

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 4:15 p.m. on January 23, 2006, in Room 423-S of the Capitol.

All members were present except:

Representative Doug Gatewood- excused
Representative Bill Light- excused
Representative Larry Powell- excused
Representative Ted Powers- excused

Committee staff present:

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

Conferees appearing before the committee:

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

Others attending:

See attached list.

Constantine Cotsoradis, Assistant Secretary of Agriculture, Kansas Department of Agriculture, requested introduction of a committee bill to amend current Kansas egg law clarifying who is responsible for paying inspection fees; adding additional licensing requirements for non-chicken eggs. No additional fees, just license and regulation compliance. Seeing no objection, Chairman Johnson stated that this request would be introduced as a committee bill.

Duane Simpson, Kansas Agribusiness Retailers Association, requested introduction of a committee bill to amend the Kansas pesticide law regarding certified private applicators' licensing requirements; repealing one of the exemptions that allows an applicator to have a private license as opposed to a commercial license. There being no objection, the Chairman stated that this request would be introduced as a committee bill.

Chairman Johnson requested introduction of a committee bill concerning buried gas and oil pipes on agriculture land. There being no objection, this request will be introduced as a committee bill.

Patty Clark, Director, Agriculture Products Development Division, Kansas Department of Commerce, presented the Division's annual report. She reviewed value-added loans for FY 2005 and FY 2006, noting that the majority of loans in Fiscal 2005 were food related, while Fiscal 2006 is dominated by ethanol and biodiesel. In discussing Business Enhancement Grants for FY 2005 and FY 2006, as well as Trade Show Assistance Grants, she said the Division would be cutting back on Trade Show Assistance Grants and putting more money into Business Enhancement Grants as there is a better return on their investment.

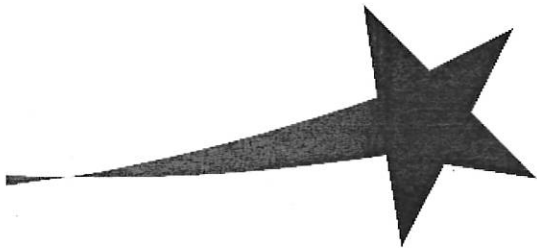
She reviewed the state's participation in the Mid-America International Agri-Trade Council (MIATCO), a non-profit organization composed of 12 midwestern state agricultural promotion agencies that use federal, state, and industry resources to promote the export of midwestern food and agricultural products, and discussed the increased interest in the grape and wine industry, as well as agritourism, in Kansas. (Attachment 1)

The meeting adjourned at 4:37 p.m. The next meeting of the House Agriculture Committee is scheduled for January 25, 2006.



KANSAS
DEPARTMENT OF COMMERCE

Howard R. Fricke, Secretary



Update on Agriculture Products Development Division

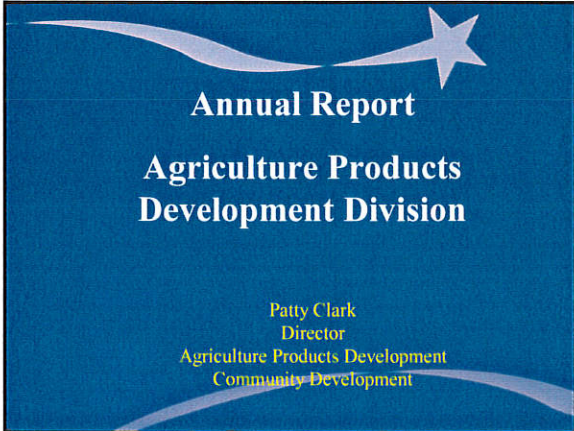
House of Representatives Agriculture Committee

