

Approved: February 6, 2007

Date

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman John Faber at 3:30 P.M. on January 31, 2007 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department  
Jason Thompson, Revisor of Statutes  
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Joe Kejr, President, Kansas Association of Wheat Growers  
Dean Stoskopf, Chairman, Kansas Wheat Commission  
Bob Timmons, Chairman, Kansas Corn Commission  
Kenlon Johannes, CEO, Kansas Soybean Commission  
Jeff Casten, Chairman, Kansas Grain Sorghum Commission

Others attending:

See attached list.

It was noted that committee minutes from January 23, 24 and 25, 2007, were sent electronically and, by consensus, were approved as written on January 31, 2007.

The Chairman asked Vice-Chairman Knox to give an update on the Sub-Committee's research and discussion of the pesticide licensure bill. A document from the Department of Agriculture (DOA) was distributed to the members (Attachment 1). The Sub-Committee heard testimony from persons who were using pesticides in the cutting of tree stumps and pasture of CRP ground. Their discovery of having to take a test covering commercial aspects to procure a business license for the work they were doing seemed egregious to them. The (DOA) is willing to make adjustments and work with Rules and Regulations to come in line with the statutes. A sub-category will be drafted to allow the non-restricted use of pesticides after having passed a scaled-down licensure test. The Sub-Committee voted to recommend no action on this bill and allow the DOA to develop the necessary testing and licensure procedures.

The Chairman recognized Representative Holmes, Chairman of the Rules and Regulations Committee, who recommended that a letter of intention from the Committee be sent to the DOA, the chair and vice-chair of the Rules and Regulations Committee, and supporting staff for the purpose of establishing public record.

**The Committee accepted the sub-committee recommendation and approved by voice vote that a conceptual letter be drafted and sent to the DOA, the chair and vice-chair of the Rules and Regulations Committee, and supporting staff.**

The Chairman welcomed Joe Kejr, a former Representative and currently President of Kansas Association of Wheat Growers, to present the annual report to the committee (Attachment 2). Mr. Kejr asked the committee to consider a bill to open the Wheat Commission's statute to change the current levy of 10 mils to 20 mils, and the payment of refunds be changed from one year to ninety days. He also advocated for the sorghum and soybean commissions to have the same consideration.

Mr. Dean Stoskopf, a farmer raising wheat in Hoisington, Kansas, and Chairman of the Kansas Wheat Commission, brought the annual report giving data relevant to the production and sale of wheat (Attachment 3). He noted that wheat is the primary grain for food consumption around the world and Kansas State University has begun important research on the wheat genome. Two new wheat varieties are available to wheat growers and are considered to be profitable and competitive.

Mr. Stoskopf noted that the international market for wheat remains very competitive. Nigeria became the nation's largest consumer of wheat with a twenty percent increase over the year 2005. Since ninety percent of those purchases come from hard red winter wheat, it is imperative to maintain a solid working relationship

## CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Committee at 3:30 P.M. on January 31, 2007 in Room 423-S of the Capitol.

with Nigeria. Buyers in Iraq purchased 86 million bushels of hard red winter wheat, doubling the number of bushels since 1984. Prior to the war, Iraq was the largest purchaser of wheat; presently, Australia is the top consumer. He maintained that the Kansas Wheat Commission will continue to do research, invest in the international market, and communicate with wheat farmers to remain competitive in the production and distribution of wheat.

The Chairman acknowledged Bob Timmons, Chairman of the Kansas Corn Commission(KCC), whose annual report contained relevant information on the activities of the commission ([Attachment 4](#)). His report included a description of current projects in the areas of production, research, domestic market development, the foreign market element, and models of education. He stated the KCC provides counsel to various groups and communities who are giving consideration to developing ethanol plants. Mr. Timmons indicated because there is a high rate of usage of water, there is an on-going study of the use and depletion for irrigating corn. He will provide the committee with an interim study report.

Bob Hazelwood, a farmer from Berryton who serves on the Kansas Soybean Board (KSB), spoke in place of Kenlon Johannes, CEO of Kansas Soybean Commission. He noted that the Kansas Soybean Commission is part of a federal check-off program under the United States Department of Agriculture ([Attachment 5](#)). The Commission collects one-half of one percent of the value of soybean sales. One-half of that fund is then sent to the United Soybean Board for national and international projects. A first priority for the Kansas Soybean Board is production research conducted to develop environmentally friendly products from soybeans. Consumer education programs are in place for children in school, for nutritional uses of soybeans, and for information on biodiesel fuels and other industry uses. (Informational booklet, "Kansas Wheat Annual Report," is available at the Kansas Department of Research).

Jeff Casten, Chairman, Kansas Grain Sorghum Commission, gave the annual report of promotional activities and market development ([Attachment 6](#)). Support for grain sorghum is at an all time high with a ninety-six percent of voluntary check-off for various programs. He reported that a downward trend in grain sorghum production nationwide contributes to a downward trend in Kansas, even though Kansas is the leader in sorghum production. Breeding programs in place at Manhattan, Hays and Kansas State University comprise the largest public entities in the nation for research and development to maximize the yield in grain sorghum production.

The Chairman recognized Joe Kejr to provide further information on his bill request. Mr. Kejr said that joint discussions on opening the statutes were held with other commodity board members. He stated it has become more difficult to acquire both state and federal funds for research and continue to maintain the designated budget. Dusti Fritz, CEO of Kansas Wheat Commission, stated the agency has six different areas of interest in wheat, two of which are being given priority. One is the acceptance of bio-technology in wheat production, the other centers around educating the urban consumer.

By consensus the Committee accepted the bill request.

The Chairman announced the meeting tomorrow morning, February 1, 2007, Room313-S, in the Old Supreme Court Room. Congressman Jerry Moran will be speaking to a joint meeting of the House Agriculture and Natural Resources Committee, the Senate Agriculture Committee and the Senate Natural Resources Committee on aspects of the farm bill.

The meeting was adjourned at 4:45 p.m. The next meeting will be February 1, 2007.



Proposal for Additional  
Kansas Commercial Pesticide Applicator Certification Subcategories

The addition of one or more subcategories to any of the commercial pesticide applicator certification categories currently established in KSA 2-2444 may be accomplished without amending the statutes.

So, the actions necessary to implement one or more new commercial applicator certification subcategories are;

- Modify KAR 4-1311
  - Prepare proposed changes to regulations 30 days
    - Add desired new subcategory or subcategories;
    - Precisely describe work that may or, in the converse, may not be performed under a given subcategory; and
    - Tie the business license requirements of statute into the subcategory description(s).
  - Review of proposed changes
    - Department of Administration
      - Iterative edit & submission for review until stamped off by D of A
    - Attorney General
      - Iterative edit & submission for review until stamped off by AG
    - 4-6 weeks depending on size of submission and schedules (longer if editing becomes iterative)
  - Publish proposed changes
    - 1-2 weeks
  - Joint Committee on Rules and Regulations
    - Within 60 days of publication
  - Public Hearing
    - At least 60 days from publication
- Prepare certification examinations
  - Should be accomplished before changes in regulations become effective
- In conjunction with Kansas State University, prepare study materials
  - Should be accomplished before changes in regulations become effective
- Modify KDA RECS data system
  - Record new subcategory data
  - Print new subcategory certifications
  - Should be accomplished before changes in regulations become effective





## KANSAS ASSOCIATION OF WHEAT GROWERS

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**Testimony on HR # 2391**  
**Presented to House Agriculture and Natural Resources Committee**  
**Tuesday, February 13, 2007**  
**By Joe Kejr, President of the Kansas Association of Wheat Growers**

Chairman Faber, and members of the committee, I am Joe Kejr, a Farmer from Brookville and the current president of the Kansas Association of Wheat Growers. I am here today to support HR 2391 which makes several changes to the authorizing legislation for the Kansas commodity commissions including: raising the cap on the wheat assessment to 20 mills and decreasing the time allowance to request an assessment refund.

Kansas continues to be the leading wheat-growing state in the country. Back in 1952 the Kansas Association for Wheat Growers was formed with the insight of needing a voice for the Wheat Producer. In just five more years the Kansas Wheat Commission was established, with the challenge for promotion and market development through research, education and information. Then in 2000 the privatizing of the commissions brought another significant change that gave producers a vote to pick their representative from districts with accountability, and the ability to respond quickly to the ever-changing challenges that are affecting the wheat producers of Kansas. However, with the current competitive environment in agriculture, our title of the nation's breadbasket is in danger of being lost due. The ability to meet our domestic demand while expanding foreign markets is dependent on a safe and reliable source of quality wheat.

Two recent major accomplishments within our wheat industry is the adoption of a cooperative agreement between KAWG and the Kansas Wheat Commission (KWC), and our first ever Kansas Wheat Strategic Plan titled **Profitability through Innovation**. The objectives set aside under the plan include the areas of new product development initiatives, membership and leadership development, consumer enhancement initiatives, marketing and sales initiatives and state and federal legislation and it is our intent to accomplish these objectives that brings us here today in support of amending our authorizing legislation.

Innovation is a critical component of what is needed to keep wheat a profitable component of Kansas agriculture. This plan recognizes a number of challenges faced by the industry and also outlines a new action plan of how to overcome these challenges. This will happen IF and only if sufficient resources are available. Currently, those resources are not available. As wheat acres have declined so has the reserves of the Wheat Commission. The Kansas Wheat Commission has made a long-term commitment to the producers of Kansas to make sure that these challenges are addressed and the wheat industry remains viable in the state.

Two dire challenges that I would like to highlight are research development and biotechnology. Nearly all of the resources for R&D in wheat are being invested by public entities. This is a stark contrast to other grains such as corn and soybeans where the private sector pays the bill. As you know, sources of public funds are declining at a staggering rate. Since 2001, Kansas State University has experienced a loss of 15 - 20% in state and federal support, just in wheat research. For the past few years, wheat producers have been asked to fill in this gap. This struggle for funding is making it harder and harder to keep young, aspiring scientists interested in wheat. We are losing our resources drastically. Success with wheat R&D depends on sufficient resources.

A recent study evaluated the wheat-breeding program at Kansas State University, the sources of funding and its return to producers. The cost of running this program is \$4.8 million and returns an economic value of \$89 million to Kansas. It is hard to argue with these results.

HS Agriculture & Natural  
Resources Committee  
1-31-07 Attachment #2

In addition to traditional wheat breeding methods, biotechnology holds great promise. Advances have been made in areas such as herbicide tolerance, insect and disease resistance, and drought tolerance just to name a few. While there are many Biotech activities currently occurring around the world, our wheat industry has only tapped the surface of what needs to be done in this area. Our strategic plan addresses this challenge and outlines steps to take to "gain some ground" for wheat. Again, success depends on sufficient resources.

Comparatively to other domestic commodity promotion programs, our wheat industry spends much less than dairy, beef, soybeans and even catfish on collective promotion efforts. While the wheat industry collects and spends less than \$1 million each year on promotion, Dairy spends \$200 million; Beef - \$25 million; Pork - \$28 million; and Catfish spends \$3.5 million. How can we sit back and let catfish promote its industry more than wheat? It is certainly true that our wheat industry promotional efforts do a lot with a little, but there is more to do to build consumer acceptance and demand.

