

MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on January 31, 2006 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Amy VanHouse, Kansas Legislative Research
Lisa Montgomery, Office of Revisor of Statutes
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:

Opponent:

Tom Whitaker, Kansas Motor Carriers Association
Tom Palace, Petroleum Marketers and Convenience Store Association of Kansas
Ken Peterson, Kansas Petroleum Council (written testimony)

Proponent:

Representative Mitch Holmes
Bob Rhoton, Kan Agri Energy LLC
Jeff Otott, NCKP, LLC
Jeff Swearingen, Northeast Kansas Bioenergy LLC (NEK BIO)
Kenlon Johannes, Kansas Soybean Association
Tim R. Schwab, U.S. Bio Energy (written testimony)

Others attending:

See attached list.

Chairman Taddiken said that each Committee member should have a copy of the 2006 Kansas Grain Commodity Commissions Annual Report and the Report of the Kansas Grape and Wine Industry Advisory Council. (Attachments 1 and 2)

Hearings continued on **SB 387-- Requiring motor fuels sold in Kansas to contain ethanol or biodiesel.**

Tom Whitaker appeared in opposition to **SB 387** (Attachment 3). The KMCA's position is that the state should focus on developing production of biodiesel and creating an infrastructure for the distribution of such alternative fuels before mandating that such fuels are the only ones available to the consumer. He further stated that a mandate at this time would be a statewide research project on an experimental fuel paid for by its users.

Mr. Whitaker stood for questions.

Tom Palace spoke in opposition to **SB 387** (Attachment 4). He said the PMCA of Kansas supports the expansion of renewable fuels for both ethanol and biodiesel fuel but do not support mandating the use of these products.

Mr. Palace stood for questions.

Ken Peterson was not able to appear, but presented written testimony opposing **SB 387** because it is a mandate (Attachment 5).

Hearings on **SB 387** were closed.

Chairman Taddiken opened the hearings on **SB 388 – Establishing Kansas qualified biodiesel fuel producer incentive fund.**

Representative Mitch Holmes testified in support of **SB 388**. He stated that the incentive fund will boost the construction of biodiesel plants in Kansas (Attachment 6).

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on January 31, 2006 in Room 423-S of the Capitol.

Representative Holmes stood for questions.

Bob Rhoten spoke in favor of **SB 388** (Attachment 7). He said this incentive is needed in order for biodiesel plants in Kansas to compete with neighboring states. He also spoke in favor of **SB 393** but he will not be able to appear for that hearing.

Mr. Rhoten took questions from the Committee.

Jeff Otott offered testimony in support of **SB 388** (Attachment 8). He said the biodiesel industry could provide another opportunity for soybean processing plants to expand and enhance the value of Kansas grown soybeans.

The Committee had questions for Mr. Otott.

Written testimony in support of **SB 388** was presented by Tim R. Schwab (Attachment 9).

Jeff Swearingen testified in favor of **SB 388** (Attachment 10). He stated that this bill would make sure that some of the money for biodiesel production facilities would be invested in Kansas.

Mr. Swearingen stood for questions.

Kenlon Johannes spoke in favor of **SB 388** (Attachment 11). He said that in order for Kansas to compete with nearby states in biodiesel production facilities this bill would set up an incentive fund and adopt the 30 cents per gallon producer incentive. He suggested the adoption of the definition of biodiesel as defined in K. S. A. 55-443

Mr. Johannes stood for questions. He also had a hand out from Prairie Pride, Inc. (Attachment 12)

Chairman Taddiken said the hearings on **SB 388** will be continued tomorrow.

The meeting was adjourned at 9:30 a.m. The next meeting will be February 1.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 31, 2006

NAME	REPRESENTING
Derek Hein	Hein Law Firm
Tom Palace	PMCA OF KS
Ken Gudenkauf	KDOT
Ethan Erickson	KDOT
John Donley	KS Livestock Assoc.
Mary Jane Stankiewicz	KGFA / KATP
CV Cotsoradis	KDA
Mark Tomb	LKM
JEFF SWEARINGEN	NEK BIO
Bob Rhoten	Kan Agri Energy LLC
Xenton Johnson	Kansas Soybean Association
Bob Haselwood	Kansas Soybean Commission
JEFF OTT	NCKP, LLC
Ronald Blasius	WPE LLC
Ernie Dominguez	KDOC
Ray Hammantund	KDOC
Melinda Gotschke	KDOB
BRAD HARRELSON	KFB
Brian Baalman	KGGA + Western Plains Energy
Steve Glome	KGGA
DAVID SINDER	KGGA



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Grain Commodity Commissions Election Update

to

the Senate Agriculture Committee

Kansas Department of Agriculture

January 31, 2006

This year, growers in the western third of Kansas are preparing to elect commodity commission representatives. Candidates are campaigning for seats on the state's five commodity commissions: corn, grain sorghum, soybeans, sunflowers and wheat. The districts affected by this year's election are:

District one: Cheyenne, Decatur, Graham, Norton, Rawlins, Sheridan, Sherman and Thomas counties.

District two: Gove, Greeley, Lane, Logan, Ness, Scott, Trego, Wallace and Wichita counties.

District three: Clark, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearney, Meade, Morton, Seward, Stanton and Stevens counties.

Candidates for the Kansas Corn Commission

District one: Brian Baalman farms corn in Sheridan County.

District two: Harvey Heier farms wheat and corn in Gove County.

District three: Greg Stone farms corn, alfalfa, potatoes, beans and wheat in Finney County.

Candidates for the Kansas Grain Sorghum Commission

District one: Richard Calliham farm grain sorghum in Thomas County

District two: Greg Graff farms grain sorghum in Wichita County.

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*Senate Agriculture
Committee
1-31-06
Attachment 1*

District three: Boyd Funk farms grain sorghum in Finney County.

Candidates for the Kansas Soybean Commission

District one, two, three: Kurt Maurath farms corn, soybeans, wheat and sunflowers in Logan County.

Candidates for the Kansas Sunflower Commission

No candidates are running this election cycle.

Candidates for the Kansas Wheat Commission

District one: Mike Brown farms wheat, corn and milo on a dryland farm in Thomas County.

District two: Ron Suppes farms wheat, corn and sorghum in Lane County.

District three: Larry Kepley farms wheat, dryland corn, grain sorghum and sunflowers in Grant County

Voting Process

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

The secretary of agriculture or his designee is the final arbiter in any disputes that arise out of the election procedure. In the event of a tie between two candidates for the same commodity commissioner seat, an occurrence of chance will be used to determine the winner of that seat.

Vacant Seat

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

Who Can Participate?

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

THE STATE OF wheat



KANSAS WHEAT
COMMISSION

Kaste grow. Kaste good.

KANSAS WHEAT | MAKING HEADLINES ANNUAL REPORT 2005

Greetings from your KWC Chairman;

Another year has quickly gone by. As with other things in our lives, change has occurred at KWC. The changes are more evolutionary than revolutionary.

We have three new commissioners. Rich Randall from Scott City and Doug Keesling from Chase are now serving as appointed commissioners. Steve Clanton from Minneapolis was elected from District 4, north central Kansas.

Another change concerned a cooperative agreement between the KWC and the Kansas Association of Wheat Growers. David Frey, who chose to move on to other challenges, had worked at the KWC for 28 years in various capacities. His long-term knowledge and experience will be missed. To finish the year, assistant administrator Dusti Fritz was appointed interim administrator. Dusti has exhibited exemplary leadership and management. After a nationwide search, Dusti was hired as CEO of KWC and KAWG.

In spite of change, the KWC has kept the programs that make a difference in the world of wheat. The KWC was honored with a special plaque for the contributions toward the new International Grains Program building. The IGP continues to bring in and educate potential customers from around the world. Numerous international customers are greeted, educated and taken to sites in Kansas by the KWC. Nigeria was the largest international market for Kansas wheat this year, importing more than 80 million bushels of U.S. HRW wheat. Nigeria was followed by Mexico, with 65.3 million bushels, and Japan, with 38.2 million bushels. Peru was the fourth largest market, importing 22 million bushels. Israel rounded out the top five, purchasing 18.7 million bushels of U.S. HRW wheat. Iraq ranked number six, importing nearly 18 million bushels. KWC hosted a dinner meeting for the first Iraqi buying delegation in many years.

Ongoing and new research was a high priority. The range of projects funded was full spectrum. Some topics of research included no-till wheat production, Clearfield wheat, HRW wheat breeding, HW wheat breeding, pest resistance, the wheat genome project, cancer suppression by wheat products, and dual purpose wheats. This list is not all-inclusive, but it demonstrates some of the research you are involved in.

On the domestic side, some of the KWC's activities were Bake and Take Day, Best of Breads and the ever-popular recipe books. KWC is a member of Wheat Foods Council and worked through this national organization to promote domestic consumption of wheat. KWC has been involved with Ag in the Classroom and the KARL program. There is also a committed group of volunteers that comprise the Speak for Wheat Spokespersons. They helped educate a number of groups in Kansas.

Kansas is a member of three additional national wheat organizations: U.S. Wheat Associates, National Association of Wheat Growers and the Wheat Export Trade Education Committee. Ron Suppes was elected Secretary-Treasurer of U.S. Wheat Associates this year. It has been nearly 10 years since Kansas has had an officer on the USW board. Kansas has been trying, for a number of years, to get these three national organizations consolidated into one, with one staff and one address. Just as the Kansas wheat farmer has had to become more efficient, it is my view that the national organizations should also become more efficient. This has yet to occur.

There is much more to say about what the KWC does. The scope is great enough to include you more directly. Besides your checkoff, you can be engaged in KWC activities. You could even consider running for election to the commission!

One final comment...all of us owe a big "thank you" to the staff. Their tasks are big, but their dedication to the tasks, great. The staff has the knowledge, energy and drive to serve the Kansas wheat producer very well.

It is my honor to serve for you.

Tom Morton, wheat producer



THE STATE OF WHEAT

News from the
KANSAS WHEAT COMMISSION

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Cindy Falk

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Marsha Boswell

INTERNATIONAL MARKETING SPECIALIST

Justin Gilpin

PRODUCER POLICY SPECIALIST

Dana Hoffman

FINANCIAL AND HUMAN RESOURCE SPECIALIST

Julie Winsor

OFFICE MANAGER *Julie Owens*

1-3



Nigeria is top HRW market

White pan bread is a staple food in the Nigerian market. It is sold throughout streetside markets in downtown Lagos.

In July 2004, a USW trade team traveled to South Africa and Nigeria. The group visited flour mills and grain companies throughout the regions to discuss current harvest information, world wheat outlook and Hard White wheat. The team visited Flour Mills of Nigeria, Plc., the largest capacity flour mill in Nigeria.

Nigeria was the top international market for U.S. Hard Red Winter wheat in marketing year 2005, importing a record 80.9 million bushels. The Nigerian market of primarily pan white bread is a good fit for the proven bread wheats produced in the plains of the United States. The per capita consumption of flour in Nigeria is approximately 40 pounds and on the rise.

Nigeria's road to becoming a consistent leading customer of U.S. HRW has gone through obstacles of both politics and economics. The non-democratic government of Nigeria placed a ban on wheat imports January 1, 1987. The ban was lifted in 1993 after nearly decimating the Nigerian flour milling industry. Prior to the wheat import ban, Nigeria annually imported in excess of 55 million bushels per year. The U.S. share was 95%.

Nigeria's wheat imports are expected to approach 92 million bushels per year, with U.S. market share about 90% to 95%. Nigeria is now recognized as the most important market in Sub-Saharan Africa for U.S. wheat exports, with a total milling capacity in the region of 220 million bushels annually. Nigeria is the world's largest importer of HRW and the fourth largest importer of Soft Red Winter.

KWC project coordinator Justin Gilpin traveled to Nigeria and South Africa with a U.S. Wheat Associates trade team. The group visited flour mills and grain companies throughout the regions to discuss current harvest information, world wheat outlook and Hard White wheat. Another main emphasis was to recognize the amount of U.S. wheat that had been purchased throughout the region. The visits gave the team an opportunity to express their thanks for their valued business and build on existing relationships. Continued market development activities allow U.S. wheat to remain a priority and on the forefront of wheat buyers' available choices.

FINANCIAL REPORT	
JULY 1, 2004 - JUNE 30, 2005	
Beginning Balance	\$ 3,795,147
Wheat Assessments Collected	\$ 3,101,819
Other Income (sales of promotional items, operating activities, reimbursed expenses, etc.)	\$ 40,255
Interest Income	\$ 66,901
	<u>\$ 7,004,122</u>
Refunds to Producers	-\$ 232,897
FY 2005 Expenditures	-\$ 3,574,633
Ending Balance	<u>\$ 3,196,592</u>

During FY 2005, the total wheat assessment collected was \$3,101,819. Refunds were 7.5% of the total wheat assessment, or \$232,897. KWC earned \$66,901 in interest by investing in CDs. Expenditures for the fiscal year totaled \$3,574,633. International market development accounts for 39% of the Kansas Wheat Commission budget. Many of these activities are conducted by partnering with U.S. Wheat Associates (USW). Kansas is the largest state contributor to this national organization.

U.S. Wheat Associates is a "cooperator" with the U.S. Government, meaning that the organization works with the U.S. Department of Agriculture's Foreign Agricultural Services to create, expand and maintain overseas markets for U.S. wheat. USW presents a yearly marketing strategy and demonstrates state wheat commission support in order to qualify for federal funds, leveraging each dollar of producer financial support into more funding from various USDA market development programs. This year USDA provided a 2.6 match to producer funds.

1-4

Japanese millers learn about Kansas wheat

A USW-sponsored Japanese delegation was specifically aimed at reviewing new regulations concerning pesticide use and exports of U.S. wheat into Japan.



Additionally, a group of four Japanese flour milling representatives traveled to Kansas. Japan is one of the largest dependable cash wheat customers of the United States. The team visited locations in Manhattan, Kan., including USDA Grain Marketing Lab, KSU Wheat Breeding, KSU Wheat Quality Lab, American Institute of Baking, International Grains Program and Kansas Wheat Commission. An evening visit to a grain elevator and a wheat farm completed the Kansas portion of their tour. While in the United States, the millers also spent time in Minnesota, Montana and Oregon.

The current program in Japan involves working with the Japanese Government Food Agency, which is directly responsible for buying most of Japan's wheat, and with the flour milling industry, which is the first end user and is directly responsible for supplying good quality flour for baking, confectionery and noodle industries.

Egyptian trade minister hosted

Looking for ways to increase sales to Egypt, U.S. Wheat Associates welcomed the two officials most directly involved in government wheat trade to the United States.

In cooperation with the USDA Foreign Agricultural Service, USW sponsored a week long trip to the U.S. by Dr. Hassan Khedr, Minister of the Ministry of Supply and Internal Trade, and Mr. Mahmoud A. Hamid, Vice Chairman of the General Authority for Supply Commodities. (Mr. Hamid is the official government wheat buyer for GASC.) Accompanied by USW regional vice president Dick Prior, the team met with the wheat industry, traders, and government officials in Washington D.C., Kansas, and Portland, Oregon, exploring possibilities for expanding wheat trade.

"Thank you, and thank American farmers, for helping us provide our population with wheat," Dr. Khedr told U.S. Secretary of Agriculture Mike Johanns during a lengthy meeting at USDA offices. "We look forward to expanding cooperation."

Secretary Johanns, in turn, thanked the Egyptians for their business in the past and, looking forward to future relations, told them that "I could not be more optimistic."

Mexican wheat buyers view harvest in western Kansas



The Altex Wheat Trade Mission 2005, composed of private sector flourmill executives who are actively engaged in making wheat import decisions for their

six flourmills in Mexico, was in Kansas during wheat harvest. The observations and discussions with those involved in the U.S. wheat industry were mutually beneficial in developing stronger trade relationships between Mexico and the United States.

The Altex group ranks among the top wheat milling companies in Mexico. It is a leader in the industry and is generally regarded as one of the most dynamic and progressive milling companies in the country. This buying company has grown steadily since its inception in 1991 with annual wheat imports close to 25 million bushels.

The goals of their trip to the U.S. were to get better acquainted with how the U.S. wheat marketing system operates and clarify any questions or concerns that the team members had on direct sales via rail or water, wheat grading procedures, and to look at transportation and logistics alternatives from a variety of locations within the United States.

The U.S. market share in Mexico has steadily increased from 64% in MY 2001 to 83% in MY 2005. Nearly two-thirds of the U.S. wheat exports to Mexico are Hard Red Winter wheat, the class that is grown in Kansas. Mexican wheat consumption totals 238.8 million bushels per year.

Summary of Commercial Sales for 2004/05 (Marketing year final)

	HRW Bushels
1 Nigeria	80,934,026
2 Mexico	65,270,443
3 Japan	38,223,847
4 Peru	22,056,883
5 Israel.....	18,716,935
6 Iraq	17,985,747
7 Cuba	17,463,995
8 Colombia	15,454,148
9 Egypt.....	11,713,700
10 Korea Republic	11,184,600

Iraqi officials checking out Kansas wheat

Members of the Grain Board of Iraq listened to a presentation on Supply and Demand, given by KWC assistant administrator Dusti Fritz, at the IGP Grain Purchasing Short Course.



In one of the most encouraging signs so far of increased potential for U.S. wheat sales to Iraq, highly influential members of the Grain Board of Iraq participated in the two-week Grain Purchasing Short Course at the International Grains Program.

Mr. Khaleel Assi Khadhun, Director Manager and Chairman of Board, Grain Board of Iraq, expressed his preference for U.S. Hard White wheat at a press conference. In reference to U.S. Hard White wheat, Khaleel Assi Khadhun said, "We ask for large quantities when available from the U.S. in the future."