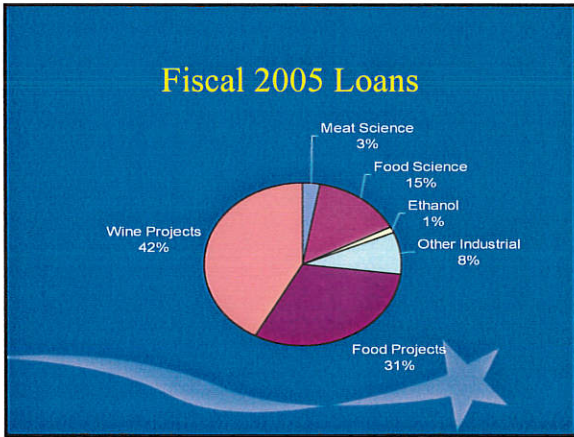
January 18, 2006

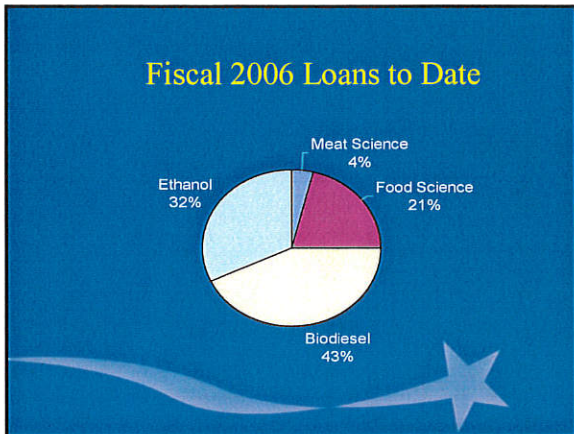
For more information on this topic contact:
Patty Clark, Director of Ag Marketing & Community Development
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Fax: (785) 296-3776
e-mail: pclark@kansascommerce.com

www.kansascommerce.com

House Agriculture Committee
January 23, 2006
Attachment 1







2005 Business Enhancement Grants

- Old Town Farmers Market \$2500
- Pen'Z Pantry \$2500
- The Pantry Shelf \$2477
- Smoky Hill Winery \$2500
- Heart of America Action League \$1738
- Helten Gardens \$2418
- Cinda's Sauces \$1550
- Fieldstone Enterprises \$1227
- Kaw Valley Farm Tour \$2200
- Harvest Lark \$2378
- Salina Farmers Market \$1361

2006 Business Enhancement Grant

- Wichita Food Coop \$2500
- The Blackberry Mercantile \$2500
- Smoky Hill Bison \$1500
- Spring Hill Ranch \$2500
- Little House on the Prairie \$ 500
- Fieldstone Enterprises \$1948
- TRIPTI \$1150
- Lawrence Farmers Market \$2500
- Amy's Meats \$ 416

Trade Show Assistance Grants

- 2005 Total = \$8977
- 2006 Total = \$5430 to date


International Marketing/MIATCO

- Federal Fiscal Year (FFY) 2003 Oct. 1, 2003 through Sept. 30, 2004
 - Kansas companies received total allocations of **\$93,233** through the Branded Program.
 - Companies reported actual increases in export sales of more than **\$1.16 million**.
- FFY 2004 Oct. 1, 2004-Sept. 30, 2005
 - Kansas companies received total allocations of **\$83,983** through the Branded Program.
- FFY 2005 to date Kansas companies have been allocated **\$115,380**




Grape & Wine Industry

- 170 acres of grapes – 16 wineries
- 150,000 visitors in 2004
- \$1.2 million in sales
- 42 FTE; 66.5 PTE
- Total Payroll = \$977,000
- Marketing
 - Grape Stomp, Winery Brochure, Legislative Assistance
- Education
 - Wine Judging
 - Grape Growing Seminar



Grape & Wine Industry

- USDA FSMIP Grant – \$28,800
 - Marketing and Consumer Preferences Study
 - Financial Feasibility
 - Regulatory
 - Website: www.winesofkansas.com
 - Tourism
- Funded over \$350,000 to industry since June 2004



Agritourism

- Agritourism Promotion Act
 - 188 registered operations
- Agritourism Scholarships
 - 13 scholarships awarded = \$15,788
- Agritourism Communications
 - E-newsletter & website (kansasagritourism.org)
- Ben Allen, Agritourism Consultant Visits
 - 93 farm & ranch visits
 - 33 meetings with 616 people in attendance

FY 2005 Projects

<i>Project #</i>	<i>Contract Name</i>	<i>Company</i>	<i>Funding</i>
2005-01	KSU Meat Extension	K-State	\$12,600.00
2005-02	KSU Food Extension	K-State	\$66,580.00
2005-03	Wyldeewood Cellars	Wyldeewood Cellars	\$88,000.00
2005-06	Serenity Gardens	Serenity Gardens Plant Company	\$24,000.00
2005-07	Industrial Crating	Industrial Crating	\$36,500.00
2005-08	The Pantry Shelf	The Pantry Shelf	\$75,000.00
2005-09	Smoky Hill Vineyards & Winery	Smoky Hill Vineyards & Winery	\$100,000.00
2005-10	Corn Growers Grant	Kansas Corn Growers Association	\$5,000.00
2005-11	Walters' Pumpkin Patch	Walters' Pumpkin Patch	\$41,959.00
<i>Total</i>			<i>\$449,639.00</i>