This brings us to the changes we support in the commodity law. Together, as Kansas Wheat, we support raising the maximum assessment authorized to be collected on Kansas wheat from 10-20 mills per bushel. If the legislative authority is approved, all Kansas wheat producers will be fully informed and have ample opportunity to provide input on the need for such an increase, before any decision is made by the Commission to collect a higher amount.

However, as we have seen over the past 20 years, wheat acres and production are trending downward. In order to stand by our commitments to bring wheat into this century and increase the profitability of Kansas wheat producers, we must stick to the plan we have developed. This means dependable funding for research and development and promotion even in lean harvest years. This means implementing a campaign for urban wheat consumers around the world. This means commercializing new products from wheat. Setting the mill levy authority to 20 mills allows Kansas Wheat to maintain the needed level of funding by raising the assessment if and only if needed.

The last time the wheat assessment authority was changed in statute was 1982. At this time, the authority was raised from 3 to 10 mills. In 1988, after an intensive process of producer input, the wheat commission voted to raise the levy to 7 mills. Then 8 years later, in 1996, the levy was raised to the current level of 10 mills. Reflecting on this history it is noteworthy to mention that it has been 25 years since our assessment authority was changed. Think just for a moment about the many changes that have occurred at home and around the world during this time. Our wheat industry must change as well. We are here today because we want to make a statute change that will result in extraordinary change for the Kansas wheat producer, a change that will last.

The second amendment we are seeking is a reducing the maximum allowable days for a refund to 90 days. We believe this move will prove to be time saving and cost effective for implementation of delivering this refund to producers and to the first purchasers who collect the assessment. Changing the time allowed for refunds to 90 days will allow for a quicker time of processing refunds. In marketing year 2006, 33% of wheat refund dollars were requested past 90 days after the point of sale. Producers will still have ample time to complete the process after selling their wheat.

When comparing Kansas to the other 19 states with assessment authority, our state has the longest window for a producer to request his/her refund. The limit in other states ranges from 30 to 120 days. Five states currently do not allow refunds; two states limit the time to 30 days and the remaining 12 states allow for either 60 or 90 days. Surrounding states Colorado and Oklahoma have 30 and 120-day limits, respectively. Nebraska is one of the states with no refund provision.

These are challenging, yet exciting times for the Kansas wheat industry. There is tremendous opportunity to make advancements in research and development and domestic and international markets for Kansas wheat to continue to expand and evolve. The industry must also evolve to keep up with these changing times.

We believe the recommended changes to the authorizing legislation for the Kansas commodity commissions will be lasting and will ensure Kansas producers maintain our title as breadbasket of the nation and the world. Thank you for your time. I would be happy to stand for any questions at the appropriate time.

Kansas Wheat Commission Annual Report  
Prepared for House Agriculture and Natural Resources Committee  
Given by Dean Stoskopf, KWC Chairman  
Wednesday, January 31, 2007

Chairman Faber and committee members, thank you for the opportunity to provide you an annual report from the Kansas Wheat Commission. My name is Dean Stoskopf, a wheat producer from Hoisington, KS and chairman of the Commission.

The Kansas Wheat Commission was first established by the Kansas legislature in 1957 to represent the states' wheat producers in the areas of research, domestic marketing, international marketing, and education and communication. After 50 years, these areas of work are still needed to enhance our industry.

A 9-member producer board governs the Commission — 7 elected and 2 appointed by the sitting board. A 10 mill per bushel assessment, or one penny per bushel, currently funds the Commission. State statute authorizes the collection of this assessment at the first point of sale and producers have the opportunity to request a refund on this investment. As you'd imagine, the income of the Kansas Wheat Commission is heavily correlated to the size of the wheat crop. In 2005, Kansas produced 313,000,000 bushels, a 167,000,000-bushel or 54 percent reduction from 2004. On page five of our report you'll note the breakdown of how wheat dollars were spent in fiscal year 2006, which ended June 30, 2006. This is a detailed annual report of all of our activities. This morning/afternoon, I would like to highlight a just a few of these projects.

Before we do this, I would like to mention that 2006 fiscal year marked the first year of a historic change. After several years of deliberations and discussions, the Kansas Wheat Commission began implementing a cooperative agreement with the Kansas Association of Wheat Growers. This agreement allows for 2 independent organizations, 1 common vision, 2 separate missions, and 1 staff working for wheat producers. You might ask why two wheat organizations are needed in the state. This is because of their two different and vital functions. I have already mentioned the functions of the Commission. Voluntary, membership dues finance the work of the Kansas Association of Wheat Growers, which is the grass roots development and advocacy of policy and leadership.

Our two organizations entered into this cooperative agreement so that we can more effectively, more efficiently represent wheat producers and have one common voice, while carrying out our separate functions. In this first year, we have implemented a new icon with the two logos side-by-side; the tagline, "Together, We are Kansas Wheat." This first year was a success.

Without a doubt, the most significant accomplishment of this past year has been the development of a joint strategic plan. For the first time ever, Kansas wheat producers, through this plan, have a clear, concise vision into their future. This vision is: **Leaders in the adoption of profitable innovations for wheat.** This plan recognizes that innovation and technology will play a vital role in enhancing the competitiveness of wheat.

Innovation exemplifies why wheat producers must remain engaged in research and development. One of our new areas of research is to coordinate a global effort to sequence the wheat genome. Kansas Wheat Commission joined forces with Kansas State University to start this effort. The International Wheat Genome Sequencing Consortium was formed two years ago and has secured resources from around the globe to actively conduct and coordinate scientific efforts to tackle the wheat genome. Although the task is large, once accomplished, the complete sequence will provide the foundation necessary to drive the discoveries that will fuel growth and sustain profitability in wheat production and marketing.

Unlike other crops, wheat has not enjoyed the benefits of biotechnology. Because wheat is the most consumed food grain around the world, acceptance from our international buyers is key. This topic has become a top priority for us as we continually educate and inform wheat buyers around the world the potential benefits of technology to everyone in the marketing chain.



The most notable example is resistance to *Fusarium* Headblight or scab. When present in the wheat kernel, this fungus does pose significant human and animal risk when consumed in large quantities. Currently, there is a worldwide tolerance. But, wouldn't it be great if there were complete resistance to this disease? It is possible with biotechnology and it is estimated that release and commercialization could be within 5 years.

Our partnership with Kansas State University goes well beyond the International Wheat Genome Sequencing Consortium. We continue to work together through wheat variety development to provide wheat producers with profitable, competitive varieties. Two new Hard White wheat varieties, *Danby* and *RonL*, are now available to wheat producers. Respectively, they have sprout and wheat streak mosaic virus resistances, which are two serious challenges in western Kansas.

In addition, Kansas Wheat Commission lead the effort to establish a task force of seed companies, producers, research scientists and technology providers to look into the possibility of designing a new mechanism in which wheat varieties would be released. This task force has been active over the past year and will soon propose a method that will add value to the genetic traits available to producers and potentially create additional investment in our public breeding programs.

The international market for wheat continues to be extremely competitive. Two markets are worth mentioning for their U.S. purchases in marketing year 2006 – Nigeria and Iraq. Nigeria became the nation's largest customer of wheat with a 20 percent increase from 2005. Hard Red Winter wheat grown in Kansas and surrounding states accounted for 90 percent of those purchases. Year-in and year-out, the U.S. enjoys 95% market share in Nigeria, and this is largely due to our commitment to continually improve trade relations with this large and consistent customer. This past year we honored Nigeria for their loyalty to the U.S. wheat industry by hosting top executives from the Nigerian flour milling industry at the International Grains Program in Manhattan with a special recognition event. Maintaining a solid relationship with this market is key to maintaining their business.

There were also record U.S. wheat sales to Iraq. These buyers purchased 86 million bushels of U.S. Hard Red Winter wheat, which is more than double the highest level of imports that occurred in marketing year 1984.

As for our domestic marketing efforts, we have worked diligently to have whole grains recognized as a key part of a nutrition diet and recently this was incorporated into USDA's Dietary Guidelines and MyPyramid. Much of this work is accomplished through the industry-wide organization, the Wheat Foods Council. Since 1972, the Kansas Wheat Commission has assumed leadership roles in this national organization, whose mission is to increasing wheat and other grain foods consumption through nutrition information, education, research and promotional programs. The Wheat Foods Council is the only national organization that represents the entire wheat industry – producers, millers, manufacturers, bakers and nutrition educators. In addition a promotional campaign called "Mom, the Everyday Athlete" was launched to focus on grain foods and their ability to maximize a woman's stamina and health a various stages of motherhood. Moms are the target audience because research identifies them as the primary purchase decision makers in households across America. They are also considered highly influential in the dietary habits of their families.

Comparatively to other commodity promotions in our country, our wheat industry spends much less than dairy, beef, soybeans and even catfish on collective promotion efforts. While the wheat industry collects and spends less than \$1 million each year, examples of other commodity promotion programs are: Dairy \$200 million, Beef \$25 million, Pork \$28 million, and Catfish 3.5 million. It is certainly true that our wheat industry promotional efforts do a lot with a little.

Mr. Chairman and committee members, the Kansas Wheat Commission continues to work diligently on behalf of wheat producers. This concludes my report. Thank you once again for this opportunity to visit with you today, and I'd be glad to answer any questions the committee may have.



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## Testimony of Bob Timmons, Chairman

Mr. Chairman and members of the committee, my name is Bob Timmons. My family and I farm near Fredonia, KS, and I am currently serving as the Chairman of the Kansas Corn Commission (KCC). I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

Attached with my testimony today, we have also provided you with copies of the commission's FY 2006 financial audit and the 2006 annual report to producers. This report includes a description of current projects in the areas of Production/New Use Research, Domestic Market Development, Foreign Market Development, and Promotion and Education.

The Kansas Commodity Commissions are currently in an election process by Kansas producers in the eastern agricultural statistics reporting districts. This year's elections will complete the second full cycle of the elections process since the commissions were given the ability to manage themselves outside the state system. This change has worked well and now involves more Kansas growers than ever before.

Since its creation in 1977, the KCC has taken the approach of using this fiscal year's revenue to fund the next fiscal year's programs. With lower production due to the drought, we project this year's revenue to be below last year's revenue. Because of this historic fiscal policy, the commission is well prepared to maintain current levels of program support.

During the previous fiscal year, the KCC processed 1,399 refunds to producers. These refunds are typically processed and checks mailed within 2-3 working days of receipt at our office, with any rarely taking longer than five working days to complete. The FY 06 checkoff refund percentage was 14.36 percent.

The commission utilizes check-off funds to enhance corn demand and opportunities with our customers. Use in livestock feed remains the largest market for corn. Another significant opportunity exists with

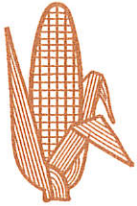


growing ethanol production. The commission is providing counsel to numerous local groups and Kansas communities that are currently pursuing ethanol plants. Exports remain an important market for corn and value added corn products like Kansas Beef. The commission funds cooperators like the U.S. Grains Council and the U.S. Meat Export Federation to gain broader access to international markets. These groups are able to use Federal matching funds, thus giving Kansas producers more bang for their bucks.

For those who question the value of promoting corn and its many uses, one needs merely to look at the tremendous increase in farm gate value over the past year, largely the result of the corn grower's efforts in ethanol. We have been good partners with many others in this success, including the State of Kansas, and we all should be proud. And while our livestock sector, ethanol industry, and export customers must adjust to higher corn costs, we know that the previous market prices were not sustainable for corn farmers who have experienced huge cost of production increases in recent years.