The Iraq Grain Board is the only company in Iraq that imports wheat and rice for processing for the Iraqi citizens. Annually, they import 110 to 147 million bushels of wheat.

"One half of our needs will come from U.S. wheat. Perhaps we will buy more; that depends on the quality and price," Khaleel Assi Khadhun said.

In Iraq, imports are blended with locally produced red wheat to produce milled flour for breads for the 19 million people in Iraq. They import two kinds of wheat — red and white. Through blending, the Grain Board is able to provide the citizens with white flour for white bread.

"Thank you for your purchases of Hard Red Winter wheat and for future purchases of Hard White wheat," said Rice County wheat producer Doug Keesling. "Thank you for coming to Kansas."

Khaleel Assi Khadhun, Director Manager and Chairman of Board, Grain Board of Iraq, and H e s h a m Hassanein, USW Cairo, discuss Iraq's preference for U.S. Hard White wheat with



KSU Senior Scientist Bob Bennett, Kansas Farm Bureau President Steve Baccus and Kansas Wheat Commissioner Doug Keesling.

Cuba buying Kansas wheat

Lt. Governor John Moore announced the sale of 25,000 metric tons of Kansas Hard Red Winter wheat to Cuba. Though wheat has been flowing to Cuba since the passage of the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSREEA), no shipment had ever been sole source verified to Kansas. Joining the Lt. Governor in this announcement were David Frey of the KWC and John McLelland, Manager, Garden City Coop. The Lt. Governor partnered with KWC, Cargill and DeBruce Grain to make this one-of-a-kind sale possible. The specifications were that the shipment be identity-preserved from Kansas. Forty percent came from Garden City, 40 percent from Wichita and 20 percent from Salina and delivery took place in November. The estimated value of the shipment was \$3.2 to \$3.8 million.

Colombian President of ALIM Attends Winter Wheat Tour



This year's Wheat Quality Council annual winter wheat tour included a special guest, Mr. Diego Sierra, from Fedemol in Colombia. Sierra was the acting President for the Latin American Millers Association, and he joined the participants of the 2005 winter wheat tour through Kansas, Nebraska and Oklahoma. Sierra was accompanied by Miguel Galdos from the USW office in Santiago, Chile.

"Mr. Sierra has enjoyed his trip to Kansas very much," commented Galdos. "He has learned many things not only about the wheat that is exported to his region but also about the farmers who are growing that wheat." While in Kansas, Sierra was able to visit the new world-class International Grains Program and the wheat breeding facilities on the KSU campus.

Korean team interested in Kansas wheat

Flour mill representatives from South Korea visited Kansas as part of a USW-sponsored trade team. The delegation members were from the major flour milling companies and represented the vast majority of the country's wheat milling capacity.

While in Kansas, the team visited the USDA Grain Marketing Research Center, American Institute of Baking, KSU Department of Grain Science and the International Grains Program. The team also visited a country elevator, saw the beginning of Kansas' fall harvest, and saw wheat fields being prepared for the upcoming planting season.

"This special team has interest in visiting Kansas and learning more about the potential of Hard White Wheat (HW)," commented Dr. Won Bang Koh, Korea Country Director for USW. "The HW variety Trego is specifically the topic of discussion concerning this market."

The Korean milling market imports approximately 88 million bushels of milling wheat annually. Of this market, the United States has about 55% market share, with Australia being the largest competitor and other supplier. Australia is currently the largest supplier of HW, and HW is demanded by the Korea noodle market. This demand has led to the strong interest in the U.S. Hard White variety, Trego.

1-6



Local Wheat Farmer Elected to USWA Board

Kansas Wheat Commissioner Ron Suppes, Dighton, was elected Secretary-Treasurer of USW. Suppes, who was elected to the KWC Board in 2003, represents District 2, west central Kansas. In his acceptance speech, Suppes stated that a kernel of wheat is truly amazing. "The strength of a kernel of

wheat has brought all of us to this table," Suppes said. "It is my belief that I can make a difference, and with wheat being a part of my livelihood I should do my part to do just that." He plans "to approach everything with an open mind" and looks "forward to representing my fellow wheat producers."

Kepley keeps waving winter wheat's banner

Larry Kepley, Ulysses wheat producer, attended the South Asian Wheat Buyers Conference and the South Asian Technical Conference to highlight Hard White wheat and collect information about where it is used in Asia. About 23 different countries were represented at the conferences. Topics included world supply and demand outlooks, ocean freight outlooks, economics and overviews of the six classes of U.S. wheat. Kepley said he will continue to be a spokesman to other producers. He said he hopes to convey the message that there may be an opportunity to get better returns with Hard White wheat. He said he will continue to work with producers, local grain elevators and international grain companies to be sure quality Hard White wheat moves to the baker, eventually.

Farm groups warn of looming world food crisis

USW and KWC urged Congress to consider ways to help the more than 842 million people worldwide who do not have enough to eat. The food aid budget shortfall is estimated at \$824 million, said Ellen Levinson, executive director of the Coalition for Food Aid. Despite the shortfall, the government has neither sought supplemental funding for food aid nor dipped into the Bill Emerson Humanitarian Trust emergency stockpiles, Levinson said.

"This is something we can do as the U.S.," said David Frey, KWC administrator. "It's one way, one very real way, to help people in the world, and rather inexpensive compared to other types of foreign aid." USW issued a position on food aid, stating, "We support the use of wheat held in the Emerson Trust, with condition, to respond to dire and immediate humanitarian needs."

U.S. Chief Agricultural Trade Negotiator Ambassador Visits Kansas

Part of U.S. Chief Agricultural Trade Negotiator Ambassador Allen F. Johnson's message to Kansas producers was that a growing global economy creates new opportunities to access new customers and rapidly growing markets overseas. Ninety-six percent of the world's consumers live outside of the United States. Realizing the need to further expand markets around the world, the United States has negotiated free trade agreements with 11 countries in two years and is working on agreements with ten more countries. In the case of the Morocco agreement, new access was created for U.S. wheat that could lead to a five-fold increase in U.S. wheat exports over recent levels.



Ambassador Allen F. Johnson, U.S. chief agriculture negotiator, Office of the U.S. Trade Representative, was in Kansas to get first-hand knowledge from Kansas producers.



IGP building dedicated to wheat producers



KSU President John Wefold unveiled a plaque at the new International Grains Program facility, declaring that the building was dedicated to Kansas wheat producers.

The International Grains Program recently held its largest flour milling short course in history. The class of more than 35 participants was the first class to attend the course in the new IGP facility. Assisting in the success of IGP, the Kansas Wheat Commission was the largest supporter of IGP building.

While at the short course, participants from ten nations spent two weeks gaining exposure to various aspects of the wheat industry, technical issues of flour milling and the uses of U.S. wheat classes. The goal of the course is to provide a better understanding of U.S. wheat and its role in their milling processes. KWC assistant administrator Dusti Fritz presented the global wheat situation to the group.

"The excitement of the new facility played a big role in the overwhelming interest in this year's course," commented Mark Fowler, IGP Flour Milling Specialist. "This marks the beginning of a strong marketing tool for Kansas wheat producers for years to come."

1-7

Grain nutrition here to stay, speaker says

Lunch and Learn Series

Bite into bread program

Twenty-seven "Speak for Wheat" spokespersons from Syracuse to Kansas City educated all ages about wheat, nutrition and baking. "Spokespersons are purveyors of great information," said Cindy Falk, Kansas Wheat Commission, who directs the program.

Thousands of youth heard about wheat during Ag Day Pizza parties, American Royal, Day on the Farm and Kansas Day activities. A *Bushel of Fun with Wheat*, *Wheat—From Field to Table* and the "Wheat Link" game were hits.

Nutrition presentations included *Grains for Nutrition and Health*, *Defining Low Carb Lingo* and *Strategies for Overcoming Childhood Obesity*. Audiences included dietetic associations, Family and Consumer Science teachers, childcare providers and dietary managers.

Demonstrations were given at the state fair, Topeka Farm Show, 3-i Show, Extension's Lunch and Learn and to 4-H groups. The *Goodness of Grains*, *Healthy Baking with Kids* and *Toss, Turn, and Twist the Tortilla* are small samples of the programs.

Additionally, spokespersons assisted with exhibits at the state fair, School Nurse Conference and health fairs. Three hundred "It's the Calories, Not the Carbs" books were distributed at the State Libraries Conference.

Spokespersons have impacted thousands of people this year. For instance, one young boy wrote, "Dear Wheat Lady, I learned a lot because of you. I learned that Kansas usually plants Hard Red Winter and wheat most of the time comes in bushels."



KWC Spokespersons Steve Korthanke and Betty Kandt present wheat foods information to a group of fourth grade students at the Ag Day Pizza Party at the Agriculture Hall of Fame in Bonner Springs, Kan.

Connecting Wheat Farmers to Bakers in New York and New Jersey

Kansas wheat farmers, wheat researchers, millers and marketing specialists recently met with bakers in the large markets of New York City and New Jersey.

KSU wheat breeder Dr. Joe Martin spoke to instructors and students about the agronomic characteristics and baking properties of Hard White wheat at the Artisan Baking Center, Long Island City, New York. The training center prepares the job seeker for entry-level employment in either the baking or culinary trades.



Bagatelle Bakery receives Best of Breads in Kansas Award



Naji and Claire Toubia, of Bagatelle Bakery in Wichita, were presented with the Kansas Wheat Commission's 2005 Best of Breads in Kansas Award in May. This award is an opportunity to recognize extraordinary bakeries in the "Wheat State," to instill an appreciation for high quality baked products and to increase the volume of bread consumed.

KWC booth receives award



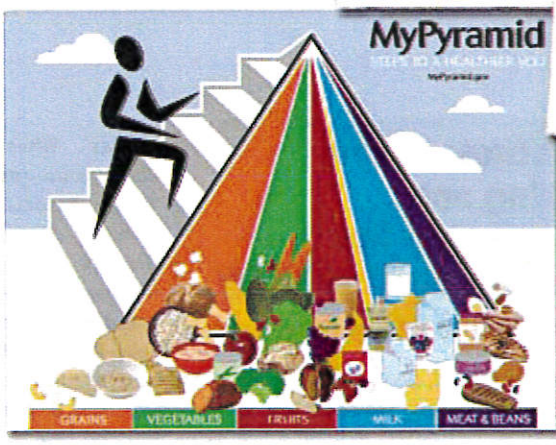
The KWC booth received the Outstanding Exhibitor Award, 2004 Reserve Grand Champion, Inside Exhibitor Single Booth at the Kansas State Fair in Hutchinson, Kan. KWC domestic marketing specialist Cindy Falk presented Kansas Governor Kathleen Sebelius with a "FLOUR POWER: It's the Calories, Not the Carbs," t-shirt in front of the KWC booth at the fair.

1-8

Grain foods vindicated! No surprise to millers, producers

Yes, you can eat grain foods and stay a healthy weight. More importantly, grain foods should be the foundation of your diet. And the U.S. government continues to back this up with the release of the 2005 Dietary Guidelines for Americans. After months of research, scientific discussions, public comments and testimony, the end result reaffirmed what grain producers have known for more than 100 years. Grain foods *are* good for you. The guidelines again place grain foods at the center of a healthy diet. The debate is over. It comes as no surprise to producers, grain foods are vindicated!

Personalizing the Pyramid



New food guide image stresses value of various foods, grains

The new, personalized food guide image introduced by the U.S. Department of Agriculture indicates grains — particularly whole grains — are still a valued and important step toward healthier living. Despite the low-carb craze of the last few years, the six color bands on the new “MyPyramid” image represent the importance of eating a variety of carbohydrate-rich foods to achieve good health. This verifies “fad” diets that recommend cutting out one type of food are not an option for healthy living. Grains are represented on MyPyramid by the wide, orange band.

‘It’s the Calories, Not the Carbs’ Sets the Record Straight on Dieting

The myths and truths of carbohydrates

It’s the **CALORIES** Not the Carbs

- ★ Lose weight and maintain it **FOR LIFE!**
- ★ Increase energy for body and mind!
- ★ Help prevent chronic disease!
- ★ Eat foods you love!

Glenn A. Gaesser, Ph.D.
Karin Kratina, Ph.D., R.D.

The KWC purchased 300 copies of the Wheat Foods Council’s book “It’s the Calories, Not the Carbs” to distribute to key libraries across Kansas. Each book bears an inside label that acknowledges the KWC, lists KWC’s Web site address, and tells readers the book is available for purchase at www.wheatfoods.org. The Kansas Cooperative Extension Service also purchased more than 100 books. The books were distributed to each county office in Kansas.

New Wheat Foods Council President to enhance Council programs

The Board of Directors of the Wheat Foods Council hired Marcia Scheideman MS, RD, CFCS, as president. Scheideman has a strong background in university cooperative extension, nutrition communications, education, and as a spokesperson. Scheideman holds a bachelor’s degree in home economics education from Carnegie-Mellon University, a master’s degree in education from Syracuse University, and is a registered dietitian.



Marcia Scheideman MS, RD, CFCS

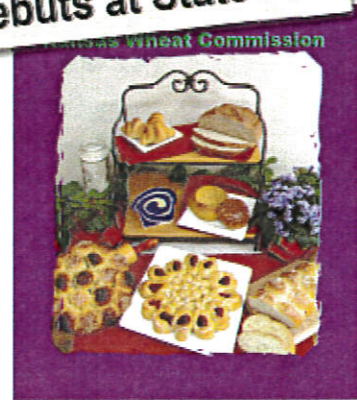
The Council launched a new program titled, “Influencing the Influencers.” Funding is directed to promote grain food nutrition messages with health and nutrition thought-leaders. The WFC is highly credible with this group, and the program included scientific research and promotion of the book, “It’s the Calories, Not the Carbs.” The Council continued to work with the media and public policy leaders, but its primary focus was on providing information and resources to the nutrition and health communities. Wheat producers, by way of the Wheat Foods Council, are continuing to make the case for the health benefits of wheat foods, as the pendulum begins to swing away from the anti-carb position to the next trend.

Quantity Yeast Breads From Start To Finish



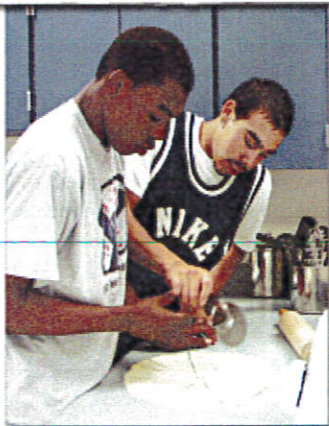
To encourage made-from-scratch baking in Kansas schools, the Child Nutrition and Wellness team at the Kansas State Department of Education and the KWC partnered to design and produce the instructional video, "Quantity Yeast Breads from Start to Finish." To benefit a larger number of people, the KWC also offered the video to retail bakeries and restaurants to use with their personnel.

Recipe Book Debuts at State Fair



The KWC's annual recipe book, debuted at the Kansas State Fair. In addition to recipes, the booklet included information about wheat classes and products, the goodness of grains, and how the wheat producer's penny is used. The recipes were winners in the Kansas Festival of Breads baking contest. The recipes are also available at www.kswheat.com.

High Yield Baking: Science from Field to Table



Students at Olathe North High School make crescent rolls. Olathe District Schools test piloted baking labs, which were developed by Sharon Davis, FACS Education Consultant, and sponsored by the Kansas Wheat Commission. The labs are posted at www.kswheat.com for teachers to access.

Celebrate Home Baking and Community Spirit on Bake and Take Day

Kansas Wheat Commission and Kansas Association of Wheat Growers (KAWG) once again sponsored Bake and Take Day, which took place on March 26, 2005. In celebration of the event, participants baked products from wheat and took them to a neighbor, friend or relative. In addition, participants received a free recipe book and were entered into a drawing to win one of several prizes, donated by Toastmaster. Nearly 200 youth and adults participated in Bake and Take Day this year. Stories are listed on the Web site, www.bakeandtakeday.org.

Kansas Wheat Commission and Kansas Association of Wheat Growers (KAWG) once again sponsored Bake and Take Day, which

KSU Students Connect with Grain Foods

KWC's Cindy Falk and Clabber Girl Marketing Director Tom Payne, Home Baking Association's Vice-President of Marketing, arrange a set for the HBA's video, "A Baker's Dozen: Tips for Success." The video was targeted toward teachers and volunteers who teach young people kitchen skills for cooking and baking.



New Video — A Baker's Dozen: Tips for Success

KWC conducted a taste test of a new pizza and breadstick mix made from stoneground whole white wheat flour during the food, fitness and fun health fair at KSU. The "I Can't Believe It's Whole Grain" pizza crust and breadstick mix, marketed by Farmer Direct Foods in Atchison, Kan., is grown, packaged and sold by farmers. Julie Gibbs, KSU graduate student from Scott City, was one of 73 students that took time during their lunch breaks to sample the breadsticks and give feedback. The students' top choice was the breadstick made with 100% whole white wheat flour.



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Research project suggests that wheat varieties exhibit a range of cancer-preventing traits

New research, partially funded by Kansas wheat producers through the KWC, suggests that the antioxidant components of wheat may help prevent colorectal cancer tumors. The research from scientists at Kansas State University and Wichita State University focuses on an antioxidant class of orthophenolics found in wheat bran that appear to block the formation of mutagenic compounds. As part of the initial study, researchers found that diets containing the same level of wheat bran, but different levels of antioxidants, exhibited dramatically different capacity to suppress tumor development. In separate studies, researchers at the two universities found

that intestinal and colon tumors may be prevented in mice when fed diets supplemented with plant-derived, purified orthophenolics.

