

## MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on January 18, 2006 in Room 423-S of the Capitol.

All members were present except.  
Derek Schmidt - excused

Committee staff present:  
Raney Gilliland, Kansas Legislative Research  
Lisa Montgomery, Office of Revisor of Statutes  
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:  
Adrian Polansky, Secretary of the Kansas Department of Agriculture

Others attending:  
See attached list.

Secretary Polansky introduced members of his staff present: Constantine Cotsoradis, Dale Lambley, Max Foster, Carole Jordan, Erik Wisner, Lisa Taylor and Dan Riley. He submitted the Kansas Department of Agriculture 2005 Annual Report. (A copy is on file in the office of the Legislative Research Department.) The Secretary told the Committee that the KDA is a regulatory agency serving all Kansas. KDA ensures a safe food supply; regulates the responsible use of pesticides and plant nutrients; protects the state's native and cultivated plants; ensures the integrity of weighing and measuring devices; and guards the beneficial use of the state's waters.

Mr. Polansky reported that Kansas agriculture produced a record corn crop, the second largest soybean crop and doubled the sunflower production. Kansas leads the nation in wheat produced, flour milled and grain sorghum produced. Kansas ranked number one in cattle slaughtered for 2005 (Attachment 1).

Some of the challenges for agriculture include increasingly high priced and uncertain fuel supplies, lost beef markets, safeguarding crops, food, and livestock from natural or manmade disasters and helping specialty segments of the agricultural industry grow and succeed. He said the progress of a 2007 federal farm bill is being carefully followed.

A variety of issues addressed by the KDA in 2005 were:

- beef exports
- testing of cattle
- global marketing of Kansas products
- effects of higher energy prices
- management of water resources
- settlement of lawsuits involving the Republican and Arkansas River
- water structures
- food safety
- security of the agriculture system
- assistance for cost of organic certification of state's organic producers
- appointments to the Grape and Wine Industry Advisory Council

Governor Sebelius created the Rural Life Task Force to advise her about issues that affect rural Kansas. Agritourism was an area of major interest for the Task Force. Kansas was the first of the Governors' Ethanol Coalition's member states to receive a flexible fuel vehicle under a no-cost, one-year lease from GM.

Secretary Polansky said the KDA has received two new federal grants. The Food and Drug Administration awarded the KDA a three-year grant to increase feed inspections to prevent bovine spongiform encephalopathy (BSE). The U.S. Bureau of Reclamation granted the KDA just over \$230,000 to install flow meter instruments along the Republican River.

Secretary Polansky stood for questions.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on January 18, 2006 in Room 423-S of the Capitol.

Chairman Taddiken introduced the following bills:

5rs1585 establishing the Kansas qualified biodiesel fuel producer incentive fund; amending K.S.A. 2005 Supp. 79-3425 and repealing the existing section. Senator Huelskamp moved to introduce the bill; seconded by Senator Pine. Motion passed.

5rs1586 relating to motor fuels; requiring motor fuels sold in state to contain ethanol or biodiesel. Senator Bruce moved to introduce the bill and seconded by Senator Lee. Motion passed.

5rs1633 concerning biofuels railroad terminals; providing for a property tax exemption; allowing issuance of bonds by the Kansas development finance authority for biofuels railroad terminals. Senator Pine made a motion to introduce the bill. Senator Ostmeyer seconded the motion. Motion carried.

5rs1646 concerning income taxation; relating to credits biofuels mixing facility. Motion to introduce the bill by Senator Bruce and seconded by Senator Francisco. Motion carried.

5rs1642 concerning taxation; relating to tax credits and exemptions; biodiesel fuel; amending K.S.A. 2005 Supp. 79-3606 and repealing the existing section. Motion to introduce the bill was made by Senator Lee and seconded by Senator Pine. Motion passed with one dissenting vote from Senator Bruce.

5rs1670 relating to income taxation; concerning tax credit alternative-fuel fueling stations; amending K.S.A. 2005 Supp. 79-32,201 and repealing the existing section. Motion to introduce the bill by Senator Francisco and seconded by Senator Huelskamp. Motion carried.