Finally, I would like to mention that one of our Kansas Corn Commissioners, Ken McCauley, is currently serving as President of the National Corn Growers Association. This is quite an honor for our state's corn program and for Ken personally. Ken is the second NCGA President from Kansas in eight years, following in the footsteps of Senator Roger Pine.

At the Kansas Corn Commission, we continue to move forward on behalf of Kansas corn producers and look forward to continuing these efforts in the years to come.



# KANSAS CORN

## 2006 ANNUAL REPORT

### Kansas Corn Commission

**Dist. 1** Brian Baalman  
NW Menlo  
785-332-2463

**Dist. 2** Harvey Heier  
WC Grainfield  
785-673-4638

**Dist. 3** Greg Stone  
SW Garden City  
620-275-9556

**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 Treasurer  
St. John  
620-549-6516

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

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

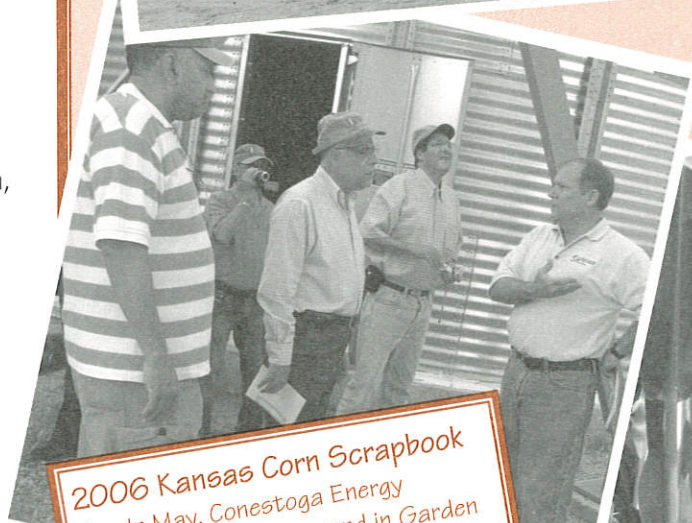
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## Ethanol, Exports, Leadership Boost Value of Kansas Corn



**2006 Kansas Corn Scrapbook**  
Top: In May, Conestoga Energy Partners LLC broke ground in Garden City on the first of three southwest Kansas plant projects.  
Middle: The US Grains Council brought a group of Moroccan grain buyers to Kansas to learn about buying Kansas Corn and DDGS.  
Bottom: Kansas Corn Commissioner Ken McCauley of White Cloud began his term as National Corn Growers Association President on Oct. 1, 2006.





## Over 25 Years of Effort Brings Rewards for Kansas Corn Checkoff

### Corn Producers Are Key to Growth in Industry

Interest in the future of corn is running at an all-time high. Exports are strong, value-added corn-fed livestock exports are soaring, and domestic usage is red hot thanks to ethanol. No wonder a sense of enthusiasm is rolling like a wave across the countryside.

Having all three demand sectors converge at this point in time is great news and a result generated by multiple factors including world economic growth, high oil prices, environmental concerns, luck and grower support...to mention a few. Anyone in the industry that is paying attention will tell you the hard work and steadfast commitment of corn producers through their checkoffs and associations have been a key factor to the success of the ethanol industry.

Over the years, Kansas corn producers, through their support of the Kansas Corn Commission, have supported many interests on behalf of corn producers to build markets for their crop. The development of the ethanol industry has always been high on KCC's priority list through the many years when ethanol was only a marginal user of corn.

Today, it is the ethanol industry that is changing the way people think about corn. Last year, analysts were guessing how big the corn carryover would be and how much negative effect that carryover would have on prices. This year, those same analysts are pondering how many acres of corn may need to be planted to meet demand. That is a major change in thinking and is very good news for growers who have seen little change in their corn prices over the years. That is beginning to change.

The corn commission has the responsibility of investing the half-cent per bushel corn checkoff to increase the value of our crop. When you look at the growth of the ethanol industry and the demand that is creating for Kansas corn, you can't help but get excited. To go from ethanol production of around 50 million gallons to 215 million gallons is dramatic. When will Kansas reach the 450 million gallon mark and will that number double in the next three years? *See the article on ethanol on page 6.*

One of the main reasons for ethanol expansion in Kansas is our strong livestock industry which provides an excellent market for wet or dry distillers grains, the valued coproduct of ethanol production. The Kansas Corn Commission continues to be a strong supporter of the livestock industry in Kansas—our #1 customer.

Another key to our success is the work we've done to build strong export markets for our grains through groups like the US Grains Council and K-State's International Grains Programs. Not only are these programs working to establish strong export markets for our grains, but also the distillers grains being produced at our ethanol plants. *More information on these programs can be found on page 4.*

And we can't leave out the valuable research of K-State and others that has been and continues to be funded with corn checkoff dollars over the years, improving irrigation methods, addressing water quality issues, and helping growers improve their production techniques. *Research information is on page 5.*

This is a time for optimism in the corn industry in Kansas. Your hard work and support made it possible.





# KANSAS CORN COMMISSION

## FY-2007 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 submitting a refund request and voucher to the Kansas Corn Commission.

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.

Members of the Kansas Corn Commission are elected by growers. This year, elections are being held for commissioners representing the eastern third of the state. For more information on the elections and how to become a candidate please see the article on page 8.

### FY2007 KCC Funding

**Research**  
\$109,200 (9%)



**Domestic Market Development**  
\$257,850 (21%)

**Foreign Market Development**  
\$487,850 (40%)

**Promotion and Education**  
\$348,650 (30%)

*This information outlines program areas in which corn checkoff dollars are being invested by the Kansas Corn Commission in Fiscal Year 2007 (July 1, 2006 through June 30, 2007)*

## FY2007 Commission Projects

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

### National Corn Growers Association

Core Funding .....\$122,600  
Portfolio Funding .....\$207,400

*Portfolio funding divided as follows:*

*Biotechnology—\$40,000; Ethanol—\$40,000; Grower Services—\$10,000; Water Quality—\$13,000; Research/Development—\$20,000; Public Policy—\$60,000; Trade—\$10,000; Transportation—\$14,400*

### Kansas Corn Growers Association

Market Development .....\$180,000  
Promotion & Education Programs .....\$180,000

### 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


### Research

See Page 5 for research summaries



# Exports Play Important Role for Kansas Corn

The Kansas Corn Commission strives to build strong export markets for corn and its co-products as well as corn-fed meats. By funding groups like the US Grains Council, US Meat Export Federation and K-State's International Grains Programs, Kansas growers benefit not only from stronger export markets for our grains and meats, but also the distillers grains being produced at our ethanol plants.

 **U.S. GRAINS COUNCIL** **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 Vinduska, Marion serves on the USGC Board of Directors.

As ethanol production increases, so will the production of distillers grains. This year, the Kansas Corn Commission has hosted groups of feed millers and grain buyers from Russia and Morocco who wanted to learn about Kansas corn. Visits to the East Kansas Agri Energy plant at Garnett fueled their desire to learn more about buying distillers grains for their livestock feeding operations overseas.

 **INTERNATIONAL GRAINS PROGRAM**  
Based at Kansas State University, the International Grains Program is a nationally and internationally recognized program whose 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. The IGP facility is part of KSU's new state of the art grain science complex that allows IGP participants to use the newest technology to learn about buying and using U.S. grains.



This USGC trade team from Russia visited the East Kansas Agri Energy ethanol plant at Garnett recently. During its visit through the Midwest, the team learned about corn and about distillers grains. EKAE celebrated its first year of operation in June and continues to be one of the showcase plants for groups interested in ethanol and distillers grains.



## US MEAT EXPORT FEDERATION

The U.S. Meat Export Federation (USMEF) is a nonprofit 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. In 2005, the commission entered the USMEF's Million Dollar Club, marking the investment of \$1 million over 26 years of cooperation.

The commission has been a strong supporter of the US Meat Export Federation, which continues to build overseas markets for beef and pork. The KCC continues to support USMEF's efforts to reestablish markets for U.S. beef in Japan and other countries that closed due to BSE. Today, U.S. beef sales in Asia are regaining lost ground, and much of that growth is due to consumer demand which is based on years of work the USMEF has done to educate consumers about the high quality of U.S. beef.



 **MARKETING****Grain Marketing, Research and Education—\$12,600**

The Kansas Corn Commission funded a proposal that included maintaining 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](http://www.agmanager.info)

 **WATER USE, IRRIGATION****Effects of Tillage Practices and Limited Irrigation on Corn Production: KSU—\$15,000**

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. The lower irrigation levels proposed in this study are approximately 40 to 80 percent of current full irrigation levels. Knowledge of optimal production with limited irrigations amounts can support farm decisions given reduction in pumping capacities.

**Irrigated Cropping Systems to Reduce Irrigation Water Use & Groundwater Depletion While Sustaining Profitability: KSU—\$12,000**

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 final 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.

**Evaluation of Composted Manure to Improve Water Utilization: Earth Solutions, Inc.—\$10,000**

This research, conducted near Tribune at the KSU-Southwest Research Extension Center evaluates the effectiveness of composted cattle manure in improving water utilization by irrigated corn. Researchers are working to determine the impact of composted manure on enhancing water content in the root zone, particularly in the first foot of soil.

 **CROP PRODUCTION****Short Season Corn Extension Educational Program in SE Kansas: KSU—\$3,950**

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.

**Helpful KSU Extension Web Sites:****General:** [www.oznet.ksu.edu](http://www.oznet.ksu.edu)**Irrigation:** [www.oznet.ksu.edu/irrigate](http://www.oznet.ksu.edu/irrigate)**KSU International Grains Program:** [www.k-state.edu/igp](http://www.k-state.edu/igp)  
**Marketing:** [www.agmanager.info](http://www.agmanager.info)



# Kansas Ethanol by the Numbers

In Kansas, the number of ethanol plants has doubled in the last ten years to eight plants and the amount of production has more than quadrupled to 215 million gallons per year. Ten years ago, Kansas's four ethanol plants produced 50 million gallons and created a demand for almost 20 million bushels of grain—about 4 percent of our combined corn and sorghum production. Today, Kansas' eight plants produce 215 million gallons and create a market for 76 million bushels—about 15 percent of our feed grain production. Those numbers will soon increase with four new plants already under construction with a combined output of 235 million gallons, which will more than double the state's current production. Several other projects appear to be destined to move forward as well.

