

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 17, 2008, in Room 783 of the DSOB.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Emalene Correll, Kansas Legislative Research Department
Ryan Hoffman, Kansas Legislative Research Department
Gordon Self, Revisor of Statutes
Kristen Kellems, Revisor of Statutes
Florence Deeter, Committee Assistant

Conferees appearing before the committee:

Jeannie Stinson, Interim Director, Kansas Agriculture Products Development Division, Kansas Department of Commerce
Corey Mohn, Agribusiness Development Specialist, Agriculture Marketing

Others attending:

See attached list.

The Chairman welcomed Jeannie Stinson, Interim Director of Kansas Agriculture Products Development Division, Kansas Department of Commerce. Ms. Stinson stated the mission of the Agriculture Marketing Division, and introduced four major programs (Attachment 1). She gave brief comments on each program: the Agriculture Value Added Center provides loans, matching funds, and technical assistance; the *From the Land of Kansas* trademark program promotes product lines made in Kansas; the Food Export-Midwest is an international marketing and partnering organization; and the Agritourism Registration initiative is an expanding sector of the Value Added Market Center. Ms. Stinson said the amount of sales generated through the Value Added Center in 2007 totaled \$245,157,700.

Ms. Stinson introduced Corey Mohn, Agribusiness Development Specialist, who presented information on two energy projects that received funding in the past fiscal year. Matching funds were allocated to help developers explore the feasibility of biodiesel and ethanol projects. The South Central Kansas Bioenergy Group (Cowley & Sumner Counties) received \$20,000 and at the present time has not shown developmental progress. Kansas Wheat, working in coordination with Avondale Iowa Energy to explore ethanol production in Hugoton, Kansas, received \$50,000 in matching funds. Kansas Wheat is planning to explore an analysis tool to be used in the collection of agriculture residue in the production of ethanol.

Mr. Mohn stated that, along with the Kansas Department of Revenue, Ag Marketing has the responsibility of managing six tax credit programs for promoting the growth of energy industry in Kansas. He indicated that at the present time there is activity in three of those programs; as marketing procedures are put in place, the remaining three will begin to increase. He explained the various divisions in the Ag Marketing Division and said that funding since 2001 totaled \$9,296,720.

Mr. Mohn commented on five other agriculture based projects: the Kansas State University Animal Identification System; the Four Star Hydroponics program in St. Johns, Kansas, which is producing tomatoes; Harvest Lark, a cereal bar company in Chapman, Kansas, which is using Kansas grown products; Kansas Park Trust, which used grant money for the Kansas Symphony on the Prairie; and Trees 2 Trim based in Concordia, Kansas, a logging and milling business using Kansas timber to produce custom wood products.

Mr. Mohn responded to questions by stating:

- Biodiesel fuel expenses in the community division the past year totaled \$750,000.
- The market trend in biodiesel fuel is declining as a result of higher corn prices and lower ethanol prices.
- The amount of dollars given back to clients is greater than the allocation designated by the Legislature.
- When the Agritourism program was initiated, there were no parameters indicating how much sales tax

CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Committee at 3:30 P.M. on January 17, 2008, in Room 783 of the DSOB.

was to be paid by out-of-state participants who hunted on private lands.

The Chairman requested further information on the following topics:

- Growth during the past three years; balance sheet with data.
- The director's time frame with agriculture marketing and community development and the number of staff involved.
- Where the Agriculture Marketing is in relation to the Commerce Department.

The Chairman adjourned the meeting at 5:00 p.m. The next meeting is scheduled for Tuesday, January 22, 2008, at 3:30 p.m.

HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 17, 2008

NAME	REPRESENTING
JEAN MYLER	CAPITOL STRATEGIES
KIMBERLIE HANSON	Commerce
Corey Mohr	" "
JAY KLAMON	
Chris Tymeson	KDWP
Peggy Wolf	Spencer
Carole Jordan	KDA
JEFF COLWELL	KD of COMMERCE
Austin Hayden	Hein law firm




**Agriculture Marketing Division
Fiscal Year 2007 Annual Report**

**Agriculture Marketing
Division Mission:**


“To enhance the value of agriculture products through marketing and new uses, providing greater returns to Kansas producers, processors, and rural communities.”

Agriculture Marketing Division Programs

- Agriculture Value Added Center
 - *From the Land of Kansas* trademark program
 - Food Export-Midwest
 - Agritourism Registration initiative
- 

Value Added Center

“Further processing and/or alternative marketing to capture more of the end consumer dollar at the producer level.”

- Value assessment
 - Value creation
 - Value capture
 - Value preservation
- 

Value Added Center, cont'd.

- Loan Funding
- Technical Assistance

Value Added Center, cont'd.