Chris Wilson, Kansas Horse Council, requested the introduction of a bill regarding the Kansas equine industry research and promotion act. Motion was made, seconded and passed to introduce the bill.

The meeting adjourned at 9:32 a.m. The next meeting is January 24.

# SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 18, 2006

NAME	REPRESENTING
MAX FOSTER	KS. DEPT OF AGRICULTURE
Dale Lambley	KDA
Lisa Taylor	Kansas Department of Agriculture
Erik Wisner	KDA
Carole Jordan	KDA
Den Riley	KDA
Twila Dripbread	DCB
Alex A. Kotoyantz	Agriculture with Armenia
John A. Donley	KS Cuck. Association
Chris Wilson	KS Dairy Association
Estelle Montgomery	Hein Law Firm
SEAN MILER	KS Dairy Assn
RICHARD RODEWALD	KOBBS
<b>BRAD HARRELSON</b>	<b>KFB</b>
Rep Sharon Schwartz	



# KANSAS

DEPARTMENT OF AGRICULTURE  
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

## The State of Kansas Agriculture

### Presentation to the Senate Agriculture Committee

By Adrian Polansky

Secretary

Kansas Department of Agriculture

January 18, 2006

Thank you, Chairman Taddiken and members of the committee, for allowing me to update you on Kansas agriculture and the Kansas Department of Agriculture.

I brought some of my staff with me. They are Constantine Cotsoradis, Dale Lambley, Carole Jordan, Erik Wisner, Lisa Taylor and Dan Riley. I urge you to contact us when you have questions or issues that fall in our area.

### The Kansas Department of Agriculture

This department serves urban and rural Kansans alike. We are charged by law with ensuring a safe food supply; regulating the responsible and judicious use of pesticides and plant nutrients; protecting the state's native and cultivated plants; ensuring the integrity of weighing and measuring devices in commerce; and ensuring the beneficial use of our water resources.

Our regulatory programs protect consumers. They also protect business and commerce by ensuring a climate of confidence and a level playing field. The foundation provided by our regulatory activities allows me to be an advocate for agriculture and rural Kansas.

We regularly bring together diverse groups with varied agendas to work on behalf of all Kansans, the agriculture industry, our state's overall economy and our rural communities. It is our priority to work well with other state and federal agencies, and business and industry stakeholders. There is little we do that is not in cooperation with the Department of Commerce's agricultural marketing and community development programs.

*Senate Agriculture  
Committee  
1-18-06*

*Attachment 1*

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Over the next year we will organize stakeholder groups to regain beef markets, deal with environmental issues, improve our food safety program, and modernize our pesticide and fertilizer laws.

### **Kansas Agriculture in 2005**

Kansas agriculture again distinguished itself for productivity and the ability to change. We produced a record corn crop, our second largest soybean crop, doubled our sunflower production, and our cotton production continues to increase almost every year. We lead the nation in wheat produced, flour milled, grain sorghum produced and cattle slaughtered. We rank sixth among the states in value of agricultural products exported.

Agriculture and agribusiness also contribute to the total economy of Kansas, directly and indirectly. Nearly 20 percent of all Kansans, rural and urban, are employed in jobs related to agriculture. Kansas agriculture has a proud past and a bright future.

But of course, agriculture and rural Kansas continually face challenges. Current challenges include increasingly high priced and uncertain supplies of petroleum and petroleum-based products, lost beef markets, safeguarding our crops, food and livestock from natural or manmade disasters, and helping specialty segments of the agricultural industry grow and succeed.