**8 Plants in production:..... 215 million gallons**

**4 Plants under construction: ..... 235 million gallons**

- Garden City—Conestoga Energy Partners ..... 55 mgy
- Liberal—Conestoga Energy Partners ..... 110 mgy
- Pratt—Gateway Ethanol, Orion Energy ..... 50 mgy
- Goodland—Goodland Energy Center ..... 20 mgy

**4 Upcoming projects\* ..... 353 million gallons**

- Ford County,—Conestoga Energy Partners ..... 110 mgy
- Concordia—Everton Energy ..... 100 mgy
- Rice County—Kansas Ethanol ..... 55 mgy
- Colwich—Abengoa BioEnergy ..... 88 mgy

*(mgy=million gallons per year)*

*\*There are many other viable plant projects. According to media reports, these four plants have secured commitments from builders.*

## Corn Commission Strives to Expand E85 Infrastructure

Kansas currently has twelve E85 (85% ethanol) fueling stations. That number could easily increase to well over 20 stations soon thanks to a joint effort by the Kansas Corn Commission, U.S. BioEnergy (formerly United BioEnergy) and the National Ethanol Vehicle Coalition. This project provides incentives to help stations offset the cost of adding an E85 pump, along with assistance in promoting their new product. In addition, the commission has been active in educating retailers about offering E85, which can be used in flexible fuel vehicles, and E10 Unleaded, the 10 percent ethanol blend that can be used in all gas powered vehicles. Earlier this year, the commission printed its second newsletter aimed at fuel retailers to educate them on the two ethanol-blended fuels. The commission, which has been a leader in promoting ethanol since the late 1970s, continues in that leadership role, working to educate consumers on the benefits of ethanol. In 2006, the commission hosted large ethanol displays at the 3-I Show and the Kansas State Fair. While E10 fuel is available at stations across the state. E85 fuel is available in Maize, Topeka, Great Bend (2 stations), Emporia, Sublette, Garnett, Brewster, Bird City, Goodland, Girard and Salina. For more information on ethanol blended fuels and where you can buy them, visit the ethanol web site at [www.ksgrains.com](http://www.ksgrains.com).

## Ethanol Quick Facts

**US Production:** 105 plants  
4+ billion gallons per year

**Kansas Production:** 8 plants  
215 million gallons per year (mgy)

### Existing Kansas Plants

**Prairie Horizon Agri Energy**  
Phillipsburg.....40 mgy

**White Energy**  
**(former US Energy Partners)**  
Russell .....48 mgy

**Western Plains Energy**  
Campus.....45 mgy

**East Kansas Agri Energy**  
Garnett ..... 35 mgy

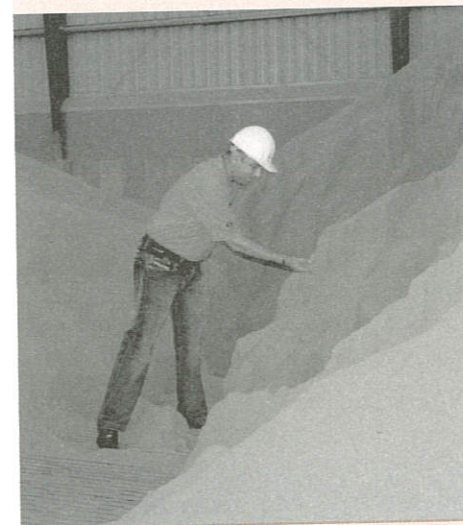
**Abengoa Bio-Energy**  
Colwich.....25 mgy

**Reeve Agri-Energy**  
Garden City ..... 12 mgy

**MGP Ingredients**  
Atchison .....9 mgy

**ESE Alcohol**  
Leoti ..... 1.5 mgy

**Total.....215 million gallons per year**



**DDGS**—A grain buyer on a US Grains Council trade team from Morocco inspects dried distillers grains with solubles (DDGS) at a Kansas ethanol plant. As ethanol and DDGS production increases, export markets for DDGS will become increasingly important.



# Kansas Commodity Classic Is November 14



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

**Tuesday, Nov. 14**

**Salina Holiday Inn**

**Registration begins at 8 a.m.**

Corn, wheat, sorghum and cotton producers will come together on Tuesday, Nov. 14 at the Salina Holiday Inn. This annual event will feature a wide range of topics from the general session Farm Bill discussions to afternoon breakout sessions with topics like ethanol and value added opportunities, water issues, marketing, carbon credits and more. The 2006 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

**November 14, 2006 Salina Holiday Inn**

**9:00 General Session Begins  
Welcome**

*Adrian Polansky, Kansas Secretary of Agriculture*

**9:15 View from Capitol Hill**

*Senator Sam Brownback (confirmed)*

**10:45 Break**

**11:00 National Commodity Leaders Farm Bill Panel**

*Ken McCauley, White Cloud—NCGA President*

*Greg Shelor, Minneola—NSP President*

*John Thaemert, Sylvan Grove—NAWG President-Elect*

**Noon Lunch**

**1:30 Breakout Sessions 1 (choose one)**

- ◆ *Market Outlook for Kansas Commodities*
- ◆ *Biofuels & Other Value-Added Investment Opportunities for Kansas Farmers*
- ◆ *Kansas Water Update*

**2:30 Ice Cream Break**

**3:00 Breakout Sessions 2 (choose one)**

- ◆ *Transportation Outlook for Kansas Commodities*
- ◆ *Kansas Legislative Outlook*
- ◆ *Carbon Sequestration Credits – A New Opportunity for Kansas Farmers*

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

**6:00 p.m. Monday, Nov. 13 at the  
Salina Holiday Inn**

**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 Producers Dinner:** The Kansas Corn Commission is hosting a dinner for corn producers at 6 p.m. Nov. 13 at the Salina Holiday 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, November 13 at the Salina Holiday Inn following the Corn Dinner. KCGA members will discuss and vote on resolutions that guide association policy throughout the year.



## Elections for Eastern Kansas Commissioners

Growers voting in the 2006 commodity commission elections will select checkoff board members for Districts 7, 8 and 9, which covers the eastern third of the state. District 7 includes Atchison, Brown, Doniphan, Jackson, Jefferson, Leavenworth, Marshall, Nemaha, Pottawatomie, Riley and Wyandotte counties. District 8 includes Anderson, Chase, Coffey, Douglas, Franklin, Geary, Johnson, Linn, Lyon, Miami, Morris, Osage, Shawnee and Wabaunsee counties. District 9 includes Allen, Bourbon, Butler, Chautauqua, Cherokee, Cowley, Crawford, Elk, Greenwood, Labette, Montgomery, Neosho, Wilson and Woodson 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, 2006.**

**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, 2006.**

## Kansas Corn Commission Staff

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

**Executive Director**—Jere White

**Programs Manager**—Sue Hardman

**Director of Communications**—Sue Schulte

**Director of Environmental Programs**—  
Jessica Baetz Caylor

**Administrative Assistant**—Brandi Grosdidier

### 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**

*Annual report of the Kansas Corn Commission,  
Garnett, KS. Published October 2006  
Copyright 2006.*

**2006 Annual Report**  
**Kansas Commodity Classic**  
**Nov. 14, 2006**  
**Salina Holiday Inn**

**Kansas Corn Commission**  
PO Box 446  
Garnett KS 66032



4-10

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**KANSAS CORN COMMISSION**

Garnett, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2006 and 2005

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

4-11





November 13, 2006

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, 2006 and 2005, 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, 2006 and 2005, and the changes in its net assets for the year then ended on the basis of accounting described in Note 1.

Certified Public Accountants

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

**Financial Statements**

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash		
Money Market	\$ 96,761	\$ 71,300
High Performance Savings	1,059,844	1,057,006
Overnight Repo Agreement	-	-
CD's	<u>600,000</u>	<u>400,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,756,605</u>	<u>\$ 1,528,306</u>
<b>NET ASSETS</b>		
<b>Net Assets</b>	<u>\$ 1,756,605</u>	<u>\$ 1,528,306</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,756,605</u>	<u>\$ 1,528,306</u>

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

**Financial Statements**

	2006	2005
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
Check-off collections	\$ 1,970,705	\$ 1,816,997
Refunds	(363,359)	(314,984)
<b>Net</b>	\$ 1,607,346	\$ 1,502,013
Interest income	42,405	25,453
<b>Total Revenue</b>	\$ 1,649,751	\$ 1,527,466
 <b>EXPENSES</b>		
Administrative		
Communications	\$ 38,996	\$ 33,974
KCGA - Administration	74,000	74,000
In-state travel	3,557	7,019
Out-of-state travel	38,869	42,089
Office	2,553	1,214
Meetings	4,761	4,891
Hospitality	5,320	3,183
Grants	8,900	8,400
Program		
KCGA	332,000	306,000
KS Department of Agriculture	11,094	7,553
KSU - Research	60,775	158,413
KSU - International Grains	50,000	-
National Corn Growers Association	312,000	342,000
Ethanol Expansion	54,177	33,119
Other contracts	74,450	64,422
US Grains Council	300,000	315,000
US Meat Export Federation	50,000	50,000
<b>Total Expenses</b>	\$ 1,421,452	\$ 1,451,277
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 228,299	\$ 76,189
 <b>NET ASSETS - JULY 1</b>	1,528,306	1,452,117
 <b>NET ASSETS - JUNE 30</b>	\$ 1,756,605	\$ 1,528,306

4-14

KANSAS CORN COMMISSION  
Garnett, Kansas  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006 and 2005

**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***

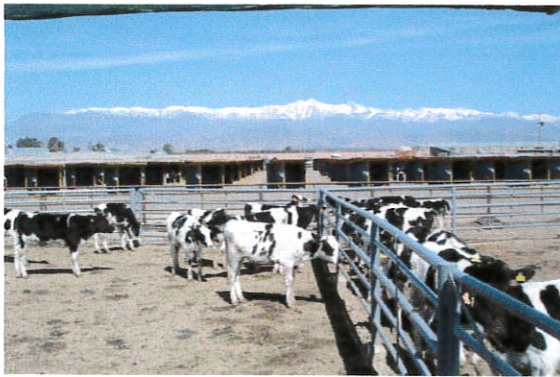
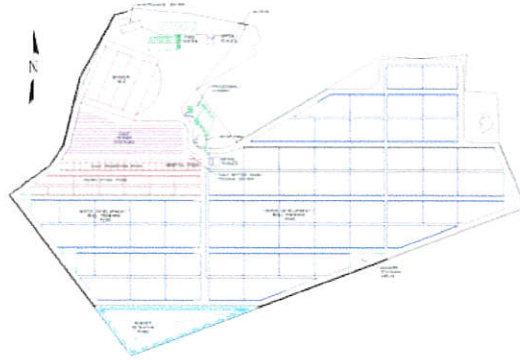
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2: Deposits and Investments**

At June 30, 2006, the carrying amount of the Commission's deposits was \$1,756,605. The bank balance was \$1,949,636. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$300,000 was secured by FDIC insurance and \$5,168,491 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the school district's name. The third-party bank holding the pledged securities is independent of the pledging bank.

# MOROCCAN FEEDLOT UPDATE

## November 2006





The US Grains Council sponsored feedlot in southern Morocco has now been operating for a year and a half and is currently operating at 30% of total capacity with approximately 3,600 head on site. The feed lot is designed to eventually hold 10,000 head at full capacity. The purpose of the feedlot is to raise Holstein heifer and bull calves from approximately 1 week of age up until 16 months for the bulls and 22 months for the heifers. At which time the animals will return to the farmer-owner who will begin milking the heifers or sell the bulls for meat in the local market.

As of August 2006, 478 bulls have left the facility and been sold to a local slaughterhouse for processing. In October, the first heifers left the facility prior to calving. These heifers were returned to their owners milking sheds and their calves are now returning to the feedlot, marking the beginning of the second generation of animals to go through the feedlot. COPAG plans on monitoring a portion of the exiting heifers to measure milk yields, so these animals can be compared against heifers which were raised "on-farm". Body condition, good health and fast growth rates for these heifers in addition to overall milk yield should all be some of the benefits that farmers realize from placing their animals on the feedlot.

