in many instances.

As an alternative, I believe the state should take a positive approach and promote the label. If the central issues are truly economic development, then utilize lottery funds that are supposed to be used for economic development to create a marketing campaign that asks the people of Kansas to "Look for the Label". Local cable TV advertising is very inexpensive. In some markets, a 30 second prime time commercial on ESPN or CNN is less than \$100. Local radio is also a very effective and inexpensive media.

Ethanol will play an ever expanding role in the future of our country and our state and I believe the state should be helping find ways to increase the use of ethanol. I just don't believe we should take the shortcut approach by removing product information from consumers that we are providing today.

Thank you for giving me the opportunity to testify.

Curt Wright
VP Operations

Senate Agriculture Committee
Date 02-16-05

Attachment # 11



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LEGISLATIVE TESTIMONY

Kansas Senate Agriculture Committee

Wednesday, February 16, 2005

Good morning, Mr. Chairman and members of the committee. My name is Ed Roitz, President of Fleming Corporation of Kansas. Thank you for the opportunity to submit my testimony today, which reflects my opinions on the issue of removing the ethanol labels on fuel pumps in Kansas.

First, my qualifications to render my opinion before you:

1. Currently, my company and its customers market motor fuel in Kansas, including the metropolitan markets of Kansas City and Wichita.
2. In 1979, my company was one of the first, if not THE FIRST, to market Gasohol in the State of Kansas. I have attached a news release that shows on September 24, 1979, Roitz Oil Co., Inc. introduced "Gasahol" in Pittsburg, Kansas.

In 1979, when Gasohol was being touted, we were experiencing fuel shortages, high prices, and the clamor for greater independence from imported crude oil. Domestically produced, and agriculturally based, ethanol was being hailed as a great product that would lessen our dependence on Middle East oil. Every office holder, from mayors to governors to congressmen, were working hard to have their picture taken driving a gasohol-powered vehicle. High visibility publicity was good politics! Everybody was jumping on the bandwagon!

Even the major oil companies were getting into the act. Although almost all of the original innovation came from independent, small business, most major refiners announced trial runs in selected metropolitan markets to offer the fuel to their customers, whether it be wholesalers at selected pipeline terminals, or to the motoring public directly.

Over the years, however, usage of ethanol-laced fuels fell out of favor. Only a few retailers in mostly farm states continue to market "Gasohol". Why?

Was it product quality? Was it tax incentive policies that were changed?
Was it that public enthusiasm waned?

Senate Agriculture Committee
Date 02-16-05

Attachment # 12

1. **Product Quality** -- Gasohol, or ethanol-blended gasoline, is a good product that works very well in virtually every vehicle, whether car, truck, motorcycle, etc.. Properly maintained equipment and professionally marketed products have proven that ethanol is a very acceptable product to Kansas consumers. Part of the problem through the 80's and 90's was that there were bad retailers who didn't care how or where or what they were blending with their gasoline, just as long as they had more of it to sell. This was a major contributor to any product problem or bad misperception on the part of the consumer. This is what all of us, as conscientious tax-paying Kansas marketers, still at times have to deal with when discussing alcohol fuels with our customers.

2. **Tax Policy** -- It is a shame that at least up to recent times, that the alcohol price has been a very opportunistic one on the part of the single major U.S. producer, Archer Daniels Midland (ADM). Consequently, it's been the American and Kansas taxpayer that has been forced to subsidize the price viability in the marketplace. ADM has priced its alcohol as high as possible, regardless of the ups or downs of gasoline prices. "Whatever the market will bear". Tax policy has been hard on bridge and highway programs, as needed tax dollars have been siphoned off the subsidize alcohol fuels.

3. **Public Enthusiasm** -- I don't think that American patriotism or the desire to reduce our dependence on foreign oil sources has lessened one bit. The problem is that the motoring public does not have enough information on what product they can buy to help in the cause. In other words, if all of us are serious in our intentions of making this ethanol product more wide available, and better accepted by the consumer, then in my opinion, MORE NOT LESS labeling is the answer.