"Just think, eating a couple of slices of whole wheat toast each day or adding some wheat bran when shaping a hamburger may be all that it takes to lessen the risks of colorectal cancer," said Ron Madl, a researcher at KSU and director of KSU's Bioprocessing and Industrial Value-Added Center. "Findings in the study are encouraging, and researchers are now continuing the studies, using other animal model systems to test whether these components of wheat can suppress mammary and prostate cancer development."

EPA registers Spinosad for stored grain protection

The United States Environmental Protection Agency (EPA) issued a registration for the use of spinosad, as a stored grain and seed protectant on commodities including wheat, corn, rice, oats, sorghum/milo and barley. The product was developed and manufactured by Dow AgroSciences LLC; however, Kansas Wheat Commission is proud to have supported work since 1999 led by Dr. Bhadriraju Subramanyam at Kansas State University, which has confirmed the usefulness of this alternative pesticide for wheat storage.

Laboratory and field studies conducted by Dr. Subramanyam indicated that spinosad was very effective against lesser grain borers, rice weevils, Indian meal moth, red flour beetles and saw-toothed grain beetles and several other stored-product insects. This product appears to be a suitable replacement to the organophosphate grain protectants used on wheat and other grains. Dr. Subramanyam's latest research found spinosad to be effective in Kansas farm bins for a period of six months or more. Tests done by collaborators of Dr. Subramanyam at Oklahoma State University and Purdue University found spinosad to be effective in suppressing stored-grain insects for a period of two years.

U.S. Consumers Accept Genetically Modified Wheat

KWC and KSU conducted research to measure consumer attitudes about genetic modifications in the foods we eat. A survey was mailed to a sample of 1,000 homes in the Kansas City metropolitan area. The response rate was approximately 36%.

Two thirds (65%) of respondents characterized themselves as having little or no knowledge about genetically modified foods prior to receiving the survey. Only five percent indicated that they knew quite a lot about GM foods.

When asked to characterize their attitude to GM food, 16% characterized their attitude as positive or very positive prior to receiving the survey. After reading the survey information, 24% indicated that their attitude was positive or very positive.

K-State, KWC part of global effort to tackle wheat genome sequencing

The Kansas Wheat Commission and Kansas State University began the effort to get the wheat genome sequenced. Eversole Associates is working to position wheat as the next major crop species for sequencing by ensuring that the community has the resources necessary for successful completion of the wheat genome sequencing project and by securing funding from various international and domestic sources for the sequencing of the wheat genome.

Efforts at KSU have continually developed varieties with superior agronomical and end-use properties. However, according to Kellye Eversole, President of Eversole Associates, without a sequenced wheat genome the wheat industry will not have the scientific foundation necessary to drive the discoveries that will fuel growth and sustain profitability in wheat production and marketing. The sequence of the wheat genome will give wheat breeders the fundamental information necessary to revolutionize the wheat industry. Wheat genomics research offers us the greatest potential to increase the value and demand for wheat, thereby increasing grower income. Genomics gives scientists the tools needed to understand entire organisms, such as wheat. Genomic sequencing has proven to be the most comprehensive route to gene discovery and to understanding the function of all genes. Once economically important traits are elucidated, new varieties can be developed that will enable growers to get more income from the market.

Wheat Genome Sequencing Could Boost Production

When asked how they thought genetic modification affected food safety, only 18% believed that its impact would be negative or very negative. Twenty-seven percent responded that the impact would be neutral, while 33% indicated that they did not know. Results were similar and highly correlated when respondents were asked their opinion about the impact of GM on the environment.

Respondents were asked if they would continue to purchase the bread they usually buy if they discovered that it contained GM wheat. Results indicate that a majority of consumers would accept GM wheat based products. Thirty percent of respondents indicated they would continue to buy the same bread if it contained GM wheat, while an additional 38% would probably continue to buy it. Only seven percent indicated they would not buy bread containing GM wheat.

Don't just grow it; promote it
Morton helps world know why Kansas is the Wheat State

Speaking with one voice



Wheat orgs. join forces

Jerry McReynolds, President of the Kansas Association of Wheat Growers, and Tom Morton, Chairman of the Kansas Wheat Commission, signed a Cooperative Agreement between the two Kansas wheat organizations, with an effective date of July 1, 2005. The Agreement is to provide more efficient services to Kansas wheat producers in many areas of endeavor, including market development, research, legislative, education and information distribution. The Cooperative Agreement made note of the complementary nature of the purposes, goals and missions of the two groups. The KAWG works to implement favorable government policy and to develop and train leadership for the wheat industry. The mission of the KWC is to increase wheat producer productivity and profitability through research, education and domestic and international market development.

Harvest Salute Recognizes Kansas Wheat Producers



The KWC, in conjunction with sponsors Kansas City Board of Trade and DeBruce Grain, conducted the fourth annual "Harvest Salute to Kansas Wheat Producers."

The Harvest Salute was designed to recognize the contributions of Kansas wheat producers to local and global economies. The Harvest Salute conveyed recognition of this vital contribution, as well as appreciation for the enduring commitment of thousands of Kansas wheat producers.

The campaign appeared in industry publications, carrying the message "You've given the world your best. Thank you." Radio announcements also aired currently and continued through harvest in conjunction with remote and grain report broadcasts. Additionally, more than 350 elevator sites promoted the campaign in their local areas through prominently displayed posters, as well as by providing their customers with a special gift as they brought in their wheat.

Two Kansas Wheat Commissioners re-elected; one newly elected

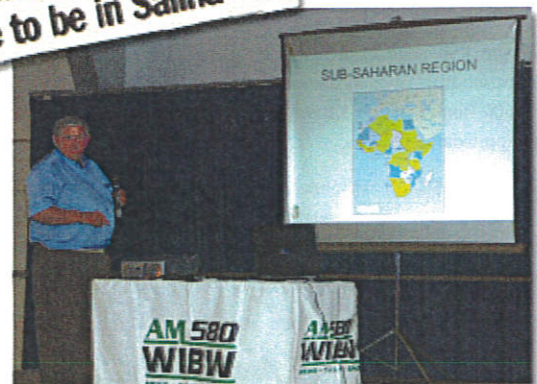
In 2005, two Commissioners were re-elected, and there were three new faces on the Commission.

Re-elected to the KWC were Barton County farmer Dean Stoskopf of Hoisington, and Sumner County producer, Tom Morton

of Oxford. The newly elected Commissioner was Steve Clanton, who farms near Minneapolis in Ottawa County.

Richard Randall, of Scott City, was appointed by the board to represent the three western districts of the state. Rice County wheat producer Doug Keesling was appointed to represent the three central districts of Kansas.

Wheat production profitability conference to be in Salina



USW Milling Consultant Jim McKenna addressed a group of wheat producers about the Sub-Sahara African region at the WIBW Wheat Profit Wake-up Seminar, held in Salina. USW visits Lagos, Nigeria approximately every five weeks to help maintain and grow this important Hard Red Winter wheat market.

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Wheat foods highlighted at Flour Power 5K



Research shows athletes need complex carbohydrates for energy



The KWC and KSU's Health and Nutrition Society sponsored the first annual Flour Power 5-K Run/Walk to highlight research by Dr. Mark Haub, which demonstrated athletes need complex carbohydrates for energy and to fuel working muscles.

The race was an opportunity for amateur athletes from around the area to compete for cash prizes and awards, provided by Cereal Food Processors, Horizon Milling, ADM Milling and Bartlett Milling. Food was provided by Quizno's of Manhattan.

The overall top male winner was Vincent Kiprof, who finished the race in 15 minutes, two seconds. The overall top female winner was Robin Blanton, who completed the race in 18 minutes, 33 seconds.

Following the race, a short press conference and awards ceremony was held. Marcia Scheideman, President of the Wheat Foods Council, discussed the Council's role in promoting grain foods and the health benefits of grains.

Dr. Haub presented his research, which studied the effects of heart rate, perceived exertion and amount of work on cyclists, triathletes, and track athletes on both grain-based diets and low-carbohydrate diets. During the same high-intensity exercise, the exercise felt less difficult and heart rates were lower on the grain-based diet. The grain-based diet allowed the athletes to train at a higher workload than the low-carbohydrate diet.

Austra Skujyte, 2004 Olympic Heptathlon Silver Medalist, served as the spokesperson for the race. Skujyte signed posters at the event and presented the awards to the race winners. The event was held only one week after Skujyte set the world record in the women's decathlon. As a spokesperson, Skujyte worked with the KWC to promote grain-based foods as an essential part of successful athlete's diet.

Market goals still elusive for white wheat

Summits to discuss what future holds for new class of grain

A tri-state effort by the Colorado Wheat Administrative Committee, Nebraska Wheat Board and Kansas Wheat Commission resulted in meetings focused on Hard White (HW) wheat in Colby, Kan. and Guymon, Okla. The intent of the meetings was to bring producers, grain handlers, wheat breeders, flour millers (both U.S. and international) and wheat buyers together in the same room for a discussion on the future of HW in the United States.

The meeting began with presentations by international flour millers from Mexico and China. Both expressed their interest in HW and how it would fit into their markets. The international guests explained how HW would have an advantage versus HRW if there was a critical supply so that the United States would be able to deliver it year round.

The main message heard from the grain trade concerning HW, is the lack of supply and planted acres in the Great Plains. Most on the panel agreed that a critical mass is needed for the United States to be a serious supplier of HW. Although opinions varied on what would be needed to be considered "critical mass," the point was made that there must be enough to negate risk associ-

ated with handling and dedicating bin space as well as making this class of wheat more marketable for the grain trade.

Kansas State University's International Grains Program, teamed with U.S. Wheat Associates, to hold a Hard White Wheat Export Contracting Conference and Trade Show. When it comes to Hard White wheat production in the United States, two key ingredients still missing are a consistent supply and a liquid market, according to speakers at the conference.

Despite overseas buyers' strong interest in Hard White wheat for such products as noodles, tortillas and breads, the United States continues to produce much more Hard Red Winter and other types of wheat than it does Hard White wheat, said Mark Fowler, IGP miller and conference coordinator.

Kansas producers have taken the lead on HW with a large portion of the production grown in Kansas and neighboring plains states. Taking the lead down an untraveled road with this new class of wheat has had its challenges, but persistence of the Kansas wheat producer to improve the industry continues forward.



Hard White Wheat Production at Crossroads K-State IGP conference highlights issues



SOY NOTES

For the Kansas Soybean Farmer

Summer 2005

News from the Kansas Soybean Commission

USDA and Soybean Checkoff Put Rust Game Plan Into Action

This growing season, fields will be monitored for soybean rust and positive confirmations will be loaded into a Web-based database that will allow farmers and researchers to track the progress of the disease.

With the possibility of a new opponent in the field this year, USDA and the soybean checkoff have recognized that it's going to take teamwork and a strategic game plan to beat soybean rust. A key to minimizing the impact of a rust infestation in the United States will be careful monitoring of the spread of rust. Several USDA agencies have partnered with the soybean checkoff, the American Soybean Association, and other key organizations to develop a national plan for monitoring soybean rust.

"In recent months, our soybean checkoff has taken a lead role with USDA's Agricultural Research Service in uniting the entire research community to develop a coordinated research plan for addressing rust in the U.S.," said Jim Sallstrom, chair of the United Soybean Board's Production Committee and a soybean farmer from Winthrop, Minn. "As part of that plan, the soybean checkoff is currently working with USDA's

Animal & Plant Health Inspection Service, university extensions and other organizations to continue developing a system to track the spread of the disease in the United States."

The USDA rust plan is actually a federal-, state- and industry-coordinated framework for surveillance, reporting, prediction and management of soybean rust for the 2005 growing season. It includes a monitoring network, a Web site designed to provide rust information and forecasts, criteria for fungicide application and predictive modeling of aerial transport of rust spores.

USDA experts have recommended that all soybean-producing states establish sentinel plots and regularly monitor the plots for soybean rust.

In the South, some of these plots could be planted ahead of normal planting dates to allow producers and decision makers some reaction time if rust is detected nearby. Mobile teams of rust identification experts will investigate initial reports of rust in each state and seek laboratory positive or negative confirmation.

Positive confirmations of rust will be entered into a Web-based database that will allow farmers and researchers to track the progress of soybean rust disease. The USDA rust Web site, www.usda.gov/soybeanrust, features maps that illustrate the daily spread of rust throughout the country. The Web site rust-tracking maps should provide a rust warning for farmers and help them decide on when to apply fungicides.

If rust is in the area and a farmer decides to spray, USDA has set the following guidelines for fungicide use.

Apply the first application at or soon after first flower. Plan at least two applications with at least 14 to 20 days between applications and ensure that the fungicide penetrates the canopy. According to soybean rust expert Monte Miles, with USDA-ARS, it is important to know the differences between a curative fungicide and a protectant fungicide and to also know which fungicides are available in each state. All the fungicides registered or on the Emergency Exemption request can be used in a protectant application, but only a few have curative properties. Fungicides are expected to cost between \$10 and \$24 per acre per application.

Overall, the goal of the plan is to provide effective decision support for managing soybean rust. Although the checkoff began research to identify genetic sources of resistance to rust a few years ago, it will likely be several more years before rust resistant varieties are commercially available. According to Miles, farmers should continue to use agronomic practices that return top yields, but be aware of the spread of rust, follow the fungicide guidelines and, most importantly, have a management plan.

"Through the help of our checkoff, U.S. farmers will manage rust," said Sallstrom. "With the rust diagnostic tools available and USDA's Web site warning system, the U.S. will continue to be successful in growing soybeans."

For the latest information on rust, visit these checkoff-funded Web sites: www.stopsoybeanrust.com and www.unitedsoybean.org.

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Soybean Rust - What Kansas Farmers Need to Know

Now that soybean rust has been identified in the United States, producers all over the country have been spending the past winter learning all they can about the disease and its management. "News that soybean rust has been discovered for the first time in the United States heightens the need for awareness and education about the disease among agricultural producers and affiliated industries," said Kansas State University Research and Extension plant pathologist Doug Jardine.

from gray to tan or reddish-brown on the underside of leaves. Lesions are most common on leaves, but may occur on petioles, stems and pods.

Soybean rust produces two types of lesions, tan and reddish-brown. Tan lesions, when mature, consist of small pustules surrounded by a slightly discolored necrotic area with masses of tan spores on the lower leaf surface. Reddish-brown lesions have a larger reddish-brown necrotic area, with a limited number of pustules and few visible spores on the lower leaf surface.

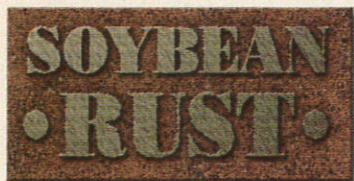
Once pod set begins on soybeans, infection can spread rapidly to the middle and upper leaves of the plant.

If you do suspect soybean rust, you may submit samples to the K-State Plant Disease Diagnostic Clinic through your local Extension office and mail to the address shown below. Jardine advises producers to double-bag in ziplock plastic bags and have the appropriate check sheet stapled to the bag. County agents can assist you in preparing your samples for submission.

The Kansas Soybean Commission has allocated funds to cover K-State's testing costs. Kansas soybean producers will not be charged for the rust testing.

Jardine recommends scouting for soybean rust in Kansas only if the disease is positively identified in Missouri, Arkansas or Oklahoma. "If we get later into the season, near the end of the pod fill, and the disease is not present in those states, then Kansas producers may not need to scout at all." However, when and if rust is identified in those nearby states, Jardine recommends scouting once a week, starting just before flowering begins. As the disease becomes more imminent, twice a week may become necessary, but can be discontinued if rust not been identified by the end of pod fill.

According to the USDA and Kansas Department of Agriculture, producers should look for small lesions that may be visible on the lower leaves of the infected plant that increase in size and change



A Diagnostic Guide



Developed by the Soybean Checkoff for U.S. Soybean Farmers

Our soybean checkoff.
Effective. Efficient. Farmer-Driven.



The Soybean Rust Diagnostic Guide contains information on soybean rust, its symptoms and treatments. This guide is available online at www.unitedsoybean.org, or visit the "pest detection" section of the U.S. Department of Agriculture Animal and Plant Health Inspection Service's Plant Protection and Quarantine Web site at www.aphis.usda.gov/ppq.

Soybean Rust Contacts and Web sites

USDA: www.usda.gov/soybeanrust

Kansas State University lab testing services (mail samples to:)

Kansas State University
Plant Disease Diagnostic Lab
4032 Throckmorton Hall
Manhattan, Kansas 66506

Tel: (785) 532-5810
clinic@plantpath.ksu.edu

Plant Management Network:

www.plantmanagementnetwork.org/infocenter/topic/soybeanrust

United Soybean Board Rust guide: www.unitedsoybean.org/producers_rustguide.pdf

North American Plant Disease Forecast Center: www.ces.ncsu.edu/depts/pp/soybeanrust

Plant Health Initiative, North Central Soybean Research Program
www.planthealth.info

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Kansas Salt Mine Becomes First to Use B100 Biodiesel

Air quality is a critical issue for workers who use diesel engines in confined spaces, and using biodiesel fuel in mining equipment is one way to help protect their health.

Last December, the Kansas Soybean Commission (KSC), Hutchinson Salt Company and National Biodiesel Board (NBB) hosted a tour of the salt company's mine in Hutchinson, Kan. The Hutchinson Salt Co. is the first mine of any kind to use B100 (100 percent biodiesel).