This is the first feedlot of its kind in North Africa and the true impact (economic or otherwise) is still being measured. However, there have been some developments associated directly and indirectly with the feedlot that will give an indication of the impact that the feedlot and more specifically the co-op, COPAG is having in contributing to the economic development of southwestern Morocco.

COPAG is a dairy and citrus co-operative composed of over 12,000 dairy producing farmer/members. Herd size among these members average 5-10 head. About 30% of these animals traditionally are non-milking animals (calves and bulls) who occupy barn space that could be better utilized by milking animals. The feedlot provides an outlet for members to send these calves to the feedlot to be grown out in a specialized and an improved production environment which will translate into faster growth rates, less disease problems, reduced mortality and more productive heifers which will ultimately produce more milk than "farmer raised" heifers. In addition, this allows the farmer to specialize on milking his herd and less time on the specialized care and nutrition that young animals require.

#### **Direct Impact Of The Feedlot:**

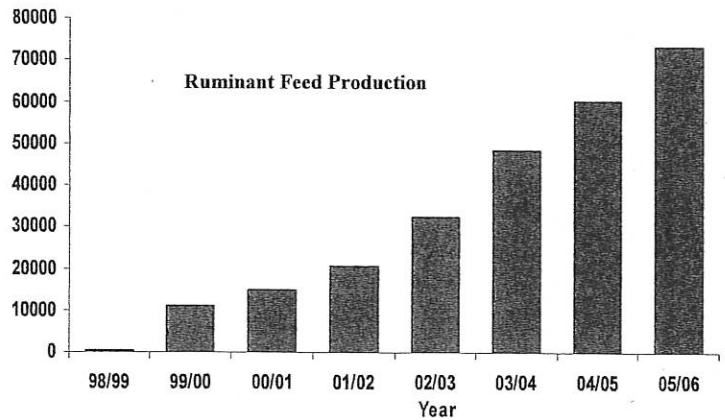
- For farmers that have sent their calves to the facility: total milk production has increased from 15 – 20% (reasons mentioned: more feed resources available for milking cows, more attention and care devoted to milking cows).
- It is projected that the farmers will be able to increase their milking cow population by 25 to 30%, thus *generating additional household income*.
- Reduced labour costs as the dairy farmer focuses his efforts solely on milking. Many farmers mention that their daily life has improved after they sent the young animals to the feedlot.
- Regional demand for heifers has increased now that farmers have more barn space for milking animals.
- Performance of bull calves at the feedlot is better than what was achieved in farmer barns. Average gain is 1.3 kilos per day compared to the 0.9 kilos per day that most farmers get.
- Mortality has decreased sharply: At the feedlot it is below 3%, while on most farms it is approximately 8%.

- Many farmers are already remodelling their barns to eliminate the calf boxes and young animal paddocks to convert them to large animal pens. One of the larger farmers is working to double his milking herd from 200 animals to approximately 400 head.

**The Broader Impact That COPAG Is Having:**

**Feed milling:**

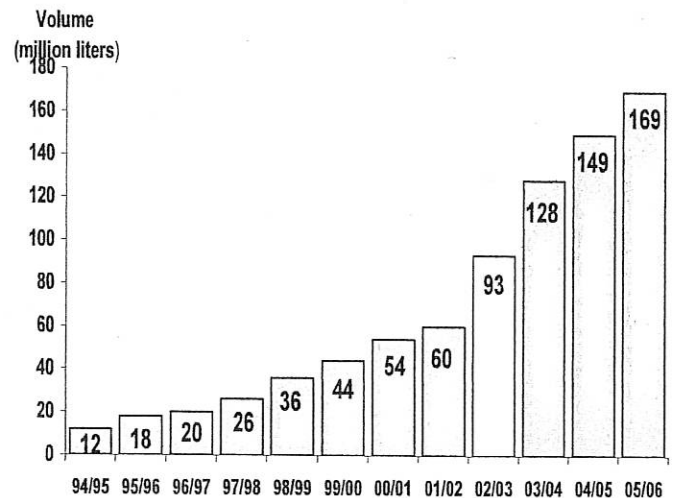
COPAG is the only feed mill in Morocco with virtually 100 percent of its production being utilized by the ruminant sector. Since the year 2000, COPAG's *corn utilization* has increased from 2.7 TMT per year to 17.4 TMT in 2006 (representing \$1.1 million in purchases from the US\*\*). Likewise, soybean meal consumption has increased from 1.7 TMT to 11.3 TMT in 2006. COPAG's total *compound feed production* has increased five-fold since 2000 and is projected to be 80 TMT in 2006. COPAG also utilized for the first time 1,100 tons of US sorghum and a 40 ton sample of US corn gluten feed in 2006.



\*\* Assuming \$110/mt FOB price and 60% US market share

**Milk Production:**

COPAG milk production has tripled since 2000 from 54 million liters to 169 million liters in 2006. This increased milk production comes from COPAG's 12,000 small scale producers who are receiving approximately 20% more income from their milk through COPAG than they would from other milk processors due to COPAG's co-op status. This increased income has been reinvested, allowing farmers to buy more dairy heifers and increasing milk output by these very same members. COPAG market share for processed milk products in Morocco is currently 20% with a goal of soon becoming 30%.



**Grain Storage:**

In 2006, COPAG installed an additional 12 TMT of storage capacity for bulk grains; this has increased their storage capacity from 3 TMT to 15 TMT.

**Multiplier Effect:**

COPAG members have begun contracting local farmers to produce corn silage for use as roughage for their dairy cows. COPAG has been organizing seminars for local farmers to learn about the benefits of using Hybrid Seeds for silage production. US hybrid acreage now accounts for 30% of the corn silage market. This is an example of the "multiplier effect" that Council

programs provide back to our membership and the US ag industry as a whole, whether it represents seed sales, semen and genetics, vaccines, milling or equipment.

***Regional Economic Development:***

COPAG has shared the construction costs of 15 new support facilities for their larger, sub co-op members. These facilities will house a milk collection facility, a selling point for dairy concentrates, and a store for agricultural supplies, pesticides and fertilizers.

***New Dairy Construction:***

As a result of the success of the COPAG model, a small group within COPAG has begun building a 2,000 milking head dairy in northern Morocco. This facility will be one of largest dairies in the country and will put further pressure on the ruminant sector to modernize to provide cheap, good quality dairy products to the Moroccan consumer. The Council will utilize this second facility as a model for regional dairy producers on the advantages of intensive production using high energy feed concentrates.



**Council Programming in the Ruminant Sector:**

The Council's programming in the ruminant sector in Morocco consists of the following projects:

1. COPAG facility construction and startup – during the last 4 years the Council has been assisting COPAG with the construction and start up of this facility. Now that the facility is operational the Council has shifted its program activity to improving animal nutrition and facility profitability. In addition, numerous dairy and feed milling teams from Algeria, Tunisia and Morocco have visited the facility in an effort to generate further investment in similar type projects in these countries.
2. Feedlot promotion – the Council is now moving forward with a program to promote the construction of 500 head beef fattening operations, using the COPAG model, but reducing the size and cost of construction in order to attract smaller producers.
3. Ruminant Feed Promotion – The Council has begun a five year promotion program with the Feed millers Association to promote ruminant feeds. This program has been endorsed and received matching funds from the feed milling industry. The ruminant sector has the potential to consume an additional 24 million bushels (600 TMT) of corn, sorghum or byproducts. The Council's efforts are focused on developing this potential.
4. Feeding trials – The Council has used the COPAG facility to demonstrate the use of corn gluten feed, DDGS and sorghum to ruminant producers in an effort to introduce new products into the ruminant market.

# **Kansas Soybean Commission**

**Report to  
Kansas Legislature**

**January 31, 2007**

**Kansas Soybean Commission**  
**January 31, 2007**  
**Report to the Kansas Legislature**

Chairman Faber and members of the Kansas House Agriculture & Natural Resources Committee, my name is Bob Haselwood; I am a soybean farmer from Berryton and a current member of the Kansas Soybean Commission. I also serve as one of our three representatives to the United Soybean Board (USB).

The Soybean Commission, unlike the Corn, Wheat, Grain Sorghum and Sunflower Commissions, is part of a federal checkoff program. The Kansas Soybean Commission has been designated as the Qualified State Soybean Board for the state of Kansas by USB, the national checkoff board authorized by the United States Department of Agriculture under federal legislation approved by Congress. The Soybean Commission collects one-half of one percent of the net value of a soybean sale of a producer collected by the first purchasers in the state of Kansas. We then send one-half of the funds we collect to the USB for national and international projects. Nine soybean farmers volunteer their time to serve on the Soybean Commission.

The materials we included in the handouts provide some detail on the programs and projects we are funding in FY2007.

The number one funding priority of the Soybean Commission is research, primarily production research. We look at breeding, production, and environmental programs that focus on the most economical and efficient cropping systems with minimal impact on the environment, including best management practices, crop protection and pest management.

Our research program also funds a limited amount of new uses research. Developing environmentally friendly products from soybean derivatives helps our farmers and the environment.

Our state's international market development effort, separate from USB's extensive program, is done through the International Grains Program at Kansas State University. Projects such as promoting Kansas-grown soybeans overseas or hosting trade teams to expand the foreign markets for value-added products are within this program area.

Our consumer education program includes promoting the acceptance of new uses for soybeans such as biodiesel, and educating the public on the ease of preparing healthful foods with soy. The consumer information category is also responsible for our school education programs.



Our producer communication program deals with the dissemination of information to producers and industry. Weekly radio farm reports, newsletters, and attendance at farm shows and district meetings are all included in this category. We strive to get the latest most relevant information to our producers.

Our administration budget includes the cost of collections, audits, elections, and other board expenses. The Soybean Commission has an outside, accredited accounting firm audit its financial records each year. This ensures checkoff dollars are being spent according to acceptable efficient business practices. We are also periodically audited by the United Soybean Board for compliance to the national checkoff.

As stated earlier one-half of the soybean checkoff collection goes to the United Soybean Board. This 64 member, farmer run board, allocates our national share along with those of 25 other soybean producing states. The Kansas Soybean Commission has three representatives on USB. USB funds international market development, production and utilization research, consumer information programs, including assisting the National Biodiesel Board in its efforts to commercialize biodiesel, and producer communication projects.

We are pleased to give you this brief synopsis of our program. Additional information and details on programs and specific projects are available at your request.

Thank you.