### **2007 Farm Bill**

We will be watching the progress toward a new federal farm bill very carefully. New farm policy should encourage a new generation to become farmers. The United States must maintain and enhance the integrity of the farm safety net if new farmers are to enter the business. A decrease in the safety net would result in lower farm income and lower cropland values. K-State economists report approximately 40 percent of Kansas cropland value is based on farm payments. If cropland values fell significantly, most family farmers would be economically devastated, especially the younger ones, the ones usually most impacted by loss of equity. These young farmers are already facing increased fuel costs, a jump in fertilizer prices and rising interest rates. Lowering the safety net farm income and cropland values would have consequences of the worst kind. We should look for ways we can directly help a new generation transition into farming.

### **Beef**

You will remember that in 2004 we shared concerns about the aftermath of the discovery of a single case of BSE in a cow from Washington state and the reverberations of that discovery on our state's cattle industry.

Within days of USDA's announcement of the BSE finding, 53 countries had banned imports of U.S. cattle and beef. In 2003, U.S. beef exports were valued at \$3.95 billion and accounted for 9.6 percent of U.S. commercial beef production. Five countries – Japan, Mexico, South Korea, Canada and Hong Kong – received 90 percent of U.S. beef exports in 2003.

Late in 2005, the Kansas beef industry received long-awaited good news when Japan announced it would resume American beef imports from animals less than 21 months of age. Japan had been our second-largest export market, importing more than \$175 million worth of Kansas beef and \$1.4 billion worth of American beef in 2003. That was before that one cow had tested positive for BSE.

Mexico and Canada partially resumed beef imports in 2004, but overall the quantity of U.S exports fell by 82 percent below 2003 levels. It took the United States until mid-December 2005 to reach agreement with Japan on the conditions under which beef could be sent back into that market. Soon after Japan announced it would resume imports, Hong Kong announced they, too, would begin accepting American beef. Other Asian nations, including South Korea just late last week, seem to be following Japan's lead in reopening markets to our products.

Currently, the Department of Agriculture is working with the Kansas Department of Commerce, Department of Animal Health and key industry stakeholders to strategize how to promote Kansas beef in the Japanese marketplace. Kansas beef had been marketed as a brand synonymous with high quality. Our challenge now is to regain consumer interest after a two-year absence from the market.

My frustration continues about the slow pace USDA has set toward animal identification. Source and age verification are critical to our markets, and premiums currently are being paid for those animals. Some states, including Wisconsin and Texas, have taken the initiative to move forward on mandatory identification programs. I hate to see our competitors get ahead of Kansas on identification programs.

### **Testing**

Japan indicated early on that they would accept beef from cattle that had tested free of BSE. One Kansas beef processor, Creekstone Farms of Arkansas City, wanted to test all its animals so the beef could be exported to Japan. Unfortunately, USDA would not sanction the test to be used as a marketing strategy and limited its use to disease surveillance. I took exception to USDA's position, because I believe regulatory programs should establish minimum standards rather than maximum ones.

To better understand the economic impact BSE had on the American beef industry, I commissioned a study by K-State Research and Extension to provide a comprehensive assessment of lost export markets and policy changes that affected cattle procurement and processing. The report was released in April 2005. According to the research, if voluntary testing of 25 percent of U.S. slaughter cattle allowed the industry to regain access to the Japanese and South Korean export markets, and the U.S. was able to ship just one-half the quantity shipped during 2003, the potential return to the beef industry would have been nearly \$750 million.

I believe BSE-related policies will continue to evolve, and the analysis provided by the research team should be beneficial to that process.

## **Kansas and the World**

I am pleased to have been a part of, and to represent Kansas agriculture and the administration, on several international initiatives in the past year. Last spring I traveled to Armenia with a delegation including the National Guard and legislative leadership. I continue to work with the National Guard on strategies to assist agriculture and rural areas of that country.

I also was a member of the Kansas delegation to China last fall. That group included representatives of several agriculture and agribusiness groups. We learned a great deal and began building relationships with government and other officials that will serve our state well as markets continue to become more global. As the governor said, it's about jobs for Kansans. Later this year will mark the anniversary of more than two decades' relationship with our sister state in China, Henan Province. The celebration and continuation of that relationship will benefit both China and Kansas.