Biodiesel is a renewable, alternative fuel to petroleum diesel, and is made from soybeans grown in the United

States as well as other fats and vegetable oils. It burns cleaner, reduces emissions like particulate matter by 47 percent and cuts carcinogens 80-90 percent. Biodiesel is sulfur-free, non-flammable and biodegrades faster than sugar.

"We use B100 biodiesel in everything underground that runs on diesel," said Max Liby, VP of Manufacturing for the mine. "The main benefit is we've cleaned up soot in the air and have cut particulates. Workers, particularly the operator of the loaders (shown below), like the soy biodiesel much better because they say particulates do not get in their nostrils and the air is noticeably cleaner. Also, lubricity is much greater than if we used regular diesel fuel, so the injector pumps and injectors work more efficiently. The soy biodiesel actually cleans the injectors," he said.

Hutchinson Salt Co. began using biodiesel in June 2003, and used 31,229 gallons of B100 in the first year.

"Biodiesel is a great fuel for use inside mines," said Harold Kraus, soybean farmer and NBB Director. "It is made from a natural product, so the

continued on page 4



Photograph - Kansas Soybean Commission

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Kansas Soybean Commission Business Update

KSC FY 2004 Financial Summary

Income

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

Expenditures

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

Total expenditures **\$1,142,351**

Hutchinson Salt Mine First to Use B100 Biodiesel continued from page 3

air that mine workers breathe from B100 is also natural. Besides cutting emissions, biodiesel also has a pleasant odor when it burns," he said.

Biodiesel is the first and only alternative fuel to have fully completed the Health Effects testing requirements of the Clean Air Act. Dr. Bailus Walker, MPH, past president of the American Lung Association of Washington, D.C., said, "There is a recognition that petroleum-based products, with their toxins, are affecting the health of the people. I would strongly recommend, as a health professional, we take a hard look at what is being accomplished with biodiesel."

The salt mine is one of more than 500 fleets using biodiesel. That number is expected to continue to rise, in part due to a biodiesel tax incentive bill that was taken into effect as law on January 1. The tax incentive should make biodiesel more accessible to the general public as it will significantly narrow the cost gap between biodiesel and regular diesel fuel, which will in turn fuel demand and supply.

Other biodiesel users include the Kansas and Missouri Departments of Transportation, all four branches of the military, NASA, Harvard University, the National Park Service, U.S. Postal Service, L.L. Bean and others. About 300 retail filling stations make various biodiesel blends available to the public, and more than 1,000 petroleum distributors carry it nationwide.

The Hutchinson Salt Company's main product is highway salt for inclement weather. Clients include the states of Kansas, Missouri, Oklahoma, Iowa and Illinois, and the city of Chicago.



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Photographs courtesy of the United Soybean Board.

KSC Elections

Harold Kraus, District 5 and **Jerry Wyse**, District 6 were re-elected to the Kansas Soybean Commission. Kraus graduated from Kansas State University with a business degree and then served as an officer in the U.S. Navy. Kraus has farmed for more than 40 years and has raised cows, wheat, corn, sunflowers, soybeans and fish. He is a certified crop adviser and has been no-till farming for nearly 20 years. He served on the Ellis County Commission for 16 years, the Kansas Soybean Commission for a year and a half, and is active in his church and community organizations.

Jerry Wyse grows wheat, corn, grain sorghum and soybeans. He is also the CEO of Kauffman seeds in Reno County. Wyse is an Ohio native who moved to Kansas when he married his wife, Lois. He has served on the Kansas Soybean Commission since 1996 and represents Kansas on the North Central Soybean Research program.

Kansas farmers also elected one new Commissioner, **Steve Clanton**, who grows corn, grain sorghum, soybeans, sunflowers and wheat with his wife, Sue, near Minneapolis in Ottawa County. He has been involved with many organizations including the local extension and soil conservation board, the National Association of Wheat Growers and the Kansas Association of Wheat Growers, where he was past president. Clanton also has a degree in electrical engineering from Kansas State University.

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Kansas Soybean Commission FY 2005 Marketing Plan

The mission of the Kansas Soybean Commission is improving the profitability of Kansas's soybean producers. The Commissioners have identified the following priorities to work toward that mission:

1. Breeding/Production/Environmental Programs focusing on the most economical/efficient cropping systems with minimal impact on the environment including best management practices and crop protection/pest management; replacement of existing controls/seed treatments.
2. Animal/Human Nutrition studies that will increase the utilization of soybeans in the livestock feeding industry and new and innovative uses of soybeans as vital components in human nutrition.
3. Value-Added Projects developing and commercializing competitive industrial uses for soybeans including private entity cooperation.
4. Marketing Extension Program including extensive educational training of soybean pricing, crop disappearance/market share, crop insurance options, yield protection, farm program considerations and options in marketing available to Kansas soybean producers.
5. International market development with a focus on utilizing Kansas's soybeans.

In addition the Soybean Commission through its own work and through a contract with the Kansas Soybean Association promotes the nutritional benefits of using soybean products to consumers and because of its benefits to the environment, energy security and the farm economy, promotes the use of soy biodiesel as an alternative to diesel fuel. It also informs Kansas' soybean producers of their activities through producer communications efforts and participates in Industry Relations programs both state and nationally.

The Commission directly funds the following programs to reach their mission:

1. Kansas State University research and outreach:
 - Extension and Applied Research
 - Southeast Kansas Extension Education
 - Water Savings from Crop Residues
 - Biology and Management of Stem Borer
 - Soybean Aphid Management
 - Irrigated Cropping Systems to Reduce Groundwater Depletion
 - Genetic Engineering of the Soybean
 - Germplasm Development of the Soybean
2. Pittsburg State University research on:
 - Treatments for Charcoal and Phytophthora Rot
3. North Central Regional Research Program
4. Greenbush School Education Program
5. Ag in the Classroom

6. FACS grant program
7. Consumer Awareness Media Program
8. Biodiesel Advertising
 - Kansas State Football Network
 - Others to be determined
9. National Biodiesel Board, Membership and State Regulatory Project
10. USB Funded BPI Program
11. Producer Radio and Print Outreach
 - WIBW radio
 - KRVN radio
 - KKOW radio
 - KFEQ radio
 - KFRM radio
 - Soynotes* newsletter
 - Straight Rows* newsletter
 - Farm Talk* magazine
 - Others to be determined
12. Kansas Soybean Expo

13. No-till education including No-till On the Plains organization
14. Field Days, Farm/ Trade Shows, Crop Tours
15. Kansas State University International Grains Program
16. ASA/ USB WISHH Program
17. USB cooperative funding for Soybean Genomics effort
18. Soymeal Information Center
19. Collection, meeting, administration and audit procedures
20. Program and administrative work by the Kansas Soybean Association
(Attached projects including budgets for contracted and direct spending)

Kansas Soybean Commission
FY 2005 Checkoff Budget Expenses

Approved 04-07-2004

Number	Project	KSA Contract	Project costs	
			KSC Direct	KSC Number
111	International Market Development	\$2,000	\$49,672	1000's
111	International Grains Program Equipment	\$0	\$150,000	1000's
211	Research Program	\$500	\$342,157	2000's
311	Consumer Edible Implementation	\$1,000	\$1,250	3300
321	Consumer Trade Shows (Edible)	\$1,500	\$4,800	3010
322	Consumer Store Promotions	\$0	\$0	
323	Collateral Material	\$1,200	\$3,600	3020
324	Volunteer Promoters	\$0	\$0	
325	Consumer Edible Advertising	\$0	\$0	3031
326	Youth Education Program	\$2,000	\$33,100	3140-50-60
327	Consumer Awareness Media	\$0	\$18,000	3211
328	FACS Program	\$600	\$3,000	3180
351	Biodiesel Development	\$9,000	\$31,460	3500's
355	Biodiesel Consumer Advertising	\$0	\$5,500	3501
361	Industrial Market Development	\$1,000	\$3,750	3600-1
411	Public Relations	\$5,200	\$500	4200
421	First Purchaser Relations	\$4,000	\$7,900	41-42-4400
431	Economic Development	\$800	\$600	4200
441	National State Regional Coordination	\$10,000	\$4,612	4300
442	BPI Project Management	\$0	\$0	3500's
511	Producer Programs Implementation	\$1,500	\$500	5100
521	Soy Notes	\$0	\$12,000	5200
531	Field Days & Crop Tours	\$1,600	\$5,000	5300
535	Yield Contest	\$250	\$2,000	5350
541	Leadership Development	\$5,000	\$3,500	5400
551	Expo	\$600	\$15,000	5500
561	Farm Trade Shows	\$4,000	\$11,317	5300
571	Producer Media Outreach	\$0	\$26,000	5600
611	Checkoff Administration	\$2,500	\$68,050	6000's
821	Staff and office costs \$298,750 X 90%	\$268,875	\$0	
	821 costs are spread over all the other projects			
Totals		\$323,125	\$803,268	
			\$1,126,393	

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**Kansas Soybean Commission
FY 2005 Funding Worksheet**

Last revised February 20, 2004

#	PI	Proposal	Requested	Funded		
1	Brooker	Charcoal Rot	\$32,000	\$32,000	Brooker	
2	Schapaugh	Germplasm Development	\$200,000	\$200,000	Schapaugh	
3	Kilgore	SE Education	\$11,180	\$11,180	Kilgore	
4	Schlegel	Irrigated Cropping Systems	\$8,000	\$8,000	Schlegel	
5	Klocke	Water Savings	\$10,050	\$10,050	Klocke	
6	Reese	Soybean Aphid	\$23,157	\$23,157	Reese	
7	Trick	Genetic Engineering	\$56,469	\$56,469	Trick	
8	Buschman	Stem Borer	\$25,901	\$25,901	Buschman	New
9	Herr	Strip Tillage	\$30,000		Herr	New
10	Michaud	Sunflower/ Stem Borer	\$12,400		Michaud	New
12	Howard	International Grains Program	\$36,000	\$36,000	Howard	
15	Wang	Hydrolysis of Carbs	\$27,510		Wang	New
16	Takemoto	Isoflavone Content	\$10,000		Takemoto	New
17	Madl	World Food Center	\$50,000	\$10,000	Madl	New
18	Erickson	Remediation with Esters	\$29,616		Erickson	New
21	Fjell	Applied Research	\$4,000	\$4,000	Fjell	
22	Lindley	No-Till on the Plains	\$10,000	\$10,000	Lindley	
23	Oplinger	Ag in the Classroom	\$25,000	\$15,000	Oplinger	
24	Brooker	Greenbush	\$15,000	\$15,000	Brooker	
25	Dhuyvetter	Soybean Basis	\$9,300		Dhuyvetter	New
26	KSC/KSA	State Programs	\$502,930	\$502,930	KSC/KSA	
	Wright	NCSRP	\$50,000	\$50,000	Wright	
27	Howard	IGP Building	\$322,671	\$150,000	Howard	New
	USB	Genomics	\$10,000	\$10,000	USB	New

\$1,511,184 \$1,169,687

Totals

Requested Funded

FY 2004 carryover	\$861,990
FY 2005 income	\$1,006,250
Total funds available	\$1,868,240
Projects funded	\$1,169,687
FY 2005 carryover	\$698,553

Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath (Secretary) 420 Elm Avenue Oakley, KS 67748 (785) 672-3750	District IV	Steve Clanton 721 Kiowa Minneapolis, KS 67467 (785) 392-2527
District V	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601 (785) 625-6488	District VI	Jerry Wyse (Chairman) 8403 Mayfield Rd. Haven, KS 67543-8093 (620) 465-2245
District VII	Jim Zwonitzer 10789 Cheyenne Road Horton, KS 66439 (785) 872-3165	District VIII	Robert Haselwood 2130 SE 61 st Street Berryton, KS 66409 (785) 862-1048
District IX	Ron Westervelt 4851 NW Bethlehem Road Columbus, KS 66725 (620) 674-3301	At-Large	Robert Litch (Treas.) 2079 E. K-31 Melvern, KS 66510 (785) 549-3676
At-Large	Jerry Jeschke 1584 Willow Road Robinson, KS 66532 (785) 765-3623	United Soybean Board Representatives:	Eric Niemann, Nortonville Kathy Patton, Silver Lake John Wray, Ottawa

Kenlon Johannes, Administrator
Kansas Soybean Commission
2930 SW Wanamaker Drive #1
Topeka, KS 66614-4116
Phone: 785-271-1040
Fax: 785-271-1302
Email: johannes@kansassoybeans.org

Kansas Corn 2005

Annual Report of the Kansas Corn Commission

Fall 2005

Kansas Corn Commission

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

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

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

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

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

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

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

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

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

Kansas Corn Commission Office

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

On-line at
www.ksgrains.com

2005 Was Headline Year for Kansas Corn

From a record-breaking 2004 crop announced in January to a seventh ethanol plant opening, Kansas corn has been in the headlines over the past year. This annual report will focus on some of Kansas Corn's headline events in 2005.

The Kansas Corn Commission has been busy, especially in the area of ethanol. KCC has brought ethanol-blended diesel to Kansas City's Johnson County Transit System. We've seen the first load of corn brought into the East Kansas Agri-Energy ethanol plant at Garnett. We've witnessed the groundbreaking of a 40 million gallon plant at Phillipsburg and continue to monitor several other potential ethanol plant projects in communities across the state.

The commission is embarking on a new effort to add 20 new E85 fueling sites to offer 85 percent ethanol for flexible fuel vehicles. We continue our work to promote and expand the use of E10 Unleaded, the 10 percent ethanol fuel that can be used in any gas-powered vehicle. With help from a Kansas Department of Commerce grant, a newsletter and web site devoted to educating fuel retailers about E10 Unleaded were published and we continue to work with retailers who are interested in adding ethanol blended fuel.

The Kansas Corn Commission is also working closely with the US Grains Council, US Meat Export Federation, USA Poultry and Egg Export Council and the International Grains Program to expand the export market for corn and corn-fed meats. KCC also works closely with National Corn Growers Association to build markets for corn. KCC Member Ken McCauley is now NCGA's First Vice President and will assume the presidency of the national organization in October 2006.



O2Diesel Brings Cleaner Air to KC Area

Kansas Corn Commissioner Dan Guetterman, Bucyrus (right) and KCC Executive Director Jere White (left) with the corn-wrapped Johnson County Transit Bus powered by an ethanol-blended diesel fuel called O2Diesel.
See page 2.

1-24

Kansas Corn Commissioner to Lead National Corn Growers Association

Kansas grower Ken McCauley will serve as National Corn Growers Association President beginning in 2006. NCGA's Corn Congress delegates ratified McCauley, a corn grower from White Cloud, as its first vice president during its Corn Congress in Washington, D.C., in July.

On October 1, McCauley began three one-year terms as an NCGA officer. McCauley is now First Vice President, and will become president of the organization October 2006 and then serve his remaining term as chairman the following fiscal year.

McCauley represents the northeast district on the Kansas Corn Commission (KCC) and is also a member of NCGA's Corn Board. McCauley is a former Kansas Corn Commission chairman.

McCauley isn't the first Kansan to lead NCGA. Lawrence grower



Ken McCauley, Kansas Corn Commissioner and NCGA First Vice President

Roger Pine was the 1998-1999 NCGA President.

Ken and his wife Mary operate a family farm near White Cloud in northeast Kansas.

20 E85 Fueling Sites Coming to Kansas

At least 20 new E85 (85 percent ethanol) fueling sites will open in the next year, thanks to a collaborative effort between the Kansas Corn Commission, United Bio Energy and the National Ethanol Vehicle Coalition (NEVC). E85 is an alternative fuel, made for Flexible Fuel Vehicles (FFVs) which are equipped to operate on any combination of gasoline and ethanol up to 85 percent ethanol.

Kansas now has seven E85 stations located at Hays, Maize, Topeka, Garnett, Coffeyville and two stations in Great Bend. Interest in E85 fuel is high because of its lower cost and higher performance. E85 has been available in KS for more than a decade, offering motorists with an alternative to traditional gasoline.

KCC Brings Cleaner Diesel to Metro Buses

The Johnson County Transit system is now powering its buses with O2Diesel, diesel blended with 7.7% ethanol, a clean fuel made from Kansas grains. The Kansas Corn Commission sponsors the CityHome O2Diesel program in Johnson County.

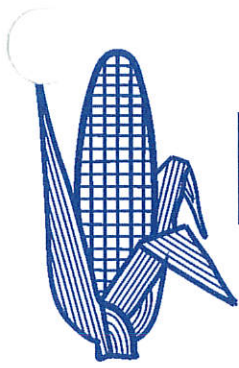
"Johnson County was looking for ways to improve air quality, and this program is a step in the right direction," according to Kansas Corn Commission Chairman Bob Timmons, Fredonia.

CityHome is a national clean-air initiative designed to help municipal transit systems significantly reduce diesel fuel emissions and improve quality of life in their communities at no additional cost.

Commission Brings AgriTalk Pump Tour to Pratt

Kansas Corn Commissioner Carolyn Dunn of St. John, pumps E10 Unleaded and explains the benefits to a customer at an ethanol promotion at the Pratt Kwik Shop. The Kansas Corn Commission sponsored the AgriTalk Ethanol Pump Tour at Pratt in June. The nationally syndicated radio program broadcast live from the event. The commission participated in efforts year-round to promote ethanol and Kansas corn. The commission along with other ethanol groups also hosted an ethanol exhibit at the Kansas State Fair.





KANSAS CORN COMMISSION

FY-2006 Funding Report

The Kansas Corn Commission

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

Producers Decide How Checkoff Dollars Are Spent

The Kansas Corn Commission is made up of nine corn producers who represent the state's nine crop reporting districts. See *directory on page 1*. The commission invests the checkoff collection in the areas of foreign market development, domestic market development, research, promotion and education.