I would go further and recommend that we develop a "MADE IN KANSAS" campaign, to tout "Kansas Domestic" ethanol that will flow out of our emerging distillery industry, and to certify to the Kansas fuel consumer where the product comes from, and that it is being offered from a reputable Kansas business that knows what they are doing, and have for sale a good, high-quality product.

Please note that not all ethanol which will be used in our state will be made in Kansas. Major importing countries include Communist China and smaller producers in the Caribbean.

In conclusion, I see this mandatory versus voluntary issue as a consumer-protection question. All of us in the fuel marketing business should run to, and not hide from, this quality product that can offer many, many benefits to Kansans. If we keep them guessing at the pump, Kansans are a smart bunch. Kansas motorists need to know what is in the gasoline that they purchase for their cars and trucks, and once they know what they're getting, I am sure they'll vote with their pocketbook to support it! Thank you!

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STATE OF KANSAS

Senator Tim Huelskamp, Ph.D.

Committee Assignments

Elections & Local Government,
Chairman
Information Technology, Co-Chairman
Kansas Legislative Education &
Research, Past President
Agriculture
Medicaid Reform Task Force
Natural Resources
Natural Resources Legacy Alliance

Testimony by Senator Tim Huelskamp
Senate Agriculture Committee – SB 234
Wednesday, February 16, 2005

A handwritten signature in blue ink, appearing to read 'THH', with a large, sweeping flourish underneath.

Mr. Chairman and fellow committee members:

SB 234 is a bill designed for one purpose – to require that the state of Kansas continue to lead by example in the use of renewable fuels. Let me explain.

Two years ago, this Legislature passed a requirement that all bulk motor vehicle fuels purchased by any state agency must contain ethanol or biodiesel (subject to a maximum price differential of a dime). As you can see by the Legislative Research attachment, for some agencies this had an immediate impact in the third quarter of 2003. For others though, some agencies may not be complying with the mandate. We are continuing to research this data, but clearly this was a positive beginning.

Since this renewable fuels requirement was adopted though, Governor Sebelius has – very wisely, I might add – eliminated the central motor pool. Consequently, instead of state-owned vehicles, many state employees are now driving rented or leased vehicles.

In SB 234 I propose that all motor vehicle fuel purchases – for owned, rented and leased vehicles – provide for state leadership in the use of renewable fuels. We all recognize the valuable impact of the use of renewable fuels on our agricultural economy. SB 234 would maximize this positive impact in our state.

Thank you for your consideration of this legislation.

Senate Agriculture Committee
Date 02-16-05

Attachment # 13

August 18, 2004

Re: Ethanol Purchases by Select State Agencies

You had requested information concerning the purchase of ethanol fuel as a percentage of total fuel purchases by selected state agencies. Specifically, you had requested a comparison of the purchases during the third quarter of Fiscal Year 2003 and Fiscal Year 2004.

Research Universities

Neither the University of Kansas nor Wichita State University purchased ethanol fuel during FY 2003 or FY 2004. The KU Medical Center does not track subgroupings of fuel purchases, so it has no way to determine which, if any, purchases were ethanol.

Kansas State University did not purchase ethanol fuel during FY 2003. In the third quarter of FY 2004, ethanol purchases totaled 5,341 gallons of ethanol or 46.8 percent of the total fuel purchased.

Kansas Department of Transportation

The Kansas Department of Transportation did not purchase ethanol during FY 2003. In the third quarter of FY 2004, the agency purchased 215,007 gallons of ethanol or 31.6 percent of the total fuel purchased.

Kansas Highway Patrol

The Highway Patrol did not purchase ethanol fuel during either FY 2003 or FY 2004. However, during the third quarter of FY 2004, all of the bulk fuel purchases were blended gasohol rather than unleaded gasoline as had been the case in FY 2003. The fuel purchases for that quarter totaled 72,899 gallons.

Department of Wildlife and Parks

The Department of Wildlife and Parks does not track subgroupings of fuel purchases, so it has no way to determine which, if any, purchases were ethanol.

I hope this information proves helpful. Please call should you have questions or need further information.

DH/kc