FY 2006 Projects

<i>Project #</i>	<i>Contract Name</i>	<i>Company</i>	<i>Funding</i>
2006-01	KSU Meat Extension	K-State	\$12,705.00
2006-02	KSU Food Extension	K-State	\$70,000.00
2006-03	Lawrence Biodiesel	New Horizon's Agriculture Alliance	\$40,000.00
2006-04	Liberal Ethanol	Liberal Ethanol Steering Committee	\$27,500.00
2006-05	NEK-SEN Energy Partners	NEK-SEN Energy Partners	\$40,000.00
2006-07	State Energy Program Grant	Pinnacle Technology	\$30,000.00
2006-10	AgraMarke	AgraMarke	\$30,000.00
2006-13	Northeast Kansas Bioenergy LLC	Northeast Kansas Bioenergy, LLC	\$79,500.00
2006-14	Central Kansas Biodevelopment, Inc.	Central Kansas Biodevelopment, Inc.	\$22,000.00
2006-15	Conestoga Energy Partners, LLC	Conestoga Energy Partners, LLC	\$7,500.00
<i>Total</i>			<i>\$359,205.00</i>



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JAN 13 2006

KS DEPT. OF COMMERCE

AG PRODUCTS DEV. DIVISION

January 11, 2006

Patty Clark
Kansas Department of Commerce
1000 S.W. Jackson Street
Topeka, KS 66612-1354

Ms. Clark:

This letter is completed with a lot of excitement and gratitude. The reason for this letter is to give you an understanding of 2005 for Smoky Hill Vineyards & Winery. Through many challenges discussed below, we were able to have the most successful year in our company history. One of the most important goals we achieved this past year is to become profitable.

Following is a list of the main challenges.

1. In September, our founder and winemaker Steve Jennings passed away in an accident.
2. A major expansion project including a new winery facility and expansion of our tasting room, gift shop and events center occurred.
3. Kansas vineyards (us included) suffered through early season frosts that impacted grape yields and quality parameters.
4. As with all business, we saw large cost increases ranging from energy to construction material and certainly impacting product costs.

In 2005 we achieved a turn-around of \$131,000 yielding a "net before" profit of nearly \$9000. During the year we experienced total sales growth of 16% and growth of wine sales in excess of 20%. Maybe most important is we did this while lowering expenses and reducing cost-of-goods.

So, with all the challenges, how did we prosper? Some of the key reason for this are noted below.

1. Your division within the Kansas Department of Commerce. In 2002 when we first started working to move toward today, we were able to develop marketing and business plans that gave us a solid road map that we could continue to follow (even during a bad storm). We were introduced to marketing assistance programs that allowed us to improve our presentation to customers and prospects. We were able to utilize a KDOC loan to complete the first phase of this growth in 2003. Though a simple building it was very important to help us to become efficient through our purchasing, processing and bottling tasks. Your division has gathered

Winery Location:

Smoky Hill Winery
212 W. Golf Link Road
Salina, KS 67401

Telephone: 785-825-2515
FAX: 785-823-5231
www.kansaswine.com

Outlet Locations:

Wilson, KS
Smoky Hill Winery Outlet
I-70 and Hwy 232

Wichita, KS
Under the Cork
New Market Square


1-8

together the grower side of our industry and has helped to focus on building that component. Literally, there are many other ways that KDOC has helped to transform us into a strong company in a rapidly growing industry.

2. KSU Ag. Innovation Center has also played a vital role. In 2004, through the KDOC we were introduced to the center. Since that time, we have further developed, refined and solidified our plan for success. More than just marketing or business plans, we have looked at product specific goals and have shaped our management, staffing and purchasing to be as efficient and effective as possible.
3. Kansas Department of Agriculture has played a vital role in making the Grape & Wine Advisory Council meaningful and active. From legislative to 2-4D to marketing under the direction of Secretary Polansky has helped to raise the awareness of our industries. During this time we have been transformed from a small enthusiast business into a viable contributor to value added agriculture and Kansas tourism.
4. The people that are our staff, customers, associates and suppliers are part of our family. They all have helped during a trying time and understand our mission of supplying products and service the meet and exceed expectations will carry us through the good and bad times.

In reflection, I can honestly say that we would not be in the same place today had it not been for the Lord bringing us together in 2002. We will still have many challenges, but know in all that you and your staff do there is real meaning and purpose. Smoky Hill is one company that is very grateful for all your hard work and dedication. We look forward to our future and thank you for all your assistance.

Sincerely,



Norman M. Jennings