Bob Haselwood  
Berryton, Kansas

Kansas Soybean Commission Office  
2930 SW Wanamaker Drive  
Topeka, KS 66614-4116  
785-271-1040

## 2007 Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath 420 Elm Avenue Oakley, KS 67748	District IV	Steve Clanton 721 Kiowa Road Minneapolis, KS 67467
District V	Harold G. Kraus 977 Chetolah Gold Road Hays, KS 67601	District VI	Jerry Wyse 8403 S. Mayfield Road Haven, KS 67543-8093
District VII	Jim Zwonitzer (Secretary) 10789 Cheyenne Road Horton, KS 66439	District VIII	Bob Haselwood 2130 SE 61 <sup>st</sup> Street Berryton, KS 66409
District IX	Ron Westervelt (Vice-Chairman) 4851 NW Bethlehem Road Columbus, KS 66725	At-Large	Ron Ohlde (Chairman) 1579 4th Road Palmer, KS 66962
At-Large	Jerry Jeschke (Treasurer) 1584 Willow Road Robinson, KS 66532-9794	United Soybean Board Directors:	Eric Niemann, Nortonville John Wray, Ottawa Bob Haselwood, Berryton

## **Kansas Soybean Commission FY2007 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:
  - Southeast Kansas Extension Education
  - Management Options for Stem Borer
  - Soybean Aphid Management
  - Irrigated Cropping Systems to Reduce Groundwater Depletion
  - Genetic Engineering of the Soybean
  - Germplasm Development of the Soybean
  - Residual Weed Control with Conventional Herbicides
  - Soybean Marketing Research and Education Support
  - Soybean Rust Lab Testing Services
  - Soybean Export Trade Enhancement Program
  - Technical support for Commercial Development
  - Manganese Nutrition of Soybean
2. Pittsburg State University research on:
  - Seed Treatment of Soil Born Diseases
3. North Central Soybean Research Program

4. Soybean oil based use in Hydrogen for Hydrogen Engine
5. Greenbush School Education Program
6. Kansas Ag in the Classroom
7. FACS grant program
8. Consumer Awareness Media Program
9. Biodiesel Advertising
  - Kansas State Football Network
  - Others to be determined
10. National Biodiesel Board, Membership and State Regulatory Project
11. USB Funded BBC Program
12. Producer Radio and Print Outreach
  - WIBW radio
  - KRVN radio
  - KKOW radio
  - KFEQ radio
  - KFRM radio
  - Soynotes* newsletter
  - Straight Rows* newsletter advertising
  - Farm Talk* magazine
  - Others to be determined
13. Kansas Soybean Expo
14. No-till education including No-till On the Plains organization
15. Field Days, Farm/ Trade Shows, Crop Tours
16. Kansas State University International Grains Program
17. WISHH Program
18. USSEC Latin American Trade Team
19. Soyfoods Council
20. Collection, meeting, administration and audit procedures
21. Program and administrative work by the Kansas Soybean Association  
(Attached projects including budgets for contracted and direct spending)

## Kansas Soybean Commission

### FY 2007 Budget

Approved 12-02-2005

Number	Project name	Project costs		
		Contracted	Direct	Total
111	International Market Development	\$500	\$76,500	\$77,000
211	Research Program	\$1,500	\$556,439	\$557,939
311	Consumer Edible Implementation	\$200	\$1,250	\$1,450
321	Consumer Trade Shows (Edible)	\$500	\$500	\$1,000
323	Collateral Material	\$3,500	\$6,000	\$9,500
326	Youth Education Program	\$5,000	\$45,500	\$50,500
327	Consumer Media Program	\$0	\$18,000	\$18,000
328	FACS Program	\$1,000	\$3,000	\$4,000
351	Biodiesel Development	\$14,000	\$38,000	\$52,000
355	Biodiesel Consumer Advertising	\$0	\$7,900	\$7,900
361	Industrial Market Development	\$500	\$1,500	\$2,000
411	Public Relations	\$5,200	\$500	\$5,700
421	First Purchaser Relations	\$2,000	\$5,600	\$7,600
431	Economic Development	\$1,500	\$500	\$2,000
441	National State Regional Coordination	\$10,000	\$5,000	\$15,000
511	Producer Programs Implementation	\$1,000	\$3,500	\$4,500
521	<i>Soy Notes</i>	\$0	\$12,000	\$12,000
531	Field Days & Crop Tours	\$2,500	\$5,000	\$7,500
535	Yield Contest	\$500	\$3,000	\$3,500
541	Leadership Development	\$9,000	\$3,500	\$12,500
551	Expo	\$3,000	\$15,000	\$18,000
561	Farm Trade Shows	\$2,000	\$13,000	\$15,000
571	Producer Media Outreach	\$0	\$32,000	\$32,000
611	Checkoff Administration	\$3,000	\$49,000	\$52,000
821	Staff and Overhead	\$315,135	\$0	\$315,135
Totals		\$381,535	\$902,189	\$1,283,724



## **Soybean Checkoff Research Database: Projects Being Funded on October 1, 2006**

### **Kansas Soybean Commission**

**Development of Soybean Host Plant Resistance and Other Management Options for the Soybean Stem Borer;** *Lawrent Buschman, C. Michael Smith, Phillip Sloderbeck, William Schapaugh and Harold Trick (Entomology, Agronomy and Plant Pathology Departments, Southwest Area Extension Office, SW Research/Extension Center, KSU Extension Offices, Kansas State University); (\$30,000).*

The researchers will: 1) continue screening soybean germplasm accessions for resistance to soybean stem borer; 2) evaluate the yield response of different soybean varieties to soybean stem borer feeding systemic insecticides; 3) Conduct a survey of the occurrence of soybean stem borer across the High Plains and Midwest to determine if the problem is widespread enough to encourage registration of insecticides against this pest; and 4) expand web pages and other educational materials associated with soybean insect pests.

**Soybean variety and germplasm improvement;** *William Schapaugh, Timothy Todd, Harold Trick and Jim Long (Agronomy and Plant Pathology Departments, Kansas State University and Southeast Research Center, Kansas State University); (\$226,590).*

The soybean breeding project will develop high yielding, multiple pest resistant varieties for full-season and double crop production, including varieties resistant to Roundup (RR) and sulfonylurea (STS) herbicides; special purpose varieties for use in food, feed or industrial products; germplasm with specific disease and insect resistance; and lines with improved oil quality storage characteristics. The researchers will use procedures and strategies to improve selection efficiency in breeding for soybean cyst nematode (SCN). They will also continue to improve charcoal rot and SCN management recommendations.

**A soybean educational program in Southeast Kansas;** *Gary Kilgore and Sarah Fogleman (Southeast Kansas Extension Office, Kansas State University); (\$11,180).*

The program will establish farm trials to show the best management practices for soybean production. The production variables will include demonstrating recommended weed control, fertilizer placement, soil loss, plant populations, row spacing, inoculation practices, and testing of varieties developed for conventional, double crop and SCN resistance. All data produced will be subjected to economic analysis to determine profitability with the goal being to develop new soybean budget worksheets. The on-farm studies will be featured during summer tours and information gained from the farm trials will be used in winter soybean production schools.

**Enhancement of soybean through genetic engineering;** *Harold Trick, William Schapaugh and Tim Todd (Departments of Plant Pathology and Agronomy, Kansas State University); (\$56,999).*

This project will continue to produce and evaluate genetically engineered soybeans for increased fungal resistance. Use gene silencing (RNAi) to enhance Soybean Cyst Nematode (SCN) resistance in transgenic soybean. Produce phenylalanine-free corn protein in transgenic soybean to produce a nutraceutical (value added) trait that may open new markets for Kansas soybeans.

**Irrigated cropping systems to reduce groundwater depletion while sustaining profitability;** *Alan Schlegel, Troy Dumler and Lloyd Stone (Soil Management and Agricultural Economics/Southwest Research Center, and Department of Agronomy, Kansas State University); (\$8,000).*

The researchers will identify crop rotations that can be used with limited irrigation to reduce water use while maintaining producer profitability. A companion objective is to determine the impact of limited irrigation on crop yield and profitability.

**Integrated pest management of the soybean aphid in Kansas;** *John Reese, C. Michael Smith, William Schapaugh, Phillip Sloderbeck and Jeff Whitworth (Departments of Entomology, Agronomy and Extension, Kansas State University); (\$27,000).*

The project will: 1) screen germplasm accessions, especially public lines currently part of the K-State soybean breeding program, for sources of resistance to the soybean aphid; 2) conduct experiments to identify the category or categories of resistance in selected lines; 3) determine in more detail the behavioral components of resistance of selected lines using the electrical penetration graph or EPG; 4) identify molecular markers linked to aphid resistance genes in soybeans, in order to accurately map these genes and 5) map resistance genes for the soybean aphid; and 5) improve the understanding of soybean aphid biology, over wintering potential, and impact on yield and use this information to update educational efforts.

**Chemical Modification and Evaluation of Modified Plant Compounds For Seed Treatment Protection Against Soil Borne Diseases of Soybeans;** *Nancy Brooker (Department of Biology, Pittsburg State University); (\$35,000).*

The general objective of this project is to evaluate several chemically modified plant products as seed treatments against several important root rot and root infecting fungal diseases: 1) synthesize 10 chemically modified compounds based on the sesamol chemical structure; 2) evaluate the 10 chemically modified sesamol compounds for enhanced antifungal activity against *Pythium*, *Phytophthora*, *Rhizoctonia*, and *Macrophomina* in vitro; 3) evaluate the compounds as soybean seed protectants against *Pythium*, *Phytophthora*, *Rhizoctonia*, and *Macrophomina* infections in controlled growth chamber experiments and 4) compare these modified compounds against the native sesamol compound and commercially available fungicides to determine efficacy, target specificity, unique characteristics and cost-effectiveness of the modified compounds in managing and controlling soil-born disease symptoms in soybeans.

**Asian Soybean Rust Detection and Monitoring;** *Doug Jardine and Judy O'Mara (Department of Plant Pathology, Kansas State University); (\$10,250).*

This research project will provide rapid Asian soybean rust diagnostic support for soybean farmers. 1) Cooperate with industry, state and federal groups to develop a national surveillance program that will provide early detection and continuous monitoring for Asian soybean rust and 2) establish a free Asian soybean testing program so that farmers and can make better management decisions.

**Residual weed control with conventional herbicides in Roundup Ready soybeans;** *Dallas Peterson, Keith Janssen, Gary Kilgore (Departments of Agronomy and Extension, Kansas State University); (\$7,000).*

The objectives of this project are to: 1) evaluate conventional herbicide combinations with glyphosate for weed control during the soybean growing season and 2) to evaluate conventional

combinations with glyphosate for residual control of winter annual weeds in the fall, winter, and spring following soybean harvest.

**Grain marketing research and education in support of Kansas soybean producers;** *Sean Fox and James Mintert (Department of Ag Economics, Kansas State University); (\$6,720).*

This project involves developing a comprehensive grain and oilseed marketing education program for Kansas crop producers by: 1) maintaining a full-time position dedicated exclusively to grain and oilseed marketing research and extension; 2) conduct grain and oilseed price outlook price and marketing extension program and 3) conduct research on current marketing issues facing the Kansas grain and oilseed industries.

**Soybean oil based hydrogen production for electrical generation from a hydrogen internal combustion engine;** *William Ayres (Renewable Solutions, LLC); (\$40,000).*

The objective of this project is to test hydrogen from soybean oil for hydrogen gas powered internal combustion engines by: 1) producing soy oil hydrogen using a high temperature fuel processor to convert soybean oil into a combustible gas stream which contains hydrogen; 2) operating a Ford F-300 engine generator on the soy oil gas and 3) installing and operating an engine on soybean oil hydrogen rich gas in a field trial.

**Manganese Nutrition of Glyphosate-Resistant and Conventional Soybean;** *Barney Gordon and Stu Duncan (Department of Agronomy, Northeast Area Extension Office, Kansas State University); (\$5,200)*

The objectives will be to determine if glyphosate-resistant soybeans respond differently to applied manganese than conventional soybeans and if so to develop yield fertilization strategies that will prevent or correct deficiencies leading to improved yield for Kansas Soybean Producers and to determine critical levels of tissue and soil manganese in order to better predict situations in which manganese response can be expected.