FY 2007 Total Loan Funding: \$419,795

- Meat and Food Science:
 - \$86,880
- Energy Based Projects:
 - \$70,000
- Other Projects:
 - \$262,915

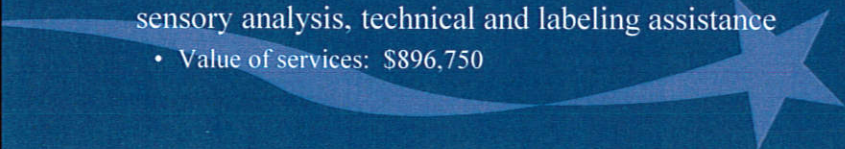
Meat and Food Science Projects

KSU, Elizabeth Boyle (Meat Science) & Fadi
Aramouni (Food Science)

KSU Meat Extension: \$16,880

- Served 455 Kansas clients with nutritional analysis,
sensory analysis, technical and labeling assistance
 - Value of services: \$48,038

KSU Food Extension: \$70,000

- Served 1,250 Kansas clients with nutritional analysis,
sensory analysis, technical and labeling assistance
 - Value of services: \$896,750
- 

Agriculture Based Energy Projects

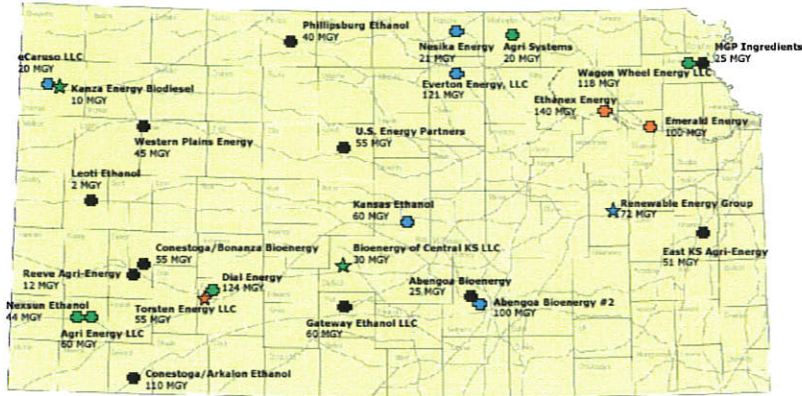
SCKansas Bioenergy Group (Cowley/Sumner
Counties)

- \$20,000

Kansas Wheat

- \$50,000
- 

ETHANOL AND BIODIESEL PLANT ACTIVITY in KANSAS
January 2008



Legend

Ethanol Plants	Biodiesel Plants
● Existing	★ Existing
⊕ Under Construction	☆ Under Construction
⊗ Permitted	⊗ Permitted
⊘ Permit Pending	⊘ Permit Pending

*MGY = Millions of gallons per year of permitted capacity.
*Capacities courtesy of Kansas Department of Health and Environment.

Kansas Alternative Energy Working Group

Corey Mohn & Lyle Peterson, Kansas Commerce

- Value Added Center, Community Development Block Grants, tax credits

Liz Brosius and Ray Hammarlund, Kansas Energy Council (KEC)

- Coordination and legislative issues

Carole Jordan, Kansas Department of Agriculture (KDA)

- Overall agricultural impact

Ken Kopp, KDA – Division of Water Resources (DWR)

- Water resource allocation

John Ramsey, Kansas Department of Health and Environment (KDHE)

- Air, water, environmental remediation, livestock waste

Edie Martin, Kansas Department of Revenue (KDOR)

- Licensing, bonding, motor fuels tax, tax credits

Jesse Romo, Kansas Department of Transportation (KDOT)

- Overall transportation impact

Steve Wassom, Kansas Securities Commission

- KS and out-of-state securities registration

Kansas Alternative Energy Working Group *Latest Additions*

Steve Zink, Kansas Department of Labor

- Kansas Boiler Safety Program, boiler inspections

Mike Heim, Kansas State Fire Marshall

- Above ground storage tanks

Earl Lewis, Kansas Water Office

- Overall water impact and water policy

Traditional and Alternative Energy **Tax Credits**

- Ag Marketing has the responsibility to manage six tax credit programs that were created in order to promote the growth of the energy industry in Kansas.
 - The six tax credit programs are: Refinery Projects, Storage and Blending Equipment, Biomass-to-Energy Plant Projects, Renewable Electric Cogeneration Facility, Pipeline Projects and Coal/Coke Nitrogen Fertilizer Project.
 - To date we have activity in three programs: Refinery Projects, Storage and Blending Equipment and Pipeline Projects tax credits. Activity in the remaining programs will increase as we begin to market these programs statewide.