## **Energy**

Family farmers feel the bite from increased energy prices both at home and in their farming operations. They are facing challenges from higher costs to run equipment, buy fertilizers, herbicides and propane. Transportation prices have increased, too. We are concerned about the effects of higher energy prices on agriculture, both short- and long-term. The Kansas Energy Council has selected energy and the agriculture sector as one of its areas of focus, believing that fuel shortages and prices increases will continue to affect agriculture in the future. They will be looking at ways to make Kansas agriculture more energy self-sufficient, whether that is through different plant varieties, increased irrigation efficiencies, or the use of renewable fuels. The U.S. Department of Agriculture also is focusing on energy and agriculture issues through bioenergy and conservation initiatives. Sustainable agriculture practices also may offer energy savings for agriculture. I also am a strong supporter of the 25X25 movement, a nationwide effort that sets as its goal that the U.S. will get 25 percent of its energy from renewable sources by the year 2025.

## **Governors Ethanol Coalition**

On Kansas Agriculture Day 2005, Governor Kathleen Sebelius accepted the keys to a flexible fuel vehicle from a General Motors representative. Kansas was the first of the Governors' Ethanol Coalition's member states to receive a flexible fuel vehicle under a no-cost, one-year lease from GM. We have accepted every opportunity to display the vehicle at events where we can promote the benefits of biofuels.

Last year, I supported the Legislature's passage of a bill that removed the labeling requirement for gas pumps that dispense fuels with 10 percent or less ethanol. As a result of that legislation, ethanol consumption increased sevenfold in July and August 2005 compared to July and August 2004. This is especially good news for Kansas farmers whose crops end up at one of our seven ethanol plants, as well as for our state's environment.

Governor Sebelius has long been a proponent of biofuels, especially ethanol. This year she is serving as chair of the 32-member Governors' Ethanol Coalition. Also, in the early months of her administration, she created the Kansas Energy Council. The Departments of Agriculture and Commerce, as well as the Kansas Corporation Commission, representatives of the renewable energy industry, and our state's universities, work side-by-side with the energy industry on the council.

## Water

Water is essential to life. Individuals, communities and industries depend on our department to properly manage our water resources, and water will always pose serious policy challenges. Internally, we are shifting resources and seeking enhancements to make sure we can meet those challenges. We've restored the assistant chief engineer position to assume responsibility for day-to-day management of the Division of Water Resources and to provide continuity in the future.

Our lawsuit against Nebraska and Colorado over water in the Republican River has been settled and our case against Colorado over water in the Arkansas River is nearly settled. Now we must ensure both states live up to the settlement terms and Kansas receives the water to which it is entitled.

In each case – Kansas v. Colorado (Arkansas River); Kansas v. Nebraska and Colorado (Republican River) – computer models will be used to assess compact compliance. Division of Water Resources staff are responsible for gathering and assessing the data needed for the models, and we are seeking to add a professional civil engineer to provide technical expertise for modeling compliance. The engineer also will be able to provide modeling and technical support to assess the increasing number of water shortage complaints.

We're hearing reports from Nebraska that they may not be able to meet the 2007 deadline to comply with the compact and settlement terms regarding the Republican River. We acknowledge drought has seriously impacted Nebraska, but water users in Kansas have been impacted, too. Because of drought and overuse in Nebraska, Kansas has had to severely limit or curtail use along the main stem Republican River for most of the last five years.

The settlement reached with Nebraska and Colorado gave Nebraska time to make changes to its water management to comply with the compact and settlement. The overall settlement framework also allows each state some flexibility for where water is used, and it allows multiyear averages to be used to measure compliance. Since the compact allocates a percentage of the basin's water supply to each state, all states receive less water during drought. And, any overuse in one state means less water for any state downstream.

Diligence on our part will be needed to ensure that compact and settlement terms are met by all three of our states. To achieve this, we need to be certain we have adequate resources to complete the extra work and to be prepared to challenge any proposed changes to the computer models through which we verify compliance.