**North Central Soybean Research Program;** *(\$50,000).*

### Kansas Biodiesel Fuel Usage Survey Results

Blend	2004 Survey July 1, 2003 thru June 30, 2004	B100 Equivalent	2005 Survey July 1, 2004 thru June 30, 2005	B100 Equivalent	2006 Survey July 1, 2005 thru June 30, 2006	B100 Equivalent
<b>Totals in Gallons</b>						
<b>B2</b>	5,926,305	118,526	3,921,861	78,437	3,616,039	72,337
<b>B5</b>	141,248	7,562	2,109,619	105,481	3,661,836	183,092
<b>B10</b>			100,000	10,000	2,750,000	275,000
<b>B20</b>			18,000	3600	24,000	4,800
<b>B100</b>		110,005	378,524	378,524	295,900	295,000
<b>Total B100</b>		<b>236,093</b>		<b>576,042</b>		<b>831,129</b>
 <b>Number of surveys returned out of</b>	 55 137			 50 175		 49 170

revised 01-30-2007

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# SOY NOTES

## For the Kansas Soybean Farmer

News from the Kansas Soybean Commission

Spring 2006

### Soybean Checkoff Approves Sentinel Plots to Continue Fight Against Rust

**“The additional sentinel plots will be a great tool in our checkoff’s fight against soybean rust,” says Kathy Patton Strunk, USB Rust Initiative Team Lead and soybean farmer from Silver Lake, Kansas.**

While soybean rust was not a major challenge for most U.S. farmers in 2005, relaxing against the threat of rust could be a mistake in 2006. The more information on rust, the easier it will be to control, which is why soybean checkoff farmer-leaders approved funds for additional sentinel plots to monitor the spread of soybean rust.

Together the United Soybean Board (USB) and the North Central Soybean Research Program (NCSRP) will help establish sentinel plots from south to north in the Soybean Belt to monitor northward movement of soybean rust for early detection and early warning for soybean farmers. These plots will complement those established by U.S. Department of Agriculture (USDA).

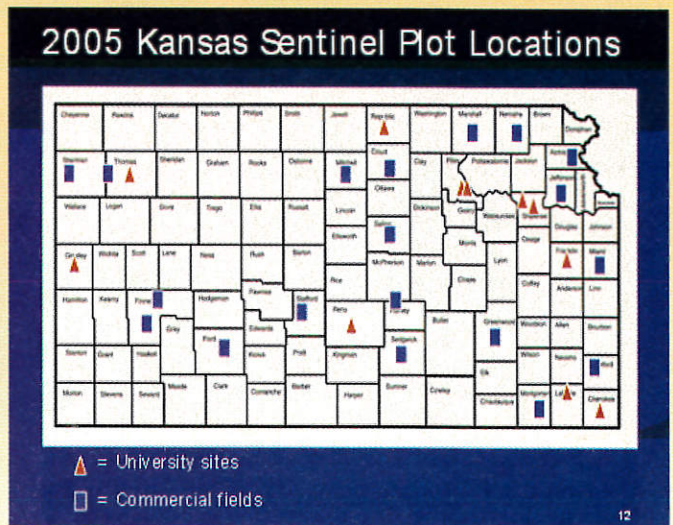
Timely detection of the disease can provide U.S. farmers with enough advanced warning to enable proper application of fungicides, the only effective management option for soybean rust at this time. Fungicides applied too late may be ineffective, and applications made too early could result in decreased efficacy and could result in the need for increased numbers of applications. Also, unnecessary treatments will result in higher input costs hurting profitability.

Between USDA, USB and NCSRP, there will be a total of 70 sentinel plots established in most states. The checkoff will fund plots located in states where researchers believe USDA plot numbers may be insufficient. The number of additional

plots in each state varies according to the number being funded by USDA funds.

With funds from the Kansas Soybean Commission, the K-State Plant Disease Diagnostic Lab participated in the 2005 national soybean rust sentinel plot monitoring program; developed a set of diagnostic screening protocols for Asian soybean rust; and offered testing for samples submission from Kansas sentinel plots, growers, consultants, county extension agents, national mobile monitoring teams and the Kansas Department of Agriculture.

According to Doug Jardine, Kansas State University Extension Row Crop Specialist and principal investigator of the Kansas Soybean Commission-sponsored Asian Soybean Rust Detection and Monitoring project, the question for 2006 is how far south will soybean rust overwinter and will it survive in Texas? The Kansas soybean crop is likely at greater risk from an inoculum source that overwinters in Texas and follows the traditional wheat rust pathway. Seasonal freeze lines can be followed at the USDA soybean rust web site ([www.usdasbr.gov](http://www.usdasbr.gov)). It may take several years of crop disease monitoring to determine the overwintering sites, spore transport pathway, epidemiology and impact of soybean rust on the US and Kansas soybean crops. The map below illustrates the sentinel plots in Kansas for 2005:



continued on page 4

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# Kansas Biodiesel Program helps increase biodiesel knowledge, use and supply

Biodiesel is the fastest-growing biofuel in the United States thanks in part to soybean checkoff-funded efforts aimed at ensuring biodiesel quality. As a result, more and more original equipment manufacturers (OEMs) approve the use of biodiesel blends in their engines. Last year, the U.S. military used over 10 million gallons of biodiesel blends, and, in October 2005, the American Trucking Association announced its endorsement of B5, a 5 percent biodiesel and 95 percent petroleum diesel blend. Dozens of school districts throughout the country also use cleaner burning, renewable biodiesel blends. Even President Bush announced a proposal in his Jan. 31 State of the Union address that includes \$150 million for additional research of biobased fuels derived from agricultural products.

In 2005, the Kansas Soybean Commission (KSC) participated in

the USB Biobased Products Initiative, where it implemented a state biodiesel program. Through the active promotion of biodiesel, including a rebate program for farmers; print and radio media; and farmer education, the Commission saw an 81 percent increase in rebate redemption from 2004 to 2005, as well as an increase in Kansas biodiesel suppliers. The state program educated farmers on the benefits of biodiesel, connected them to biodiesel suppliers in Kansas and dispelled myths about biodiesel.

Kenlon Johannes, KSC Administrator, believes strongly in farmer and Kansas petroleum marketer partnerships. "The direct education of farmers was the most effective component of our success with the state-wide biodiesel program. Equally important is our strong alliance with our Kansas petroleum marketers, and our continued sponsorship and participation

in their programs and events." In 2005, there was an increase in biodiesel demand, which resulted in a supplier increase.

The number of off-road retailers increased from 25 to 172 in 2006, and on-road retailers increased from two to 29.

Much of Kansas' soybean oil is sold to companies outside the state for further processing into biodiesel fuel. That is something that will hopefully change in the near future. Five groups are exploring the possibility of constructing biodiesel plants in Kansas, in addition to a plant already under construction in Goodland. "We would like to see soy biodiesel plants in Kansas but we want the business atmosphere to be right for investors," said Johannes.

The Kansas Soybean Commission continues its promotion of biodiesel, including farmer and retailer education and marketing.



The Kansas Soybean Commission's 2006 Dodge Biodiesel truck will spend the year on the road, promoting biodiesel in Kansas as well as numerous other states throughout the country. Photo: Kansas Soybean Commission.



# Promoting soyfoods in Kansas schools

Each year, the Kansas Soybean Commission promotes the Kansas Soybeans as a Food educational program in state middle school and high school Family and Consumer Science departments. The program's goal is to acquaint students with the nutritional qualities and taste of soybeans and food additives by supporting educators who teach the nutritional value of soyfoods in their classes.

The program reimburses educators for the cost of soybean products used in their food preparation, including tofu, soy flour, soy milk, and soy oil. KSC supplements the reimbursement of up to \$100 per school with a soybean cookbook, nutritional information on soyfoods and a soyfoods guide.

The reimbursement program is available for the spring, summer and fall semesters of school. To learn more about how to benefit from this program, contact the Kansas Soybean Commission at (800) 328-7390.

## Kansas Soybean Commission: Sponsor of 2006 Kansas Soybean Expo

The Kansas Soybean Commission was once again a major sponsor of the Kansas Soybean Expo, held Jan. 11, 2006, in Topeka, Kan. Coordinated by the Kansas Soybean Association, the Expo educated soybean producers from across the state on key production issues, including soybean rust and weed management. More than 200 attendees turned out to hear the latest soybean news and developments.

During the Soybean Expo luncheon, Harold Kraus, District V Kansas Soybean Commissioner from Hays, honored Robert Litch, At-large Kansas Soybean Commissioner and current Treasurer with an award, recognizing Litch's eight years of service to the Commission. Litch, who hails from Melvern, Kan., has served since 1998. He will retire this year from KSC.



From left to right: Kansas Soybean Commissioner Harold Kraus presents Commissioner and KSC Treasurer Robert Litch with a token of appreciation for Litch's eight years of service to KSC. Litch will retire from KSC this summer. Photo courtesy of Peggy Bellar.

## Kansas Soybean Commissioners

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# KSC Business Update

## Kansas Soybean Commission FY 2005 Financial Summary

### INCOME:

Collections & other income	\$ 2,688,351
United Soybean Board & other remittances	\$ 1,366,690

**NET COLLECTIONS & OTHER INCOME** \$ 1,321,661

### EXPENDITURES:

International Market Development	\$ 226,780
Research	\$ 518,461
Consumer & Industry Education	\$ 522,302
Producer Communications	\$ 170,278
Administration	\$ 202,977

**TOTAL EXPENDITURES:** \$ 1,680,829



**Editor-in-Chief: Kenlon Johannes**  
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## Sentinel Plots to Continue Fight Against Rust continued from cover

“The additional sentinel plots will be a great tool in our checkoff’s fight against soybean rust,” says Kathy Patton Strunk, USB Rust Initiative Team Lead and soybean farmer from Silver Lake, Kan. “The soybean checkoff remains vigilant in the fight against soybean rust to protect soybean farmers from the yield-robbing disease.”

“We believe the sentinel plots saved soybean producers millions of dollars from unnecessary fungicide applications in 2005,” says Gregg Fujan, NCSRP President and soybean farmer from Weston, Neb. “The sentinel plots are the epicenter of an intense checkoff-funded detection and monitoring system involving hundreds of people. Through their efforts, we were able to say with certainty where rust had been confirmed, bypassing any unnecessary fungicide application based on the electronic rumor mill.”

In addition to funding the sentinel plots, the checkoff provides funding for other activities to inform farmers about the challenges of soybean rust. For example, this year the checkoff is funding research to search for rust resistance in soybean varieties and to investigate field-friendly diagnosis and early detection through sampling rainfall for rust spores. Last year, USB identified soybean rust as a short-term emerging issue and created a special Soybean Rust Initiative run by soybean farmers; this initiative addresses short-term needs to help U.S. soybean farmers minimize crop damage as a result of soybean rust.

Since rust was first identified in Brazil in 2001, the soybean checkoff has cumulatively invested nearly \$5.5 million in rust research, including more than \$3.3 million for research in 2005 and 2006. The checkoff has developed two

diagnostic guides and a rust management guide that include information on rust, available at [www.unitedsoybean.org](http://www.unitedsoybean.org). The soybean checkoff co-sponsors the comprehensive soybean rust Web sites [www.planthealth.info](http://www.planthealth.info) and [www.stopsoybeanrust.com](http://www.stopsoybeanrust.com) where soybean farmers can find the latest information on soybean rust. USB also provides supplemental funding to Qualified State Soybean Boards for in-state rust detection and prevention activities.