Corn Commissioners Are Elected by Producers

The 2000 Kansas Legislature changed the structure of the commodity commissions to make each an "instrumentality of the state." Under this structure, the commissions manage their operations in the private sector, deciding how check-off funds are spent for the greatest benefit to Kansas grain producers. Board members are now elected by growers rather than appointed by the Governor. See *page 8 for election information*.

Find out more on the Internet!

Visit the Kansas Corn Commission web site at www.ksgrains.com or the Kansas Department of Agriculture web site at www.ksda.org

FY2006 KCC Funding

Research

\$84,292 (8%)



Domestic Market Development

\$314,400 (28%)

Foreign Market Development

\$411,200 (36%)

Promotion and Education

\$321,900 (28%)

This information outlines program areas in which corn checkoff dollars are being invested by the Kansas Corn Commission in Fiscal Year 2006 (July 1, 2005 through June 30, 2006)



WHAT IT'S ALL ABOUT—Garnett farmer Glenn Caldwell delivered the first load of corn to the East Kansas Agri-Energy LLC plant in June. The plant, located on the south side of Garnett, is owned by growers and other investors. EKAE quickly reached capacity production and has been operating steadily since June. The EKAE plant will use about 13 million bushels of corn and grain sorghum per year to produce 35 million gallons of ethanol and more than 115,000 tons of dried distillers grains.

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FY2006 Commission Projects

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

National Corn Growers Association

Core Funding..... \$116,800

Portfolio Funding \$195,200

Portfolio funding divided as follows:

Biotechnology—\$50,000; Research/Development—

\$20,000; Production & Stewardship—\$20,000;

Ethanol—\$40,000; Growers Services—\$20,000;

Public Policy—\$40,000; Trade—\$5,200

Kansas Corn Growers Association

Market Development \$166,000

Promotion & Education Programs \$166,000

No Till on the Plains

Locally Led Core Conservation

Practices to Protect Water Quality \$5,000

Kansas Foundation for Agriculture In the Classroom

Education \$12,500

US Meat Export Federation

Foreign Market Development..... \$50,000

US Grains Council

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

International Grains Program, KSU

Foreign Market Development..... \$50,000

USA Poultry & Egg Export Council

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

KSU Research See Page 5

Programs Give Kansas Growers Clout Worldwide



US GRAINS COUNCIL

The U.S. Grains Council develops export markets for U.S. corn, barley, grain sorghum and related products. The Council believes exports are vital to global economic development and to U.S. agriculture's profitability. The Council is a private, non-profit corporation with 10 international offices and programs in more than 80 countries. Its unique membership includes producer organizations and agribusinesses with a common interest in developing export markets. The Kansas Corn Commission has been an active supporter of the U.S. Grains Council for several years. Commissioner Terry Vin-duska, Marion serves on the USGC Board of Directors.



The USA Poultry & Egg Export Council (USAPEEC) is a non-profit, industry-sponsored trade organization dedicated to increasing exports of U.S. poultry and egg food products in all foreign markets. In addition to its U.S. office, the council has offices in Hong Kong, Beijing, Singapore, Moscow, Shanghai, Monterrey and Mexico City, and retains consultants in Johannesburg, Seoul, Tokyo, Europe and the Middle East.



US MEAT EXPORT FEDERATION

The U.S. Meat Export Federation (USMEF) is a non-profit trade association working to create new opportunities and develop existing international markets for U.S. beef, pork, lamb and veal. Headquartered in Denver, USMEF has offices in Seoul, Tokyo, Osaka, Hong Kong, Shanghai, Singapore, Taipei, Moscow, St. Petersburg, Mexico City and London. USMEF also has special market representatives covering China, Europe, the Middle East, Central and South America and the Caribbean. The Kansas Corn Commission has a long history with USMEF. Commissioner Donnie Young, Ulysses is on the USMEF Board of Directors.



Based at Kansas State University, IGP's mission is to promote and assist market-development efforts for U.S. commodities. IGP achieves its mission through technical-training and assistance programs in storage and handling, milling, marketing and processing. These programs target international flour and feed millers, international grain buyers, overseas governmental officials and other parties involved in grain procurement and/or use.

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MARKETING RESEARCH

Grain Marketing, Research and Education \$12,600 (ongoing project)

The Kansas Corn Commission funded a proposal that included assistance in hiring a grain marketing economist; conducting a grain and oilseed price outlook and marketing extension program, and conducting research on current marketing issues facing the Kansas grain and oilseed industry. The University makes available a wealth of information on farm management and grain marketing on its web site at www.agmanager.info. See article on p. 6



WATER USE, IRRIGATION

Effects of Tillage Practices and Limited Irrigation on Corn Production \$15,000 (first year of a three-year study)

The objective of this study is to determine the effect of tillage practices and irrigation capacity on corn grown under limited irrigation. The researchers will look at the results in terms of corn yields and yield components, corn growth, canopy productivity, soil warming, soil water redistribution, crop water use, yield and water use efficiency. They will then compare the economics of the three production systems using a partial budgeting approach. Several factors are forcing irrigators to look for ways to conserve and get the best use from their water. Although techniques like no tillage or conservation tillage have been effective for dryland water conservation, adoption of these techniques have been slower for continuous irrigated corn. Ongoing field research can provide benchmark results that farmers can use to evaluate tillage practices.

Irrigated Cropping Systems to Reduce Irrigation Water Use & Groundwater Depletion While Sustaining Profitability, KSU—\$12,000 (fifth year of a six-year project)

Project objectives are to identify crop rotations that can be used with limited irrigation that will reduce irrigation water use while maintaining producer profitability, and to determine the impact of limited irrigation on crop yield and profitability. This represents the fifth year of a six-year project, and studies are underway at the Tribune Unit of the Southwest Research-Extension Center. Because of reduced water availability and fluctuations in pumping costs, producers will adopt limited irrigation strategies. Knowing the yield and water use relationship between alternative crop rotations and irrigation amounts will allow producers to better utilize their water resources. The results of this ongoing research are being reported to growers through extension publications and through field days and other events.



CROP PRODUCTION

The Effect of Systemic Insecticide Seed Treatments on Yield of Corn and Pests, KSU \$13,000 (first year of a proposed two-year project)

The researchers will determine the effect of high and low rates of Cruiser and Poncho seed treatments on yield and agronomic characteristics of two corn hybrids; determine the effect of the treatments on specific pests and evaluate the effect of the treatments on corn development under greenhouse conditions in the absence of insect attack. These experiments will be conducted in conjunction with the KSU Corn Performance Tests. Seed treatments to control pests have received increasing attention. Cruiser and Poncho are two relatively new insecticide seed treatments and are being widely promoted. Growers frequently ask if insecticide seed treatments have an effect on yield in the absence of a noticeable insect attack. This research will provide help to answer those questions.

Short Season Corn Extension Educational Program in SE Kansas, KSU \$3,950 (second year of a two-year project)

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



Livestock Feed Research

Distillers Grains for Cattle—A Strategy to Reduce Dependence on Feed Grade Antibiotics \$7,742 (second year of a two-year project)

The objective of this project is to evaluate the potential for elimination of feed-grade antibiotics from finishing cattle diets when steam-flaked grain is partially replaced using wet corn distillers grains. The relatively high fat content of distillers grains may be useful when fed to finishing cattle, possibly reducing the need for adding feed additives to prevent digestive disturbances and liver abscesses.

1-28

Producers Find Ag Marketing Guidance at KSU's www.agmanager.info Web Site

The Department of Agricultural Economics at KSU hosts a comprehensive website that has become a leading provider of farm and ranch management and marketing information. The Kansas Corn Commission is a sponsor of this website. Growers can explore the farm management and grain marketing tools that are available on-line at www.agmanager.info

Woolverton Is KSU's New Extension Grain Economist

Mike Woolverton received his Ph.D. from the University of Missouri – Columbia in 1978. He specializes in grain marketing, international trade policy, and extension executive education. His research includes structure and performance of the grain and oilseed marketing system, overseas market development and commodity promotion, risk management in marketing and purchasing grain and oilseed commodities, agribusiness marketing management, and strategic leadership. Dr. Woolverton authors the Grain Outlook marketing newsletters that can be found at www.agmanager.info.



Phillipsburg Ethanol Plant Breaks Ground

Construction has begun on a 40 million gallon ethanol plant near Phillipsburg. Prairie Horizon Agri-Energy, LLC held a ground breaking ceremony in early September at the plant site located at 1600 East 100 Road, one-half mile northeast of Phillipsburg. This plant is another step forward for a rapidly growing ethanol industry in Kansas.

When completed, the plant will use 15 million bushels of corn and grain sorghum to produce 40 million gallons of ethanol per year. The plant will also produce 125,000 tons of distillers dried grains with solubles (DDGS), a high nutrient livestock feed. The cost of the project is \$56 million. The group began its equity drive in July of 2004 and has over 300 investors. Construction of the plant began in early October and should be completed and in operation by July 2006, according to PHAE President Monte Abell. ICM, Inc. of Colwich has been contracted to design and build the plant. About 35 people will be hired to operate the plant.

Ethanol Quick Facts

US Production: 91 plants
4 billion gallons per year

Kansas Production: 7 plants
170 million gallons per year

KANSAS PLANTS

US Energy Partners

Russell..... 46 mg

Western Plains Energy

Campus 41 mg

East Kansas Agri Energy

Garnett..... 35 mg

Abengoa Bio-Energy

Colwich 25 mg

Reeve Agri-Energy

Garden City..... 12 mg

MGP Ingredients

Atchison..... 9 mg

ESE Alcohol

Leoti..... 1.5 mg

DDGS: An important co-product of ethanol product is distillers grains, which is sold wet or dried as a high-nutrient livestock feed. A third of the grain that is used to make ethanol comes out as distillers grains. Kansas' strong livestock feeding industry provides a steady market for DDGS.



Visit the Kansas Ethanol Information website at:

www.ksgains.com

Kansas Commodity Classic Is November 8 at Garden City



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

**Tuesday, Nov. 8, 2005
Plaza Inn, Garden City
Registration begins at 8 a.m.**

Corn, wheat, sorghum and cotton producers will come together on Tuesday, Nov. 8 for the Kansas Commodity Classic at the Plaza Inn in Garden City. This annual event will feature a wide range of topics from legislative and policy issues to production and marketing of our crops. The 2005 Kansas Commodity Classic is hosted by the Kansas Corn Growers Association, Kansas Association of Wheat Growers, Kansas Grain Sorghum Producers Association and Kansas Cotton Association.

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

**Register today by calling KAWG at
866-759-4328**

KANSAS COMMODITY CLASSIC AGENDA

Nov. 8, 2005 Plaza Inn, Garden City

- 9:00 General Session Begins**
9:15 The State of Kansas Agriculture
Adrian Polansky, Kansas Secretary of Agriculture
- 9:45 Senator Pat Roberts (invited)**
- 11:00 Break**
- 11:15 FSA Tomorrow, Bill Fuller, Kansas FSA**
- 11:45 Linking Farms and Communities to Create New Opportunities, Vincent Amanor-Boadu, Director of the Value-Added Business Development, KSU**
- Noon Lunch**
- 1:30 Breakout Sessions 1 (choose one)**
- ◆ Value Added Opportunities—What Resources Are Available
 - ◆ Minimizing Risk in a Volatile World
 - ◆ Kansas Water Update
- 2:30 Ice Cream Break**
- 3:00 Breakout Sessions 2 (choose one)**
- ◆ Value Added Opportunities—What Real People Are Doing
 - ◆ Kansas Legislative Outlook
 - ◆ Producing Cotton in Changing Times

You Are Invited!
Please join us at the
Corn Producers Dinner

**6:00 p.m. Monday, Nov. 7 at the
Plaza Inn, Garden City**

Hosted by the Kansas Corn Commission

To reserve your seat at this dinner

**Please call KCC at
800-489-2676**

Corn Producer Events Held in Conjunction with the Kansas Commodity Classic

Kansas Corn Commission: The Kansas Corn Commission will meet beginning at 1 p.m. on Monday, Nov. 7 at the Plaza Inn, Garden City. Corn Commission meetings are open to the public.

Kansas Corn Producers Dinner: The Kansas Corn Commission is hosting a dinner for corn producers at 6 p.m. at the Garden City Plaza Inn. All corn producers are invited to attend. *Seating may be limited—call 800-489-2676 to reserve your seat!*

Kansas Corn Growers Association: KCGA will have its annual meeting at 8 p.m. on Monday, Nov. 7 at the Garden City Plaza Inn.

1-30

Growers to Choose District 1-3 Commissioners— Commodity Commission Elections Coming Up for Western Districts

Growers voting in the 2006 commodity commission elections will select checkoff board members for Districts 1, 2 & 3—the western third of Kansas. District One includes Cheyenne, Decatur, Graham, Norton, Rawlins Sheridan, Sherman and Thomas counties. District Two includes Gove, Greeley, Lane, Logan, Ness, Scott, Trego, Wallace and Wichita counties. District Three includes Clark, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearny, Meade, Morton, Seward, Stanton and Stevens counties.

REGISTER TO VOTE—Commodity Voter Registration forms can be obtained from county extension offices, county conservation district offices, the Kansas Department of Agriculture, or any of the five grain commodity commission offices, or by signing a valid candidate petition form. You will receive a ballot by mail by Jan. 15 which will be due by March 1. **Voters must register by Dec. 31, 2005.**

REGISTER AS A CANDIDATE—Fill out the candidate petition available from the Kansas Department of Agriculture or the Kansas Corn Commission. Candidates must complete the required forms, and get signatures from 20 growers, with no more than 5 growers from one county. **Candidate registrations must be postmarked by Nov. 30, 2005.**

Kansas Corn Commission

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

Executive Director—Jere White

Programs Manager—Sue Hardman

Director of Communications—Sue Schulte

Director of Environmental Programs—
Jessica Baetz Caylor

CONTACT US!

Kansas Corn Commission

PO Box 446
Garnett, KS 66032

Phone: 800-489-2676

Fax: 785-448-6932

e-mail: corn@ksgrains.com

Visit our web site

www.ksgrains.com



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Garnett, KS. Published October 2005.
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**See INSIDE for Information
on the
Kansas Commodity Classic!**
**Kansas Corn Commission
Annual Report**

Kansas Corn Commission
PO Box 446
Garnett KS 66032



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First Std
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KANSAS CORN COMMISSION

Garnett, Kansas

FINANCIAL STATEMENTS

WITH

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2005 and 2004

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

1-32



October 11, 2005

Board of Directors
Kansas Corn Commission
Garnett, Kansas

Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Kansas Corn Commission (a quasi municipal entity) as of June 30, 2005 and 2004, and the related statement of activities - cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Kansas Corn Commission as of June 30, 2005 and 2004, and the changes in its net assets for the year then ended on the basis of accounting described in Note 1.

Certified Public Accountants

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

Financial Statements

	2005	2004
ASSETS		
Current Assets		
Cash		
Money Market	\$ 71,300	\$ 30,000
High Performance Savings	1,057,006	623,244
Overnight Repo Agreement	-	198,873
CD	400,000	600,000
	\$ 1,528,306	\$ 1,452,117
TOTAL ASSETS		
NET ASSETS		
Net Assets	\$ 1,528,306	\$ 1,452,117
TOTAL NET ASSETS	\$ 1,528,306	\$ 1,452,117

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

Financial Statements

	2005	2004
CHANGES IN NET ASSETS		
REVENUE		
Check-off collections	\$ 1,816,997	\$ 1,364,613
Refunds	(314,984)	(294,643)
Net	\$ 1,502,013	\$ 1,069,970
Interest income	25,453	11,210
Total Revenue	\$ 1,527,466	\$ 1,081,180
 EXPENSES		
Administrative		
Communications	\$ 33,974	\$ 31,189
KCGA - Administration	74,000	74,000
In-state travel	7,019	6,839
Out-of-state travel	42,089	30,737
Office	1,214	2,056
Meetings	4,891	1,712
Hospitality	3,183	625
Grants	8,400	7,800
Program		
KCGA	306,000	311,000
KS Department of Agriculture	7,553	9,456
KSU - Research	158,413	214,901
National Corn Growers Association	342,000	312,000
Other contracts	97,541	84,433
US Grains Council	315,000	300,500
US Meat Export Federation	50,000	50,000
Total Expenses	\$ 1,451,277	\$ 1,437,248
 INCREASE (DECREASE) IN NET ASSETS	\$ 76,189	\$ (356,068)
 NET ASSETS - JULY 1, 2003	1,452,117	1,808,185
 NET ASSETS - JUNE 30, 2004	\$ 1,528,306	\$ 1,452,117

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KANSAS CORN COMMISSION
 Garnett, Kansas
NOTES TO FINANCIAL STATEMENTS
 June 30, 2005 and 2004

Notes To Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization

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

Method of Accounting

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

Income Taxes

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

Pension Plan

There is no formal pension plan.

Use of Estimates

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

Fair Value of Financial Instruments and Credit Risk

Deposits, which include certificates of deposit, are carried at cost which approximates fair value. The following tables summarize the collateral supporting the Commission's deposits at June 30, 2005 and 2004:

	Carrying Value	
	2005	2004
Category 1		
Deposits covered by Federal Depository Insurance or collateral held by the Commission or its agent in the Commission's name.	\$ 300,000	\$ 300,000
Category 2		
Deposits covered by collateral held by the pledging financial institution or its agent in the Commission's name.	3,200,000	2,145,409
Total Deposits	\$ 3,500,000	\$ 2,445,409

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Kansas Sunflower Commission 2005 Annual Report

Organization

The Kansas Sunflower Commission is organized as an instrumentality of the state to conduct a campaign of sunflower promotion and market development through research, education and information. The commission receives an assessment that is levied on sunflowers marketed through commercial channels in the state of Kansas. Currently, the rate of assessment is \$0.03 per hundredweight. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more. The commission operates on a fiscal year from September 1 – August 31.