## **Water Structures**

Issues regarding maintenance, safety and responsibility for our state's dams continue to be raised. We understand the high cost of repairs and the frustration owners experience when their dam's a hazard classification changes because of downstream development. Yet, we all have seen the incredible destruction caused by water many times in the last year, with the failure of dams and levees in several states. Our core mission in the water structures subprogram of the Division of Water Resources is to protect human life. Public safety must be ensured.

## **Food Safety**

In 2004, the governor and the Legislature transferred certain food safety responsibilities to the Kansas Department of Agriculture from the Department of Health and Environment. Since the transfer, we have improved compliance rates in all areas and made program operations more efficient. We brought food safety into the electronic age by developing a database to track licensing and inspection data. We automated some parts of the licensing process and inspectors are recording inspection results electronically on PC tablets so data can be uploaded directly into the database. Efficiencies we gained by maximizing our use of technology allowed us to increase the amount of revenue generated by this program, which we used to fill inspector positions we initially had to leave vacant due to unanticipated funding concerns; increase compensation paid to some county health departments that perform inspections under contract with us because we were able to accurately identify more facilities in their counties; and add a clerical employee and an additional inspector, although we have not yet achieved the inspector-to-facility ratio recommended by the Food and Drug Administration. We have made significant progress and will continue to develop an efficient and effective food safety program.

We continue to work closely with the Kansas Department of Health and Environment on food safety issues, and we shared our database source code with them so they could create their own functional database. We also entered memorandums of understanding to clearly define areas of responsibility and to eliminate duplicate inspection at establishments that fall under both our jurisdiction.

We have developed a survey that went to all our regulated establishments and will give us the data necessary to make decisions about changes in the fee and licensing structure. We expect that to be an initiative for next year.

## **Rural Kansas**

Governor Kathleen Sebelius created the Rural Life Task Force to advise her about issues that affect rural Kansas, and to help preserve, renew and find ways to sustain the valuable contributions rural Kansas makes to our state's economy and culture. This is the first such group asked by a Kansas governor to represent the many issues affecting rural Kansas and its residents, to advise her on a long-term basis, and to work with state and federal agencies to improve the delivery of services to rural areas.

When task force members first gathered together in 2003, they broke into groups discussing areas of interest. In that way, they developed stories of the past, present and future of rural Kansas. Many of the areas they identified have been addressed. Other issues have surfaced, and the work of the task force will continue.

Agritourism was an area of major interest for the Rural Life Task Force. They suggested the state should pursue liability legislation related to agricultural tourism. Agritourism initiatives were contained in SB 334 in 2004, and through initiatives of the Department of Commerce, they have continued. Efforts have included hiring an agritourism consultant to help strategize a plan for Kansas agricultural tourism. Agritourism operations have been registered so they could receive tax benefits to help pay for the cost of liability insurance. Meetings, training and scholarship opportunities have been offered and continue today.

The group also asked for a review of rules and regulations regarding direct-marketed and value-added agricultural commodities with an eye toward increasing efforts in that area. As a result, KDA is pursuing some regulatory and statutory changes. It also has developed and is cosponsoring workshops with the Department of Commerce and the Rural Center to help direct marketers understand their responsibilities and where to get help. Those workshops will be in Dodge City, El Dorado, Salina, Great Bend and Topeka, and they begin next week. The Department of Agriculture also is promulgating regulations to clarify rules affecting home based sales and farmers market sales, simplifying some business operations by protecting food safety by calling for a no-cost registration.

The task force asked the state to scrutinize the distribution of EDIF money—lottery dollars earmarked for economic development—through the state. Most believed it is not being returned to rural communities on an equitable basis. It is interesting to note that analysis of these funds found that, in fact, 74 percent of the dollars were returned to rural areas.

Other suggestions were to establish a mentor/model clearinghouse through which businesses that have achieved success may share their techniques and wisdom, and to establish an office of small community sustainability through which small business leaders may unite. The creation of the Center for Entrepreneurship, Rural Business Development Tax Credit, State Entrepreneurial Fund, and the Angel Investor Network was a large step toward dealing with these suggestions.