“As someone who has experienced rust firsthand, I think it is very important to continue to fund rust research and communications activities,” says Billy Wayne Sellers, USB director and soybean farmer from Baxley, Ga. “I survived having soybean rust, thanks to information and research funded in part by soybean checkoff programs.”



Members of the Committee:

I am Jeff Casten, Chairman of the Kansas Grain Sorghum Commission from Quenemo, District #8. I am pleased to submit our annual report of our campaign of grain sorghum promotion and market development. Support for our programs are at an all-time high. Overall support may best be shown in our last fiscal year's numbers. 96.1% 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 2007 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

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 of our spending went into production and new use research. The public research sector has been leaned on heavily 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 research 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 sorghum 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. Grain sorghum continues to be a viable economic crop resource for Kansas producers. Grain sorghum is primarily a dryland crop, but if it is irrigated, it uses less water, has lower input costs, and is better adapted to uncooperative growing conditions we have in Kansas. Finally, international market development is important to Kansas producers, with about 4 out of 10 bushels of grain sorghum being exported, and this remains constant. 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 this opportunity to review our programs.



August 14, 2006

To the Commissioners  
Kansas Grain Sorghum Commission  
Paola, Kansas

### Independent Auditors' Report

We have audited the accompanying statements of financial position of Kansas Grain Sorghum Commission (a quasi municipal entity) as of June 30, 2006 and 2005, and the related statements of activities and cash flows 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Grain Sorghum Commission as of June 30, 2006 and 2005, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

*Certified Public Accountants' Report*

**KANSAS GRAIN SORGHUM COMMISSION**  
 Paola, Kansas  
**STATEMENTS OF ACTIVITIES**  
 For the Years Ended June 30,

	2006	2005
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
Check-off collections	\$ 844,159	\$ 884,662
Interest income	11,354	2,154
<b>Total Revenues</b>	\$ 855,513	\$ 886,816
 <b>EXPENSES</b>		
Refunds of check-off collections	\$ 32,896	\$ 40,126
Programs Investment		
Foreign Market Development	31,000	20,000
KGSPA	96,500	96,500
KSU Research	151,083	129,140
NGSP	205,000	189,000
KSU Sorghum Improvement Center	25,000	25,000
Production Research	150,000	-
Promotion	2,750	3,400
Special Projects	4,050	2,982
Administrative Expenses		
Administration	84,713	84,954
Commissioner travel	31,863	26,473
Contractor travel	14,846	11,120
Legal and accounting fees	2,900	2,900
Meeting expense	510	359
Postage and delivery	1,297	1,355
Bank fees	647	192
<b>Total Expenses</b>	\$ 835,055	\$ 633,501
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 20,458	\$ 253,315
 <b>NET ASSETS - BEGINNING OF YEAR</b>	405,179	151,864
 <b>NET ASSETS - END OF YEAR</b>	\$ 425,637	\$ 405,179

Financial Statements

6-3



**FY 2007 Budget**  
**KANSAS GRAIN SORGHUM COMMISSION**

INCOME

Estimated Net Assessments	\$ 630,000
Allowance for Refunds 8%	-30,000
	-----
Net Income	\$ 600,000

EXPENSES

Programs:

KGSPA	\$ 91,000
KSU Research	156,700
National Sorghum Producers	225,000
USGC	31,000
Administration & Overhead	145,200
Special Projects	5,000
Advertising & Media	3,000
	-----

Total Expenses	\$ 656,900
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**PROJECTED INCOME/DEFICIT**

=====

- 56,900

**BEGINNING CARRY-OVER 7/01/2006**

\$ 425,136

**PROJECTED CARRY-OVER 6/30/2007**

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**\$ 368,236**





# KANSAS GRAIN SORGHUM COMMISSION

## 2007 ANNUAL REPORT

### Research Continues to Be Priority of the Kansas Grain Sorghum Commission

The Kansas Grain Sorghum Commission continued to focus on research in the 2006 Fiscal Year. The Commission invested 60 percent of its program funding into research. "The reason is simple," KGSC Chairman Jeff Casten of Quenemo said. Sorghum doesn't have the acres that crops like soybeans, corn and wheat have, so the industry doesn't invest very much money into research. Because of this, grower-funded programs like the grain sorghum checkoffs in Kansas and other states are key to improving our crop."

Sorghum breeding, weed and grass control and drought tolerance were areas of focus for the Kansas Grain Sorghum Commission's research funding.

Foreign and domestic market development also remained high on priority list. The commission continued to support efforts to promote the use of sorghum and ethanol which is driving positive price increases for growers. KGSC continues to be a strong advocate for the increased production and use of ethanol, a major market for Kansas sorghum. In Kansas, sorghum remains the grain of choice for ethanol production.



#### 2006 Great Plains Sorghum Conference

**Above**—KSU Sorghum Researchers Dave Mengel and Mitch Tuinstra speak at the 2006 Great Plains Sorghum Conference at Concordia in September.

**Right**—Interest in research was high as a large group of growers attended the sorghum conference.





# 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 FY2007.  
(July 1, 2006 through June 30, 2007)

## Research Funding

<b>KSU Hays Unit Plot Combine</b> .....	\$15,000
<b>Evaluating Herbicides for Crop Tolerance and Grass Control in Grain Sorghum</b> KSU—Principal Researcher Dave Regher .....	\$7,500
<b>Evaluation of Strip Tillage for Grain Sorghum in Kansas</b> KSU—Principal Researcher Keith Janssen .....	\$4,200
<b>Enhancing Sorghum Yield and Profitability through Nitrogen Management</b> KSU—Principal Researcher David Mengel .....	\$26,500
<b>Screening Sorghum Germplasm for Drought and Heat Tolerance</b> KSU—Principal Researcher Vera Prasad .....	\$23,000
<b>Breeding Grain Sorghum for Improved Dryland Production</b> KSU—Principal Researcher Mitch Tuinstra .....	\$67,500
<b>Management Systems for Grain Sorghum Production Under Dryland and Limited Irrigation Conditions</b> KSU—Principal Researcher Barney Gordon .....	\$6,500
<b>Irrigated Cropping Systems to Reduce Groundwater Depletion While Sustaining Profitability</b> KSU—Principal Researcher Alan Schlegel .....	\$6,500
<b>KSU Sorghum Improvement Center</b> .....	\$25,000
<b>National Grain Sorghum Foundation</b> Grass and Weed Project (see page 3) .....	\$150,000
<b>National Sorghum Producers</b> Research Funding .....	75,000

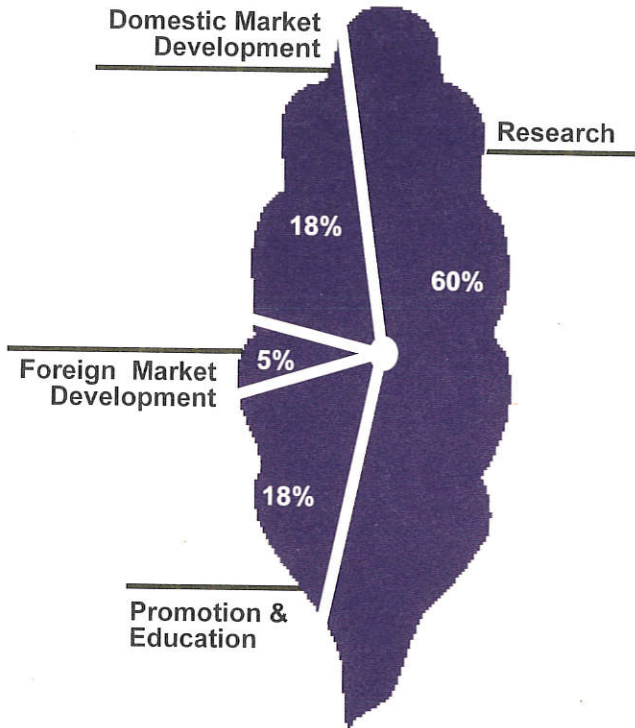
## Market Development, Promotion and Education Funding

<b>Kansas Grain Sorghum Producers Association</b> Market Development, Promotion and Education .....	\$91,000
<b>National Sorghum Producers</b> Promotion and Market Development .....	\$150,000
<b>US Grains Council</b> Foreign Market Development .....	\$31,000
<b>Funded Projects</b> <b>TOTAL:</b> .....	<b>678,700</b>



## FY 2007

This pie chart outlines program areas in which your checkoff dollars are being invested by the Kansas Grain Sorghum Commission in Fiscal Year 2007 (July 1, 2006 through June 30, 2007)



Production/New Use Research.....	\$406,700 (60%)
Domestic Market Development.....	\$120,500 (18%)
Foreign Market Development .....	\$31,000 (5%)
Promotion and Education .....	\$120,500 (18%)

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

## FY 2006

This listing outlines program areas in which your checkoff dollars were 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%)

## Collaboration Strives to Develop Non-GMO Weed Control Traits in Sorghum

The National Grain Sorghum Producers Foundation (NGSPF) and Cibus LLC recently announced their collaboration to develop and commercialize a new type of Non-GMO grain sorghum using technology known as Rapid Trait Development System (RTDS). The Kansas Grain Sorghum Commission provided funding for the Foundation project.

"Cibus, the company that developed RTDS, has some outstanding scientists who were able to develop herbicide resistance without going to another species," said Foundation President Dr. Bruce Maunder. "They have a proven track record and they've already successfully done this with both rice and canola."

The Cibus technology provides an easier way to obtain desirable traits and when successful, it will also take less time to get into producers' fields.

"Like many farmers, I need sorghum in my crop rotation," said National Sorghum Producers (NSP) President Greg Shelor of Minneola, Kansas. "But to increase profitability, we have some basic needs like better grass and weed control technology. We also need to increase our yields."

The collaboration between NGSPF and Cibus grew out of a need to control weeds and grasses in sorghum so that growers could realize improved yields and better profitability.

Maunder said that current grass control options for sorghum are incomplete and expensive. The new trait will be a departure from the glyphosate-tolerant varieties developed in other crops, and will help producers who have problems with johnsongrass, shattercane, sorghum aulum and volunteer glyphosate-tolerant crops.

"Sorghum producers must take control of their own destiny—we can't afford to passively sit on the sidelines and hope that others will develop enhanced traits for us," added NSP CEO Tim Lust.



# 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. 2007 marks the sixth round of elections, in which growers will select commissioners for the northeast, east central and southeast 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](http://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)** Boyd Funk  
Garden City  
620-521-2463

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

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

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

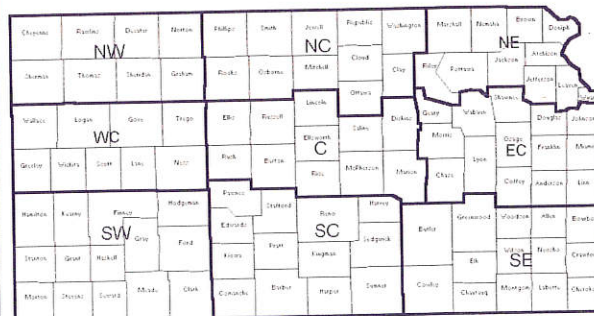
**Dist. 7 (NE)** Kurt Staggenborg  
Marysville  
785-562-3275

**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](mailto: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.