Commissioners

District I

Jeff Deeds (Chairman)
1416 Arcade
Goodland, KS
Ph: 785-899-7230

District II

Duane Frasier (Vice-Chair)
HC 1, Box 235
Sharon Springs, KS 67758
Ph: 785-852-4454

District III

Jerry Bolding (Secretary)
14135 East Meeker Road
Garden City, KS 67846
Ph: 620-276-3042

At Large

Gary Schellhorn
521 Skiddy West Road
Junction City, KS 66441
Ph: 785-349-2926

Executive Director

Gail Hermesch
1138 K Rd
Centralia, KS 66415
Ph: 785-868-3831

District V

Lance Russell
474 240th Ave
Hays, KS 67601
Ph: 785-628-2159

District VI

Keith McNickle
235 NW 150th Ave
Stafford, KS 67578
Ph: 620-234-6183

District VII, VIII, IX

Randy Small
Rt 1 Box 213a
Neodesha, KS 66757
Ph: 620-325-5242

At Large

John Golden
1010 W 10th
Goodland, KS 67735
Ph: 785-899-7128

USDA Annual Report

USDA released its annual crop production report on January 12, 2006. Kansas was once again third in the nation in sunflower production. Totals reported for the state of Kansas were as follows:

	2004	2005	% of 2004
Planted Acres <i>(1000 acres)</i>	171	300	175%
Harvested Acres <i>(1000 acres)</i>	158	289	183%
Yield/Acre <i>(Lbs/Acre)</i>	1,433	1,564	109%
Production <i>(1,000 Lbs)</i>	226,360	452,100	200%

Statements of Activities For Year Ended August 31, 2005

Changes in net assets

Revenue

Check-off collections	\$73,335
Refunds	<u>\$ (796)</u>
Total Revenue	<u>\$72,539</u>

Expenses

Administrative

Dues	\$ 3,000
Commissioner Travel	\$ 3,546
Contract Labor	\$ 1,815
Office Expense	\$ 881
Meeting Expense	\$ 96
Bank Fees	\$ -

Program

National Sunflower Assoc	\$17,000
Sponsorships	<u>\$ 1,685</u>
Total Expenses	<u>\$28,023</u>

Increase (Decrease) In Net Assets	\$44,516
Net Assets September 1, 2004	<u>\$47,813</u>
Net Assets August 31, 2005	<u>\$92,329</u>

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KANSAS GRAIN SORGHUM COMMISSION

2006 ANNUAL REPORT

Grain Sorghum Research and Market Development Efforts Top KGSC Priorities

The half-cent per bushel grain sorghum checkoff is working hard for Kansas growers. In the past year, sorghum producers have seen their checkoff dollars used for research to improve their crop, and to build markets for sorghum through increased ethanol production and use, and expanded export opportunities.

Research

The Kansas Grain Sorghum Commission is part of a multi-state grain sorghum research initiative that brings together the top sorghum researchers to focus on issues like weed control, crop improvement and genetics. The commission provides significant funding to individual research projects at KSU as well as the multi-state research program. This fall, Congress approved \$736,000 in funding for the Great Plains Sorghum Initiative, a collaborative research effort between Kansas State University, Texas Tech University and Texas A&M University. This effort will allow the sorghum industry to pool their resources and work on issues to improve sorghum. The initiative will allow Kansas State University to lead efforts in plant breeding, genetics, and sorghum utilization; Texas Tech University to lead efforts on marketing, policy analysis, risk management and water use efficiency management; and Texas A&M University to lead efforts on sorghum cropping systems plus weed and pest management.



KSU Sorghum Breeder Mitch Tuinstra will play a key role in expanded sorghum research efforts. *(photo courtesy Kansas Farmer)*

Ethanol and Domestic Market Development

Kansas now has seven operating ethanol plants that produce 170 million gallons of ethanol from 65 million bushels of grain sorghum and corn. In Kansas, grain sorghum is the grain of choice for ethanol production. East Kansas Agri-Energy began production in June of 2005. Construction of an eighth plant, Prairie Horizons Agri Energy, LLC, is underway at Phillipsburg. In addition, sales of ethanol in Kansas have seen dramatic increases in the past year.

Export Markets

January 1, 2006 marked the beginning of the long-awaited free trade agreement (FTA) between the United States and Morocco. The agreement eliminated tariffs on U.S. sorghum immediately – good news for both U.S. sorghum producers and Moroccan livestock producers. Costs to Morocco's expanding poultry and meat sector will be significantly reduced due to lower feed grain prices, and the elimination of tariffs will open markets for U.S. sorghum into Morocco. The Kansas Grain Sorghum Commission has worked closely with the US Grains Council for several years to improve sorghum sales to Morocco's growing livestock sector.

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KGSC Funded Projects—FY2006

The Kansas Grain Sorghum Commission allocated checkoff funds in the areas of research, foreign market development, domestic market development, promotion and education. Below is a listing of projects funded by the Kansas Grain Sorghum Commission for FY2006. (July 1, 2005 through June 30, 2006)

KANSAS GRAIN SORGHUM COMMISSION

KSU Research Projects

Barney Gordon, Agronomy..... \$6,500
Management systems for grain sorghum production under dryland and limited irrigation

Ken Kofoid, Hays Research Center \$48,000
Breeding sorghum with improved grain yield, greenbug and virus resistance, and pre-flowering drought tolerance

Mitch Tuinstra, Agronomy \$72,500
Breeding grain sorghum for improved dryland production

Dave Regehr, Agronomy..... \$5,000
Evaluating herbicides for crop tolerance and grass control in grain sorghum

Alan Schlegel, Southwest Research Center \$6,500
Irrigated cropping systems to reduce irrigation water use and groundwater depletion while sustaining profitability

KSU Hays Research Center..... \$15,000
Plot combine

Promotion, Market Development and Research Projects

Kansas Grain Sorghum Producers Association..... \$96,500
Promotion and Market Development

National Sorghum Producers \$205,000
Research, Promotion and Market Development

Multi-State Research \$150,000
Sorghum Foundation

KSU Sorghum Improvement Center \$50,000

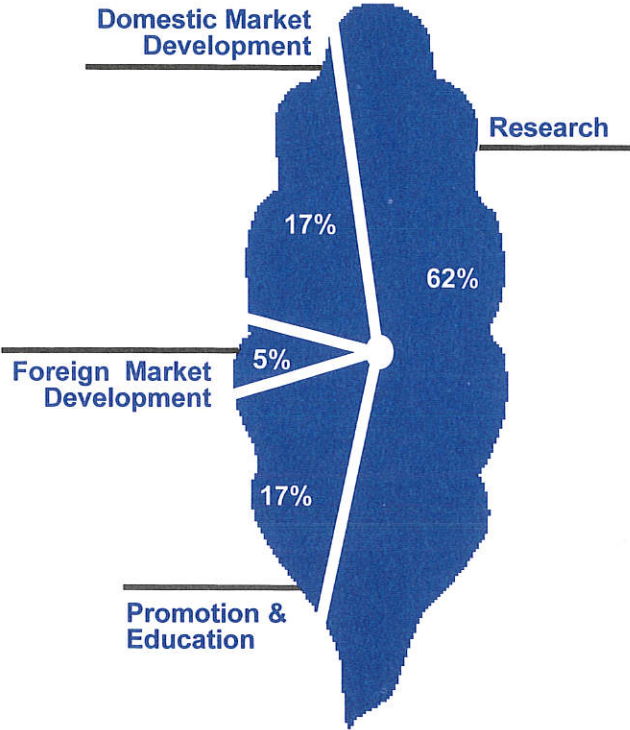
USGC Baseline Funding \$31,000

Special grants for FY2006

Kansas Grain and Feed Association Grain Grading Schools \$900

FY 2006

This pie chart outlines program areas in which your checkoff dollars are being invested by the Kansas Grain Sorghum Commission in Fiscal Year 2006 (July 1, 2005 through June 30, 2006)



Production/New Use Research.....	\$421,833 (62%)
Domestic Market Development.....	\$116,583 (17%)
Foreign Market Development	\$31,000 (5%)
Promotion and Education	\$116,583 (17%)

(Percentages are rounded and may not add up to 100%)

FY 2005

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

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

KGSC Photo Album



September, 2005—Prairie Horizons Agri Energy LLC broke ground at Phillipsburg on the state's eighth ethanol plant. When completed, the plant will use 15 million bushels of grain sorghum and corn to produce 40 million gallons of ethanol per year. The projected startup date is July of 2006.



March 2005—Three Kansas growers get a first hand look at efforts to build markets for U.S. sorghum in Africa during the the US Grains Council's Sorghum Mission to Africa. Kansas growers on the mission were Commissioner Jay Zimmerman, South Haven (3rd from left), Commissioner Greg Graff, Marienthal (2nd from right); and Charles Odgers of Sublette (right). Growers assessed the potential for growth in commercial uses for sorghum and food aid efforts.



September 2005— KGSC joins several commodity groups to present Agriland at the Kansas State Fair, a large, interactive educational exhibit for children and adults to learn about Kansas agriculture.

Kansas Grain Sorghum Commission Frequently Asked Questions

What does the commission do?

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

The areas of investment are:

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

Who serves on the commission?

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

Are commissioners elected or appointed?

Thanks to legislation passed in 2000 designed to give growers more input into their commission representation, growers began to elect commissioners in 2002. 2006 marks the fifth round of elections, in which growers will select commissioners for the northwest, west central and southwest districts.

Who handles the commission business?

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

Where can I find more information?

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



Kansas Grain Sorghum Commission

Dist. 1 (NW) Richard Calliham
Colby
785-462-2459

Dist. 2 (WC) Greg Graff, Vice Chair
Marienthal
620-379-4677

Dist. 3 (SW) Donald Rome
Garden City
620-275-6792

Dist. 4 (NC) Bill Greving, Sec/Treasurer
Prairie View
785-973-2224

Dist. 5 (C) Clayton Short
Assaria
785-667-3833

Dist. 6 (SC) Jay Zimmerman
South Haven
620-326-7338

Dist. 7 (NE) Leo Bindel
Sabetha
785-467-3817

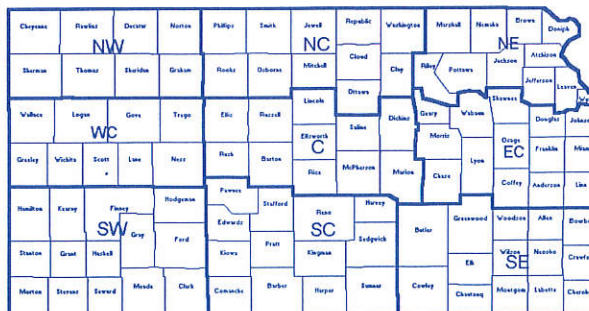
Dist. 8 (EC) Jeff Casten, Chairman
Quenemo
785-759-3520

Dist. 9 (SE) Kathy Claiborne
Fredonia
620-692-3651

Administrator:

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

District Map



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

Members of the Committee:

I am Kevin Lickteig, Administrator for the Kansas Grain Sorghum Commission. On behalf of Jeff Casten, our Chairman of the Kansas Grain Sorghum Commission from Quenemo I am pleased to submit our annual report of our campaign of grain sorghum promotion and market development. The Commission is pleased that each district has a candidate in the current election of the western districts. Support for our programs are widespread. Overall support may best be shown in our last fiscal year's numbers. 95.5% of the voluntary check-off support was allowed to be invested into our programs. This percentage has trended upward in the past five years. Grain sorghum harvested acreage for this current fiscal year was down and that continues a downward trend of sorghum production in Kansas. With Kansas as the leader in sorghum production, the United States sorghum production is also following our downward trend.

Presented is our annual report to growers. It highlights the research efforts that our Commission has deemed necessary for sorghum to compete profitably for producers. Increases have been dramatic in funding research for more and easier management options to control grass and weeds in sorghum production. Both pre-plant and rescue options are severely limited and has led to farmers selecting other crops to plant based on herbicide options. The Commission believes that to reverse the acreage reductions, any alternatives in grass and weed management needs to be explored. Grain sorghum has opportunities with higher crop input costs, lowering irrigation capacities, and the continual risk of uncooperative growing conditions to be a viable economic resource for producers.

Our Commission is particularly proud of the hybrid and germ plasm advancement of grain sorghum. The report on the inside pages detail our expenditures. Over one-half our spending went into production and new use research. The public sector has been leaned heavily on in the past and even more so with the private company consolidations of the past few years. The breeding programs at the Manhattan and Hays Kansas State University stations are the biggest joint public ones in the nation. That's because Kansas leads the nation, with about 48% of the total production and the industry relies heavily on us. Our main goal of the breeding programs is to continue maximizing yield.

We are proud of the Kansas ethanol industry and usage. Grain sorghum prices have increased in the northern half of Kansas to the price of corn and in areas around our new ethanol plants. Traditionally grain sorghum is 80% of the price of corn, but our promotion efforts are bringing more dollars back to Kansas producers. We are proud to be feeding the state's growing and increasingly diverse livestock industry. Finally, the international market development with about 4 of 10 bushels of grain sorghum raised in the U.S. being exported, remains constant. Though Mexico continues to use most of it, there are future customers, waiting for prices similar to corn. Details of all these programs are mentioned in the report if you need anything else. Also submitted are our annual budget and our audited financial reports from Varney & Associates. We thank you for your help and this opportunity to review our programs.

FY 2006 Budget
KANSAS GRAIN SORGHUM COMMISSION

INCOME

Estimated Net Assessments	\$ 700,000
Allowance for Refunds 7%	-50,000

Net Income	\$ 650,000

EXPENSES

Programs:

KGSPA	\$ 96,500
KSU Research	181,500
Sorghum Foundation	150,000
NGSP	205,000
USGC	31,000
Administration & Overhead	132,000
Special projects & Media	8,000

TOTAL EXPENSES

\$ 804,000

PROJECTED INCOME/DEFICIT

- 154,000

BEGINNING CARRY-OVER 7/01/2005

\$ 405,179



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

**Report of the Kansas Grape and Wine Industry Advisory Council
to
The Senate Agriculture Committees**

**by Janet Forge
Chairperson
Kansas Grape and Wine Industry Advisory Council**

January 25, 2006

Mr. Chairman, and members of the committee, my name is Janet Forge. My husband and I own and operate Prairie Ridge Vineyards near St. George. We are strictly growers; we do not own a winery. I also serve as chairperson of the Kansas Grape and Wine Industry Advisory Council whose members were appointed by Secretary of Agriculture Adrian Polansky.

Thank you for the opportunity to update the committee on this young but growing agricultural industry.

The Kansas grape and wine industry has shown incredible growth in the past year. At the beginning of 2005, there were seven wineries operating in the state. By December, six more had opened their doors, almost doubling the number in only one year. At present, three more are in the process of opening.

Statistics for 2004, the latest year available, show that Kansas wineries had almost \$1.2 million in sales, and employed 42 full-time and 67 part-time workers with a payroll of nearly \$1 million. In addition to wine production, Kansas farm wineries are a natural fit for agritourism. They draw visitors from around the world, which makes them an additional revenue source for the state.

In 2005 the farm winery statute was revised to allow Kansas farm wineries to have up to three outlet locations. The previous limit had been two. This increase will expose more of the public to the Kansas grape and wine industry. In addition, legislation raised the production limits from 50,000 to 100,000 gallons of wine per year.

A survey conducted by the Department of Commerce at the request of the council found that 100 more acres of grapes need to be planted in the next five years to meet the grape demand by existing wineries. With this in mind, the council asked the Department of Commerce's

*Senate Agriculture Committee
1-31-06
Attachment 2*

109 SW 9th ST., Topeka, KS 66612-1280

Voice (785) 296-3556

Fax (785) 296-8389

<http://www.accesskansas.org/kda>

Agricultural Marketing Division to find a way to educate potential growers and winemakers about this industry. The result was a two-day conference with more than 80 attendees and a waiting list of about 25. There definitely is interest in growing grapes and making wine in Kansas!

The Department of Commerce has done an excellent job helping market our grape and wine industry. They helped create a brochure that highlights each winery, and those brochures are placed at key travel centers and hotels around the state. In addition, the departments of commerce and agriculture together organized the first and second annual grape stomp at the Kansas State Fair, which was followed in the evening by a public wine judging. Both events were well attended and greatly raised the visibility of the industry.

Currently, a new website covering the industry is almost finished. The development of the first American Viticulture Area in Kansas, most likely the Flint Hills, is being studied. Also, a grape and wine industry survey was just mailed and the results will help gauge the industry's development.

The industry also is working with the Department of Agriculture to educate inspectors about the special requirements related to processing grapes and wine, and also to help prevent damage to grapes from pesticide applications.

Legislatively, some of the industry's most pressing concerns are restrictions on shipping and direct sales to retailers. Currently, farm wineries are not allowed to ship to customers either within the state or out of state, and that hinders growth. Without direct wine sales from Kansas farm wineries to retailers, customer choices are extremely limited and customers may not have access to their favorite Kansas wines. We will be watching legislative initiatives very carefully this session.