Kansas Department of Commerce Biofuels Investment to Date (since 2001)

Agriculture Marketing Division:

- Value Added Loans
 - Feasibility studies, business plans and equity drives: \$516,000
 - Staff Time (8 years at 80% staff time, plus numerous trips, seminars, receptions, etc): \$350,000
- Business Development Division:
 - KEIOF and Workforce Training: \$162,000
 - Jobs and Investment Tax Credits: \$5,280,000
 - Partnership Fund: \$200,000
 - Staff Time (60 hours at \$22.00/hour): \$1,320
- Community Development Division:
 - Community Development Block Grant—Economic Development for infrastructure including rail spurs: \$2,787,400

Total Funding since 2001: \$9,296,720

Other Agriculture Based Projects

Kansas State University Animal ID Study

- \$30,000

4 Star Hydroponics

- \$130,000

Harvest Lark

- \$50,000

Kansas Park Trust

- \$5,000

Trees 2 Trim

- \$47,915

Logging & Milling
Processing
Custom Wood Flooring
Wood Flooring

Value Added Center Sales Generated 2007

Total Sales for fiscal year 2007:

\$245,157,700

To Date 2008 VAC Funding

▪ KSU Meat Science:	\$16,880
▪ KSU Food Science:	\$70,000
▪ KSU Food Science – Equipment:	\$10,000
▪ Linn Willow Creek Dairy:	\$17,750
▪ Hoelscher Ag Development:	\$16,000
▪ Peaceful Prairie Farm:	\$ 6,000
▪ Anderson County Poultry Processing:	\$16,099
▪ A-Pack:	\$50,000
▪ Total Funding to date for FY07:	\$202,729

New Loan Programs Unveiled for the Agriculture Value Added Center

- **Agritourism Attraction Development Loan**

Designed to assist new and existing agritourism operators to further enhance their business operations

- **Diversified Farm and Specialty Production Loan**

Designed to assist producers in transitioning to non-traditional crops or livestock as a means to add value to the farm

(Non-traditional crops or livestock are defined as those not currently tracked by the Kansas Agriculture Statistics Service)

From the Land of Kansas (FLOK) Trademark Program

- 309 Registered members in the *FLOK* program
- Business Enhancement Grants (BEGs)
 - These grants are a 1:1 matching grant designed for companies to use for marketing and consulting needs
 - \$25,039 to 16 companies
 - These grants helped to generate over \$312,000 in sales

Food Export-Midwest (Formerly the Mid-America Int'l Trade Council-MIATCO)

- Seven Kansas companies directly benefited from Food Export funding in the amount of \$129,958
- Increase in export sales through Food Export-Midwest activities: \$881,000
- Projected increase in export sales through Food Export-Midwest activities: \$2,545,000
- Return on dues investment \$84:\$1

Kansas Pavilions

- 2007 Summer Fancy Food Show-New York City
- 4 participating companies
- 1st pavilion at a major food show in more than 15 years
- 2 pavilions in 2008
 - Winter Fancy Food Show-San Diego
 - Summer Fancy Food Show-New York City

Agritourism Promotion Act

To date, 246 agritourism operations have registered with the state of Kansas.

Components of the agritourism program:

- Agritourism Scholarships available to assist in funding participation in educational conferences or tours
- Tax credit (20%) available for the first five years after registration on the cost of agritourism liability insurance
- The Agritourism Advisory Council
- Promotion of agritourism operations through www.travelks.com
- On-line resources are available through at www.kansasagritourism.org
- Ongoing marketing and technical support

These businesses include:

- Western Frontier Experience
- Farm and Ranch Experience
- U-Pick/Orchards/Corn Mazes
- Nature Based Tourism
- Hunting and Fishing
- Lodging/Bed and Breakfast
- Winery

Kansas Farm Wine Industry

- Currently there are 18 licensed farm wineries in Kansas, with an additional 6 retail outlets, marketing grape and fruit wines
- According to the 2006 Kansas Horticulture Survey (released May 2007), there are 320 acres of grapes grown in Kansas, up from 147 acres in 2000
 - Sales of grapes and wine have increased from \$510,000 in 2000 to \$1,500,000 in 2006
- Kansas Grape and Wine Advisory Council
- www.winesofkansas.com and new wine industry logo unveiled in 2006

Kansas Farm Wine, cont'd.

State Fair Initiative

– Kansas Agriculture Products Pavilion

- Opened in September 2007
 - Wine Garden, managed by Kansas Wine and Beer Garden, LLC, featuring Kansas wines, beers and complementary food products
 - *From the Land of Kansas* display
 - Kansas Grape and Wine Industry display
 - Agritourism display
 - Kansas Travel and Tourism display
 - Farmers' Markets display
 - People's Choice Wine Judging
 - » Eight Kansas Wineries were given 12 awards
 - 4th Annual Grape Stomp (at separate venue)

**Cooperative effort with the Kansas Department of Agriculture*

**KANSAS**
DEPARTMENT OF COMMERCE

(785) 296-3737

www.kansascommerce.com