Since the early meetings of the task force, when they indicated their concerns about an energy plan for Kansas, the governor has created the Kansas Energy Council. This group is working on numerous issues, including looking at regulatory programs, in the case of wind energy, early in the process of development. The task force worked with the energy council to sponsor a trip to view community wind projects in Minnesota. That group has been working to educate Kansans about the opportunities community wind projects could offer to rural Kansas and the rest of the state.

## Security

The Kansas Department of Agriculture continues to be involved in the Multistate Partnership for Security in Agriculture. Other member states are Illinois, Iowa, Kentucky, Minnesota, Missouri, Nebraska, Ohio, Oklahoma, South Dakota and Wisconsin.

The partnership was formed in August 2003 to ensure that America's agricultural system is secure, that its people are safe and its economy is strong. Through an interstate agreement, our states collaborate on surveillance, preparation and response to threats in agriculture, whether they are intentionally introduced or naturally occurring.

Using a federal grant, they have worked to develop model agricultural emergency response plans. These models take the best of individual state plans and incorporate them into one model that states can use to ensure their plans for food, crop and animal disease responses are consistent and comprehensive; and reviewing and evaluating state training programs and exercise scenarios so that states can enhance their programs by learning from the successes of others. The partnership also is developing cross-border training and exercise scenarios, recognizing that disease outbreaks or other events affecting the agriculture sector will not stop at state borders. They further have been analyzing surveillance capabilities and disease reporting data systems within states and throughout the nation. This analysis will be used to determine whether additional surveillance systems that work across state lines should be recommended.

We also continue to work with the Kansas Division of Emergency Management and the Kansas Highway Patrol to develop prevention, response and recovery plans. We are designated in the state emergency plan as the lead agency for plant disease, food safety, agricultural production and public water supplies.

We purchased equipment, with the use of grant funds, to launch GIS capabilities for agencywide management, analysis and dissemination of information that will eventually include all of our licensed and regulated facilities and other relevant agricultural and environmental data. Global positioning systems were purchased for field staff so they can collect data to populate the GIS database.

We hired the National Agricultural Biosecurity Center at Kansas State University to conduct a risk/vulnerability assessment of agricultural production and food safety from farm to retail. The assessment is essential to formulate comprehensive plans for the prevention, response and recovery of Kansas' agricultural and food chain assets.

## Federal Grants

We received word in the latter part of 2005 that the department would receive two new, significant federal grants.

The Food and Drug Administration awarded our department a three-year grant to increase feed inspections to prevent bovine spongiform encephalopathy. We will use the grant money to

purchase lab equipment, to hire a feed microbiologist and to hire an inspector dedicated to BSE inspections.

The U.S. Bureau of Reclamation granted us just over \$230,000 to install flow meter instruments at 100 points of diversion along the Republican River that are junior to the minimum desirable streamflow statute. The instruments will remotely transmit via satellite flow meter readings and other data to a USGS-managed database. Staff can then tap into the database through the Internet. Once the project is complete, we will be able to monitor compliance with orders requiring users to limit or halt pumping to achieve minimum desirable streamflow.

The Bureau of Reclamation's Water 2025 Challenge Grant Program annually funds a variety of projects to make more efficient use of existing water supplies through water conservation and water market projects as authorized under state laws.

Our department also continues to help the state's organic producers by administering the organic certification cost-share program. In each of the grant's three years, we have helped more than 50 producers or processors pay for 75 percent of the cost of organic certification.

### **Grape and Wine**

In 2004, I named members to a Grape and Wine Industry Advisory Council. I am pleased that this group has helped this fledgling industry survive and grow. We've worked with Kansas State University and the Department of Commerce to develop promotional events for grape and wine producers, proactive programs to educate and prevent damage to these sensitive crops by conventional pesticides, and gain consensus on legislative issues. I believe we are well on our way to building a world-class wine industry in Kansas.

Thank you for your attention. I would be happy to answer any questions you might have.