Kansas grape and wine production is an excellent form of sustainable, value-added agriculture. Research must continue, however, to ensure that Kansas produces the best quality grapes and wine it possibly can. Members of the industry and the council will work with Kansas State University to further define research goals and to discuss funding options. Losing extension and research through Kansas State University would be a significant setback for grape and wine production. It would translate into lost jobs and lost tax and agritourism dollars.

On behalf of the Kansas grape and wine industry, I would like to thank the state for its support these last few years. We hope that our relationship will continue to be fruitful.

LEGISLATIVE TESTIMONY

Presented by the **Kansas Motor Carriers Association**
In Opposition to Senate Bill No. 387
Before the Senate Agriculture Committee
Senator Mark Taddiken, Chairman
Wednesday, January 25, 2006

**MR. CHAIRMAN AND MEMBERS OF THE
 SENATE AGRICULTURE COMMITTEE:**

I am Tom Whitaker, executive director of the Kansas Motor Carriers Association. I appear here this morning representing our 1,250 member-firms in opposition to Senate Bill No. 387 which requires on and after January 1, 2010, all motor fuels sold in the state to contain ethanol or biodiesel.

KMCA understands the need for the use of renewable fuels to reduce our dependency on foreign oil. We understand that production and use of ethanol and biodiesel will help the Kansas agricultural economy. However, we feel Senate Bill No. 387 gets the cart before the horse.

The state should focus on developing production of biodiesel and creating an infrastructure for the distribution of such alternative fuels before mandating that such fuels are the only ones available to the consumer.

There are problems with biodiesel. One just has to read the January edition of *Renewable Fuel News* (See attached) to understand the problems the State of Minnesota is currently dealing with as it relates to biodiesel.

Let me quote from the article:

“The Minnesota Department of Commerce announced last week it is providing a third waiver for its recently enacted biodiesel mandate, in an effort to remove off-spec fuel from the transportation pool and to quality assurance measures. Since the Minnesota 2% biodiesel mandate was enacted on September 29, 2005, the state has received numerous complaints of clogged fuel filters and fuel that does not meet specifications.”

KMCA urges the Senate Agriculture Committee to vote against this mandate and take a more reasonable approach toward the matter of biodiesel such as focusing on development of production facilities and the creation of a distribution system. A mandate at this time is nothing less than a statewide research project on an experimental fuel paid for by its users. Please vote NO on Senate Bill No. 387.

Thank you for the opportunity to appear before you. I would be pleased to respond to questions.

*Senate Agriculture
 Committee
 1-31-06*

Calvin Koehn
 Circle K Transport, Inc.
 President

Jeff Robertson
 J.M.J. Projects
 Chairman of the Board

Mike Miller
 Miller Trucking, LTD
 First Vice President

Michael Topp
 TT&T Towing, Inc.
 Second Vice President

Gale Fischer
 Golden Plains Trucking, Inc.
 Treasurer

Larry "Doc" Criqui
 Kansas Van & Storage
 Criqui Corp.
 Corporate Secretary

Jerry Arensdorf
 Arensdorf Trucking, Inc.
 ATA State Vice President

Ken Leicht
 Rawhide Trucking, Inc.
 ATA Alternate State VP

Mike Ross
 Ross Truck Line of Salina, Inc.
 ProTruck PAC Chairman

Kelly Kile
 Wal-Mart Stores, Inc.
 Public Relations Chairman

Dave Eaton
 Cummins Central Power, LLC
 Allied Industries Chairman

Tom Whitaker
 Executive Director



Memo To: Senate Agriculture Committee
From: Thomas M. Palace
Date: January 25, 2006
Re: Comments on SB 387

Mr. Chairman and members of Senate Agriculture Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store owners throughout Kansas.

PMCA supports the expansion of renewable fuels for both ethanol and biodiesel fuel. We feel Kansas has made great strides in the past few years promoting the use of ethanol by way of tax incentives to build state-of-the art ethanol plants, and by requiring the state's vehicle fleet to use these products if the price of the fuel is within the acceptable levels.

Senate Bill 387 mandates that all motor fuels sold in Kansas contain ethanol and biodiesel by January 1, 2010. Although, PMCA favors the expanded use of these products we do not, however, support mandating the use of these products.

There are several reasons we don't support this mandate;

- The federal energy bill requires refiners to **blend ethanol into all gasoline** nationwide starting in 2006. The total blending volume of ethanol will be phased in beginning with 4 billion gallons in 2006 and reaching 7.5 billion gallons per year by 2012.
- Consumers may pay more at the pump. If ethanol is not priced lower than gasoline, consumers will be forced to pay more for their fuel.
- Minnesota (mandates the use of B-2) has currently suspended the requirement that all diesel fuel contain B-2.
- In June of this year, refiners will be required to lower the sulfur content in diesel fuel which will result in higher costs at the pump. Lowering sulfur content also lowers lubricity making is less effective as a lubricant. Biodiesel may be a great substitute for lubricity issues in engines; however, other cheaper additives (to fix the lubricity issue) may be an option for fuel marketers, helping lower the price the consumers pay.
- EPA continually changes fuel standards based on air quality and other environmental factors with the cost almost always being borne by the refiner and petroleum marketer. Fierce competition hinders efforts to pass along such costs to the consumer leaving members of our industry at the mercy of mandates.

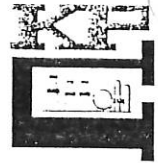
Petroleum Marketers and Convenience Store Association of Kansas

115 SE 7th • Topeka, KS 66603
PO Box 678 • Topeka, KS 66601-0678
785-233-9655 • Fax: 785-354-4374

*Senate Agriculture
Committee*

1-31-06

Attachment 4



COMMENTS TO THE SENATE AGRICULTURE COMMITTEE
ON SENATE BILL 387

January 25, 2006

Submitted by Ken Peterson, Director
Kansas Petroleum Council

Mr. Chairman and members of the Committee, I appreciate the opportunity to offer comments on Senate Bill 387, legislation to mandate the retail sale of ethanol and biodiesel fuel in the state by January 1, 2010.

The Kansas Petroleum Council is a trade association whose membership includes refiners that provide fuel in Kansas. We oppose this legislation because it is a mandate - and mandates seldom create good public policy.

In this instance, a mandate would erode the flexibility that fuel suppliers must have to adjust to changing market conditions. A mandate in one area could create unexpected price and supply disruptions by limiting the ability of shipments to go where they are most needed.

Unfortunately, often overlooked or ignored is the fact that our industry has successfully marketed ethanol for years when and where it made economic sense.

A majority of Kansas refiners have supported ethanol for more than a decade, and some for as much as two decades.

Our industry is not adverse to ethanol. We believe that ethanol is a quality fuel additive when blended at up to 10 percent by volume, and we believe there is a role for E85 and biodiesel in the nation's fuel mix, but please don't mandate their use. Let the free market continue to work.

The future of ethanol looks bright. Ethanol production is expanding in Kansas. The recently enacted Renewable Fuel Standard at the federal level will require the use of 7.5 billion gallons of ethanol over the next several years. Refiners will use ethanol when and where it makes economic sense. Obviously, most of the ethanol is produced in the Midwest.

Comments by the Renewable Fuels Association in testimony November 16 before the Senate Environment and Public Works Committee should be noted:

"Importantly, the RFS does not require that any renewable fuels be used in any particular area, allowing refiners to use these fuels in those areas where it is most cost-effective."

We agree that flexibility is the key to the success of the RFS, and a state mandate would erode that flexibility.

The Council has never taken a position in opposition to incentives for ethanol plant construction. Last year, the Council did not oppose removal of the mandatory pump-labeling requirement.

Mandates and other dictates seldom add efficiency or opportunity to the marketplace. Ways have been found to successfully market ethanol in a number of Midwestern states without a mandate. From what I understand, market share for ethanol is above 70 percent in some of them, and well above 50 percent in others. Kansas figures from last year showed a dramatic rise in ethanol sales.

Members of the Committee, we respectfully request that you let the free market work by rejecting Senate Bill 387. Thank you.

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

STATE CAPITOL
300 S.W. TENTH STREET
ROOM 181-W
TOPEKA, KS 66612
(785) 296-7500
holmesm@house.state.ks.us



DISTRICT ADDRESS:
211 S.E. 20TH AVE.
ST. JOHN, KS 67576
(620) 234-5834

MITCH HOLMES
114TH DISTRICT

January 30, 2006

Thank you, Senator Taddiken for allowing me to testify before you today. I stand as a proponent for Senate Bill 388.

Currently I'm chairing a steering committee that is funding and overseeing a feasibility study for a biodiesel plant to be constructed in Stafford County. This committee is made up of several farmers, bankers, members of the Kansas Soybean Association, an attorney, a county extension agent, a retired entrepreneur and me.

Stafford County, like so many other rural counties in Kansas, has been experiencing a rapid decrease in population. If census projections hold true, we will lose 17% of our population in the years 1990 to 2010. This project has been a spark of hope that we can turn the situation around.

We have much enthusiasm and confidence that the feasibility study will come back with a positive recommendation to build. We sit on a main railroad line, have two major highways, and grow soybeans in the area. The farmers in the area are very hopeful and say they will grow more soybeans if we should build.

When I last spoke with the consultants who are doing the feasibility study, they were very positive about our project, and will deliver a recommendation in mid to late February. They say that at that point, it will take 15 months to raise the capital necessary and build a 30 million-gallon capacity plant. I believe in allowing for more time, so am saying we should plan on 15 to 18 months. This would put us online in the first quarter of fiscal year 2007, which is in line with the effective date specified in Senate Bill 388.

All of this, of course, is dependent upon the feasibility study that returns a positive recommendation. We fully anticipate positive results. However, even if our study shows that it is not feasible at our location at this time, I still believe that this bill is needed as a boost to others in the state. The demand for biodiesel is expected to explode in the next few years, and Kansas should be a leader in this move. But as we all know, new business most critical period is in its first few years. This incentive is at the right time to help a fledgling industry get off the ground in Kansas. That's why I support this legislation wholeheartedly. With that, Mr. Chairman, I'd be happy to stand for questions.

Senate Agriculture Committee
1-31-06
Attachment 6

Kansas Senate Agriculture Committee Hearing on SB 388

Chairman Taddiken and members of the committee:

I am Bob Rhoton, one of the managing members of Kan Agri Energy L.L.C.

Kan Agri Energy LLC is a group of East Central Kansas area farmers lead by the Lawrence Chamber of Commerce Agribusiness Network exploring the possibilities of building a biodiesel plant. We would be in support of Senate Bill 388.

Based upon our initial feasibility study, which was funded by the Kansas Department of Commerce, a biodiesel plant in Kansas would have a competitive disadvantage compared to similar facilities in Missouri or Oklahoma. Both of these states are offering production incentives that will allow producers in those states to have competitive advantages if Kansas does not approve Senate Bill 388.

Presently Missouri has a \$0.30/gallon incentive on the first 15,000,000 gallons produced and an additional \$0.10/gallon on the next 15,000,000 of production for the first 60 months or a total of \$6,000,000 of possible incentives for a new producer of biodiesel. Oklahoma's incentive is \$0.20/gallon with no mentions of production limits, so assuming a 30,000,000 gallon plant as Kan Agri Energy LLC is exploring, there would be a \$6,000,000 incentive in Oklahoma also.

I support Senate Bill 388 since it will get Kansas closer to being competitive with our neighboring states.

Thank you for your time.

Bob Rhoton
Kan Agri Energy L.L.C.
734 Vermont Street
Lawrence, KS 66044
Phone: 785-843-3081

Senate Agriculture Committee
1-31-06
Attachment 7

KANSAS SENATE AGRICULTURE COMMITTEE

January 31, 2006

TESTIMONY ON SENATE BILL SB 388

Jeff Otott, General Manager
NCKP, LLC
1828 Industrial Park Dr.
Washington, Kansas 66968
785-325-3342

Chairman Taddiken and members of the Kansas Senate Agriculture Committee, my name is Jeff Otott and I am the Manager of NCKP, LLC a soybean processing plant at Washington, Kansas.

The soybean processing business of NCKP was made possible by the efforts of local farmers and investors that wanted to add value to locally grown soybeans, while creating jobs and providing additional economic benefits in North Central Kansas.

The biodiesel industry could provide yet another opportunity for businesses like NCKP to expand and enhance the value of Kansas grown soybeans.

The majority of the soybean oil that is currently produced by NCKP is sold to companies in other states for further processing. With the help of SB 388 it would be possible to construct a biodiesel production facility in Washington County, Kansas. This would enable NCKP to process biodiesel and market it to Kansans.

On behalf of myself, the owners and employees of NCKP, I would ask for your support of SB 388 and its \$.30 per gallon subsidy for biodiesel production.

Senate Agriculture
Committee
1-31-06
Attachment 8

From: Rgardenplain@aol.com
Sent: Monday, January 30, 2006 7:24 PM
To: johannes@kansassoybeans.org
Cc: Rgardenplain@aol.com
Subject: Re: SB 388, 30 cent biodiesel subsidy

Kenlon,

U. S. Bio Energy is interested in the production of biodiesel. We will be centrally located in Kansas. U. S. Bio Energy is excited to see the Senate Agriculture Committee take interest in Senate Bill # 388. We (U. S. Bio Energy) are in support of this Bill.

Kansas being an agriculture state should be on the front run of biofuels. The Senate Bill # 388 will be instrumental in getting Kansas companies in the production of biodiesel. Creating new jobs and income for Kansas is a step in the right direction. The United States of America needs states like Kansas to step up to the plate so we can depend less on foreign crudes.

Thank You,
U. S. Bio Energy
Tim R. Schwab

Senate Agriculture Committee
1-31-06
Attachment 9

1/30/2006

KANSAS SENATE COMMITTEE ON AGRICULTURE

S.B. No. 388 – BIODIESEL PRODUCER INCENTIVE

January 31, 2006

Mr. Chairman and Committee Members:

My name is Jeff Swearingen, and I am a board member of Northeast Kansas Bioenergy LLC (NEK BIO). NEK BIO's intent is to raise enough money to build a 30 million gallon per year biodiesel production facility in Northeast Kansas. We are in favor of S.B. No. 388.

The attached U.S. map shows the location of biodiesel plants (larger than one million gallons annual production capacity) currently in operation or under construction as of Fall 2005. As you can see, there are no plants in Kansas.

A quick look at the U.S. Department of Energy website called the "Alternative Fuels Data Center (http://www.eere.energy.gov/afdc/laws/incen_laws.html) gives us some insights as to why. For example, Minnesota is driving biodiesel production on the demand side through a state B2 mandate. Missouri is driving biodiesel production on the supply side through a production incentive of 30 cents per gallon (program capped at \$6 million annually, and that could possibly double in the coming years).

States like Indiana with no current production have decided to try and "catch up" with a production tax credit of \$1.00 per gallon (capped at \$3 to \$5 million per facility). Kansas Senate Bill No. 388 will be a big boost in helping Kansas to "catch up" in biodiesel production. It will result in money directly invested in the Kansas economy, more jobs for Kansans, and permanent production infrastructure in the state that can't be moved to a competing state or overseas as we've seen happen to other manufacturing jobs.

Bill No. 388 as currently written avoids the potential pitfall that is contained in Missouri's bill. Missouri requires 51% of the feedstock to be originated within the state. It has been suggested that other states could potentially sue Missouri for violation of the Interstate Commerce Clause. While I'm not sure that would ever happen, other states have chosen not to follow Missouri's example when passing production incentives.

There is currently intense interest in biodiesel. A lot of money will be invested in biodiesel in the next year or two. The biggest question is where that money will be invested. Senate Bill No. 388 goes a long way in making sure some of that money gets invested in Kansas.

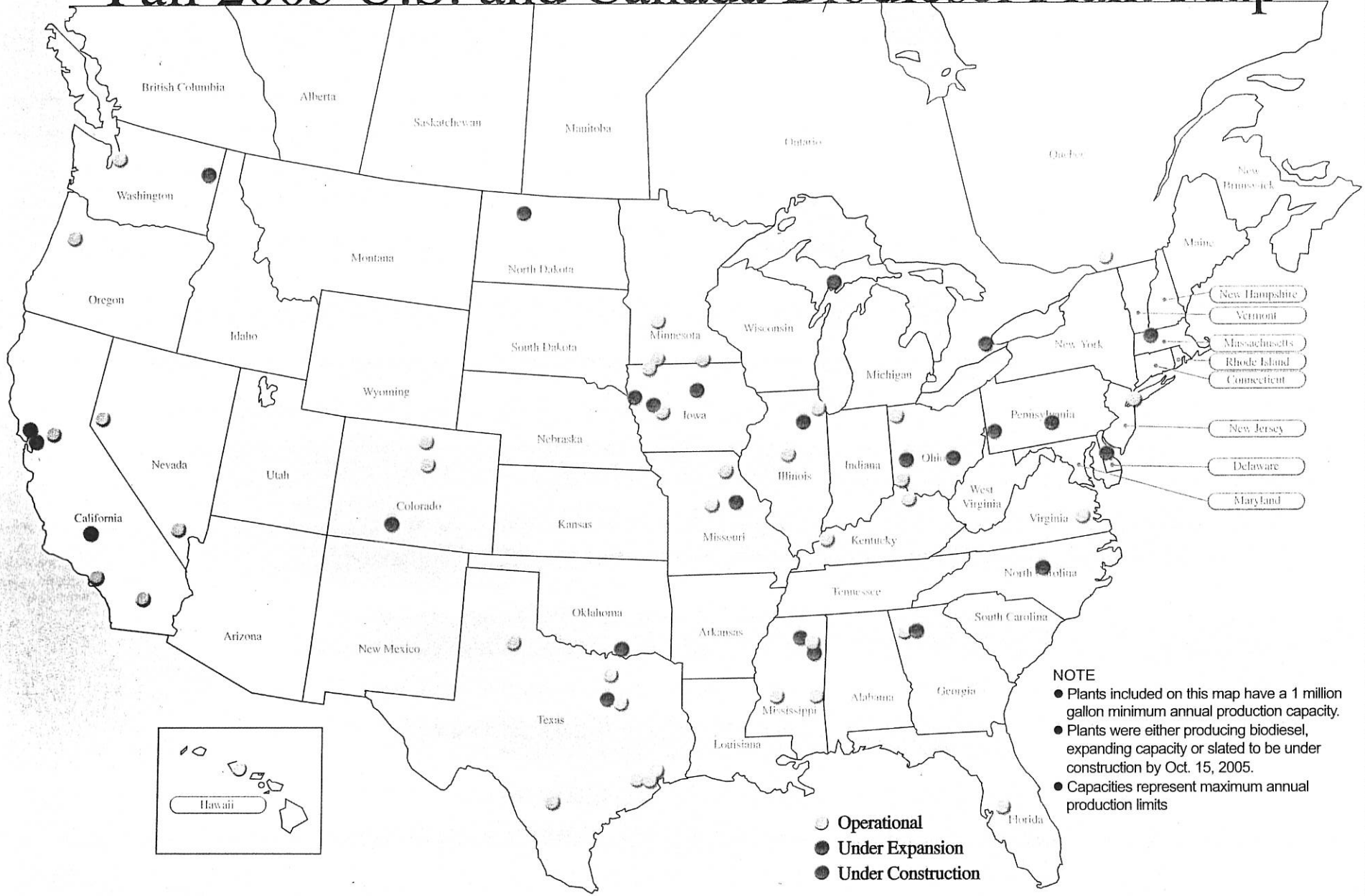
Thank you Mr. Chairman. I will be glad to answer any questions from the committee.

Senate Agriculture Committee
1-31-06
Attachment 10

Fall 2005 U.S. and Canada Biodiesel Plant Map

10-2

Biodiesel Directory



www.biodiesel-dire

JM

www

Kansas Senate Agriculture Committee
January 31, 2006 hearing on SB 388

Chairman Taddiken and members of the committee. The Kansas Soybean Association has been actively involved in the promotion of the use of biodiesel in Kansas making this effort our number one market development priority. The use of biodiesel has increased steadily over the past few years and is on the verge of a rapid increase in use. All of the soybased or other biodiesel sold in Kansas is imported from nearby states. This ultimately increases the cost of biodiesel to Kansans and limits sales of product and the use of Kansas's agricultural feedstocks in its production. Realizing the economic benefits it could provide, we are encouraging the building of biodiesel production plants in Kansas so biodiesel can be made in Kansas with Kansas agriculture products.

There is a great concern that biodiesel production facilities will not be located in Kansas if we are not competitive in our ability to assist this emerging industry with incentives similar to those given in nearby states so we are here to speak in favor of SB 388. **I have attached a list developed of those considering investing in biodiesel plants in Kansas, most of who will be testifying in favor of this bill.**

Additionally attached is the Kansas Soybean Commission's presentation to the Kansas Legislature Select Joint Committee on Energy on the **incentives provided to biodiesel and biodiesel producers in surrounding states**, as is the report on the cost of biodiesel production. **Please note the conclusion on the calculating the size of and incentive for biodiesel plants in Kansas.**

In order to compete with nearby states and the Kansas Soybean Association asks you set up a qualified biodiesel fuel producer incentive fund and adopt the 30 cent per gallon producer incentive as provided in the SB 388.

As a technical matter we would suggest you adopt the definition of biodiesel as defined in KSA 55-443.

Kenlon Johannes, CEO
Kansas Soybean Association
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
Phone: 785-271-1030

Senate Agriculture Committee
1-31-06

Attachment 11

Proposed Kansas Biodiesel Plant start up dates and capacities

Location	Annual Capacity Million Gallons/Year	Estimated startup date based on calendar year
Lawrence (region)	30	4 th quarter of 2007
Hiawatha	30	3 rd quarter of 2007
Goodland	10-12	2 nd quarter of 2007
St. John	30	15-18 months from return of study
North Central Kansas		
South Central Kansas	30	3rd quarter of 2007

These are the proposed plants known to us as of January 23, 2006. Other proposed plants may exist that are not known to the Kansas Soybean Commission and some listed may have proposed plans.

Revised January 24, 2006

Kansas Soybean Commission

Kenlon Johannes, Administrator

Requested information on other state legislature's support of biodiesel.

Report to the Kansas Legislature
Select Joint Committee on Energy
December 15, 2005

State Policy Concepts

- **Demand side policies:**
 - Requirements
 1. All diesel sold must contain biodiesel.
 2. State fleets & equipment must use biodiesel (Executive Order & legislative).
 - Financial Incentives
 1. Reimbursements for schools to use biodiesel.
 2. Excise/Sales Tax exemptions or reductions.
 - Petroleum Reduction/Renewable Portfolio Standards/Renewable Fuel Standards

State Policy Concepts

- **Supply side policies:**
 - Production Incentives
 - Tax credits for capital investments.
 - Producer Incentive Funds- per gallon grants/low - interest loan programs.
 - Blending, Distribution, Retailing Incentives
 - Tax credits for capital investments made in blending, storage, dispensing infrastructures.

State Policy Concepts

• General Initiatives

- Studies examining potential benefits associated with encouraging biodiesel production & use.
- Point of taxation, harmonize with federal point of taxation.
- State should recognize biodiesel standard D6751 – Kansas already has this recognition

Arkansas

- 10 cent/gallon grant to qualified biodiesel producers (located within Arkansas).
 - Limited to the first 5 million gallons of biodiesel produced annually, not to exceed 5 years.
- Income tax credit for "facilities and equipment" for biodiesel suppliers (wholesale or retailers that sell in bulk) of 5% of the cost of facilities and equipment. The credits may be carried forward 3 years.
- 50 cent/gallon state fuels tax credit for biodiesel suppliers for each gallon blended into undyed diesel fuel to make up to a B2; and that is used in trade or business.

Illinois

- Sales Tax Exemption.
 - Biodiesel blends between B1 and B10 are given a partial exemption of 20%. B100 and blends above B10 are totally exempt.
 - All exemptions on all fuels end December 31, 2013.
- Executive Order requires all diesel state vehicles to use biodiesel when practical. Directs Central Management Services to procure B2 for state fleets and to increase availability of B2 for flexible fuel fleet, including the establishment of state- operated B2 filling stations.
- Fuel Cost Differential Rebate. Owners of vehicles operating on a domestic renewable fuel are eligible to apply for a fuel cost differential rebate. Rebate program is applicable to fleets.

Iowa

- Department of Economic Development to provide an infrastructure cost-share incentive program for E85 and biodiesel.
- Governor's Executive Order to increase state agency energy efficiency and use of renewables. Directs agencies to ensure all bulk diesel bought is at least B5 by 2007; B10 by 2008; B20 by 2010.
- Tax credits for cooperative's producing "value-added agricultural products".
 - Credit may be claimed up to 10 percent of a new investment that involves the creation of new jobs.
 - May elect to receive a refund of all or a portion of the unused tax credit.
- Biodiesel Fuel Revolving Fund.
 - Money received from the sale of Energy Policy Act (EPAAct) credits.
 - Administered by Iowa Department of Transportation (IDOT).
 - The fund shall be used by IDOT for the purchase of biodiesel fuel for use in IDOT vehicles. Vehicles using biodiesel will have an informational sticker so stating.

Minnesota

- B2 requirement: Effective 09/29/2005.
- Sales Tax exemption for purchase of equipment used to blend biodiesel.
- Feasibility study examining biodiesel use as home/industrial heating fuel.

Missouri

- MO Qualified Biodiesel Producer Incentive Fund.
 - Administered by Department of Agriculture.
 - Qualified producers eligible to receive \$.30/gallon grant for the first 15 million gallons produced annually (up to 60 months).
 - Producers can receive \$.10/gallon grant up to 15 million gallons of biodiesel produced beyond their initial 15 million gallons produced in a fiscal year.
 - All feedstock must be US produced and 51% must come from MO.
- School district reimbursement for incremental cost of biodiesel (B20 or higher).
- Self-Sustaining Biodiesel Revolving Fund.
 - Administered by the Department of Natural Resources & is available to all state fleets.
 - The fund pays the incremental cost of biodiesel.

Nebraska

- Governor did an executive order in May. The order directs Transportation Services Bureau and Department of Roads to take all reasonable actions necessary to investigate ways to strengthen infrastructure for increasing availability of E85 & B2 for state fleets. Also directs state employees to utilize E85 & B2 whenever "practical". "Practical" refers to reasonableness of obtaining E85 and B2.

North Dakota

- Interest rate buy down program for biodiesel production facilities.
- Income tax credit for fuel suppliers who make biodiesel blends of B5 and higher.
 - The value of the credit is 5 cents per gallon.
 - The credit is not "refundable" and unused credits can be carried forward up to 5 years.
- Income tax credit for a fuel seller for costs incurred to modify or add infrastructure to sell biodiesel blends of at least B2.
 - The value of the credit is 10% per year for 5 years of the direct costs associated with modification or installation of infrastructure.
 - The credit is not "refundable" and may be carried forward 5 years.

Oklahoma

- Income tax credit for biodiesel production facilities
 - 20 cents/gallon.
 - Credits can be accrued for facilities wholly or partially on-line before 12/31/2007.
 - Credits may be claimed for 60 months.
 - Beginning January 1, 2012, a biodiesel facility shall receive a 7.5 cents/gallon credit for new production for a period not to exceed 36 consecutive months.

11-6

South Dakota

- Contractors' Excise Tax-Sales Tax refund/credit.
 - Provides for a refund/credit to be taken on taxes imposed or paid for "new agriculture processing facilities" and for sales & use taxes imposed/paid on purchases of equipment for new agriculture processing facilities.

Texas

- Production grant program. Producers pay a 3.2 cents per gallon (cpg) tax into a fund. State matches by a multiplier of 5.25 cpg. The state issues grants of 20 cpg back to the plants. The net grant would equal 16.8 cpg. The producer is entitled to receive the 20 cpg for 10 years after the beginning of production. Grants are limited to 18 million gallons per year per producer per registered plant (\$3.6 million).
- The biodiesel portion of a blend is exempt from state excise tax provided the finished product is clearly identified as a blend.

For further information

- Kansas Soybean Commission
<http://www.kansassoybeans.org>
Phone: 877-KS-SOYBEAN (577-6923)
- National Biodiesel Board
<http://www.biodiesel.org>
Phone: 888-BIODIESEL (246-3437)

11-7

Kansas Legislature Select Joint Committee on Energy
January 6, 2006 Hearing

The following information was requested from Kenlon Johannes, Administrator of the Kansas Soybean Commission, by the committee on the cost of producing biodiesel and an analysis of how that might effect a per gallon plant subsidy in order for a biodiesel plant in Kansas, to be competitive with plants in surrounding states. Additional information is included on the BTU content of biodiesel and diesel.

Cost of production of biodiesel:

The rule of thumb for cost of production of a gallon of biodiesel would be to take the **cost of the feedstock delivered** (soybean oil for example) to the biodiesel plant **times 7.5, which is the number of pounds of soybean oil in a gallon**, and then add the **cost of production and distribution costs**.

The **five-year average cost for crude degummed soybean oil** (central Illinois) was \$.2188 per pound. Since feedstock pretreatment and transportation cost also needs to be included, about \$.0325 per pound should be added to the average price, making the **final feedstock cost about \$.2513 per pound**.

The **cost of production could range from \$.65 to \$.90 per gallon** of B100 (100% biodiesel), depending upon the feedstock being used. Higher free fatty acid (FFA) feedstock, such as used cooking oils would be at the higher end of the cost of production scale. **Distribution and blending charges could be about \$.30 per gallon** for B100.

Using the costs above for soybean oil, the following formula would be used:

$$\$2513 \times 7.5 + \$65 + \$30 = \$2.83 \text{ per gallon of B100}$$

Beef tallow is cheaper than soybean oil (about 6-8 cents per pound) but the processing cost is on the higher, \$.90 per gallon side of the scale and it does not yield as well.

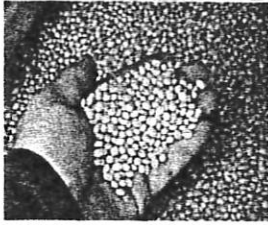
Calculating the size of an incentive for biodiesel plants in Kansas:

There is a great concern and we are hearing that biodiesel production facilities will not be located in Kansas if we are not competitive in our ability to assist this emerging industry with incentives similar to those given in surrounding states. The highly successful ethanol industry initially received a 15 cent per gallon subsidy in Kansas. The committee should consider the following when analyzing a per gallon biodiesel plant incentive in Kansas. It would make logical sense that in order to justify a production incentive similar to Missouri's 30 cents per gallon, we could use the energy content of the fuels as a basis for comparison. The BTU content for biodiesel is about 118,300 BTUs per gallon, while the BTU content for ethanol is about 76,100 BTUs per gallon. This means that biodiesel has 1.55 times more BTUs per gallon than ethanol. If the ethanol incentive started out at \$.15 per gallon, one could argue that on an equivalent BTU basis, initial biodiesel incentives could be \$.2325 per gallon (\$.15 X 1.55); to compete with Missouri a \$.30 per gallon subsidy would be required.

PRAIRIE PRIDE INC.

+ American Soybeans =

American Food & Fuel



Main Office
2119 E. Austin Blvd.
Nevada, MO 64772
417-667-3300
417-667-3306 Fax

Satellite Office
11 N. Folger St.
Carrollton, MO 64633
660-542-3002
660-542-3003 Fax

Prairie Pride, Inc. will be conducting an equity drive to offer agricultural producers the opportunity to invest in a combination soybean oil crush plant and biodiesel facility to be located in Vernon County, near Deerfield, Missouri. Each year, this proposed facility is expected to process approximately 21 million bushels of soybeans into approximately 30 million gallons of soy oil to then be refined into biodiesel. PPI's goal is to provide soybean producers with a value-added solution to marketing their soybeans while lessening U.S. dependence on foreign oil and reducing pollution. Equity meetings will be held throughout Missouri and Kansas.

Mon. 1/23/2006	1:30 PM	Nevada, MO - 4-H Home Ec Building Vernon County Fair Grounds
Mon. 1/23/2006	7:00 PM	Butler, MO - Osage River Baptist Assoc. (Old City Hall) 101 N. Lyons
Tues. 1/24/2006	10:00 AM	Parsons, KS - SE Ag Research Center, N 32nd & Pefley
Tues. 1/24/2006	10:00 AM	Sedalia, MO - Larry D. Wilson's Farm, 4 miles W. on 16th St.
Tues. 1/24/2006	1:30 PM	Girard, KS - Girard American Legion, 144 E. Hwy 47
Tues. 1/24/2006	1:30 PM	Marshall, MO - 4-H Building Saline County Fair Grounds
Tues. 1/24/2006	7:00 PM	Columbus, KS - Cherokee County 4-H Building, 200 W. Country Rd
Tues. 1/24/2006	7:00 PM	Sweet Springs, MO - High School Ag Building, 105 Main
Thurs. 1/26/2006	10:00 AM	Lockwood, MO - American Legion, 710 Locust
Thurs. 1/26/2006	12:00 PM	Higginsville, MO - Community Park & Rec Building, 801 W 29th St.
Thurs. 1/26/2006	1:30 PM	Lamar, MO - Memorial Hall Auditorium, 1104 Broadway
Thurs. 1/26/2006	3:30 PM	Lexington, MO - Lexington Brewery Meeting Room, 212 S. 11th St.
Thurs. 1/26/2006	7:00 PM	Franklin, KS (Pittsburg) - Franklin Community Ctr, 701 S. Broadway
Thurs. 1/26/2006	7:00 PM	Richmond, MO - Richmond Farm Bureau Office, 108 W. North Main
Fri. 1/27/2006	10:00 AM	Chanute, KS - Holiday Park Motel Restaurant, 3030 S. Santa Fe
Fri. 1/27/2006	10:00 AM	Cameron, MO - Countryside Hall, 11411 NE Hwy 69
Fri. 1/27/2006	1:30 PM	Fort Scott, KS - Buck Run Community Center, 735 Scott
Fri. 1/27/2006	1:30 PM	Gallatin, MO - Lion's Club Bingo Hall, West Grand St.

Please attend a meeting near you to learn more about this investment opportunity. If unable to attend, please call our office at 417-667-3300 or visit our website www.prairieprideinc.us for more information. In case of inclement weather, call our office or check our website for cancellations.

There shall not be any sale of these securities in any state in which such an offer, solicitation, or sale would be unlawful under the securities laws of the state. All potential subscribers will be provided a Disclosure Statement and are urged to carefully consider all information contained in the Disclosure Statement before making an investment decision. The offer and sale of these securities may only be made by the Disclosure Statement.

Spot Light on PPI

Kevin Fischer
Vice-Chairman
of the Board



Kevin and his wife, Mary, have three sons. Kevin attended Central Missouri State University majoring in drafting. Following his college experience, Kevin returned to the farm where he has farmed for over 28 years with his brother Ivan in Bates County. Their farm produces wheat, corn, soybeans, and Angus-cross cattle from birth to market. Kevin and his family are active in the Faith United Church of Christ where he has served as deacon and elder. Kevin has served on the public water board for approximately 25 years, and the Bates County Farm Bureau board for 4 years. He also served on the local school district board.

*Senate Agriculture Committee
Attachment 2 - 3/1/06*