

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on January 23, 2008 in Room 423-S of the Capitol.

All members were present except:

Steve Morris- excused
Derek Schmidt- excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Jason Thompson, Office of the Revisor of Statutes
Matt Todd, Office of Revisor of Statutes
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:

Jeanne Stinson, Acting Director, Agriculture Marketing Division, Kansas Department of Commerce
Steve Kelly, Deputy Secretary, Agriculture Marketing Division, Kansas Department of Commerce
Beckie Rhoades, International Marketing Specialist, Agriculture Marketing Division, Kansas Department of Commerce
Corey Mohn, Agribusiness Development Specialist, Agriculture Marketing Division, Kansas Department of Commerce
Carole Jordan, Director Rural and Legislative Affairs, Kansas Department of Agriculture
Lyle Peterson, BioProducts Specialist, Agriculture Marketing Division, Kansas Department of Commerce
Sarah Larison, Domestic Marketing Specialist, Agriculture Marketing Division, Kansas Department of Commerce

Others attending:

See attached list.

Senator Lee moved the introduction of a committee bill concerning farm equipment and the warranty covering the fees charged for mileage for repair of the equipment. Motion seconded by Senator Ostmeyer. Motion passed.

Jeanne Stinson, Acting Director, Agriculture Marketing Division, Kansas Department of Commerce introduced Steve Kelly who had an announcement.

Steve Kelly, Deputy Secretary, Agriculture Marketing Division, Kansas Department of Commerce, announced that as of Monday, January 28, Carole Jordan will be the Director of Agriculture Marketing Division, Kansas Department of Commerce.

Chairman Taddiken congratulated Carole on her new position.

Beckie Rhoades, International Marketing Specialist, Agriculture Marketing Division, Kansas Department of Commerce, reviewed the division's programs (Attachment 1) including an agriculture value added center, food export-Midwest, *From the Land of Kansas* trademark program and agritourism registration initiative.

Ms. Rhoades stood for questions.

Corey Mohn, Agribusiness Development Specialist, Agriculture Marketing Division, Kansas Department of Commerce, reported that funds have been used for feasibility studies and business plans for new agriculture based energy projects. He also noted a map showing the ethanol and biodiesel plant activity in Kansas. Currently there are eleven (11) ethanol plants in operation.

Mr. Mohn discussed the Kansas Alternative Energy Working Group which is made up of persons from different state agencies to assist potential developers in the process of starting a new business. A State of Kansas Renewable Fuels Contact List provides information for potential developers.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture Committee at 8:30 a.m. on January 23, 2008 in Room 423-S of the Capitol.

Mr. Mohn took questions from the Committee.

Lyle Peterson, BioProducts Specialist, Agriculture Marketing Division, Kansas Department of Commerce, said their department manages six (6) traditional and alternative energy tax credit programs that were created in order to promote the growth of the energy industry in Kansas. Mr. Peterson will provide a packet of information to the Committee of the tax incentives provided by the state.

Mr. Peterson answered questions.

Mr. Mohn said the KDOC biofuels investment is over \$9 million to date from 2001.

Mr. Mohn and Mr. Peterson answered questions.

Beckie Rhoades reported on other agriculture based projects funded by the KDOC including the Kansas State University animal ID study, a hydroponic tomato operation, Harvest Lark, Trees 2 Trim in Concordia and Kansas Park Trust. The total gross sales for fiscal year 2007 for all active loan clients was \$245,157,700. Ms. Rhoades also reported on the 2008 Value Added Center funding. Agritourism attraction development and diversified farm and specialist production are new loan programs.

Ms. Rohades took questions from the Committee.

Ms. Rhoades discussed Food Export-Midwest, which partners with the KDOC assists in international marketing of Kansas agricultural and food products. She also mentioned activities to promote Kansas food products.

The Committee had further questions for Carole Jordan.

Sarah Larison, Domestic Marketing Specialist, Agriculture Marketing Division, Kansas Department of Commerce, discussed the *From the Land of Kansas (FLOK)* trademark program and Business Enhancement Grants (BEGs). She also reported that 246 agritourism operations have registered with the state of Kansas.

The Agriculture Marketing Division, Kansas Department of Commerce, will be continued on Wednesday, January 30.

Motion by Senator Bruce to approve January 15, 2008 Committee meeting minutes; seconded by Senator Ostmeyer. Motion passed.

Meeting was adjourned.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 23, 2008

NAME	REPRESENTING
SEAN MILDEN	CAPITOL STRATEGIES
Janne Hanson	Commerce
Cory Mohn	" "
Steve Kelly	" "
Carole Jordan	KDA
Nate Michel	Hein Law Firm
Paul Johnson	Ks. Cath Conf
Lyle Petersaw	Commerce
Julie Strick	Commerce
Sarah Larson	Commerce
Becki Rhoades	Commerce



**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.”


Senate Agriculture Committee
2-23-08
Attachment 1

Agriculture Marketing Division Programs


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

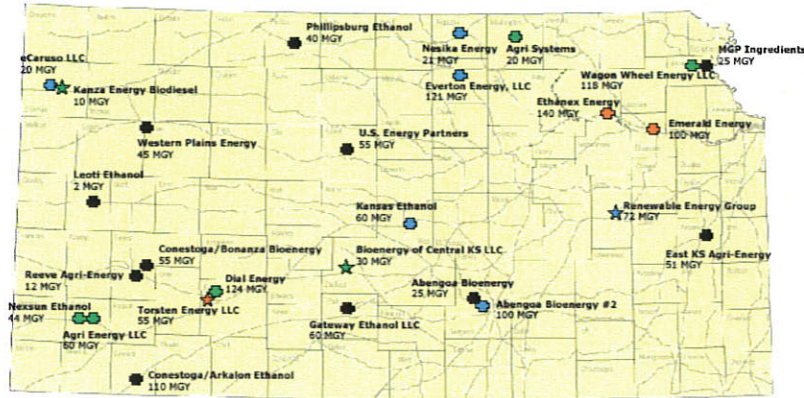
SCKansas Bioenergy Group (Cowley/Sumner
Counties)

- \$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

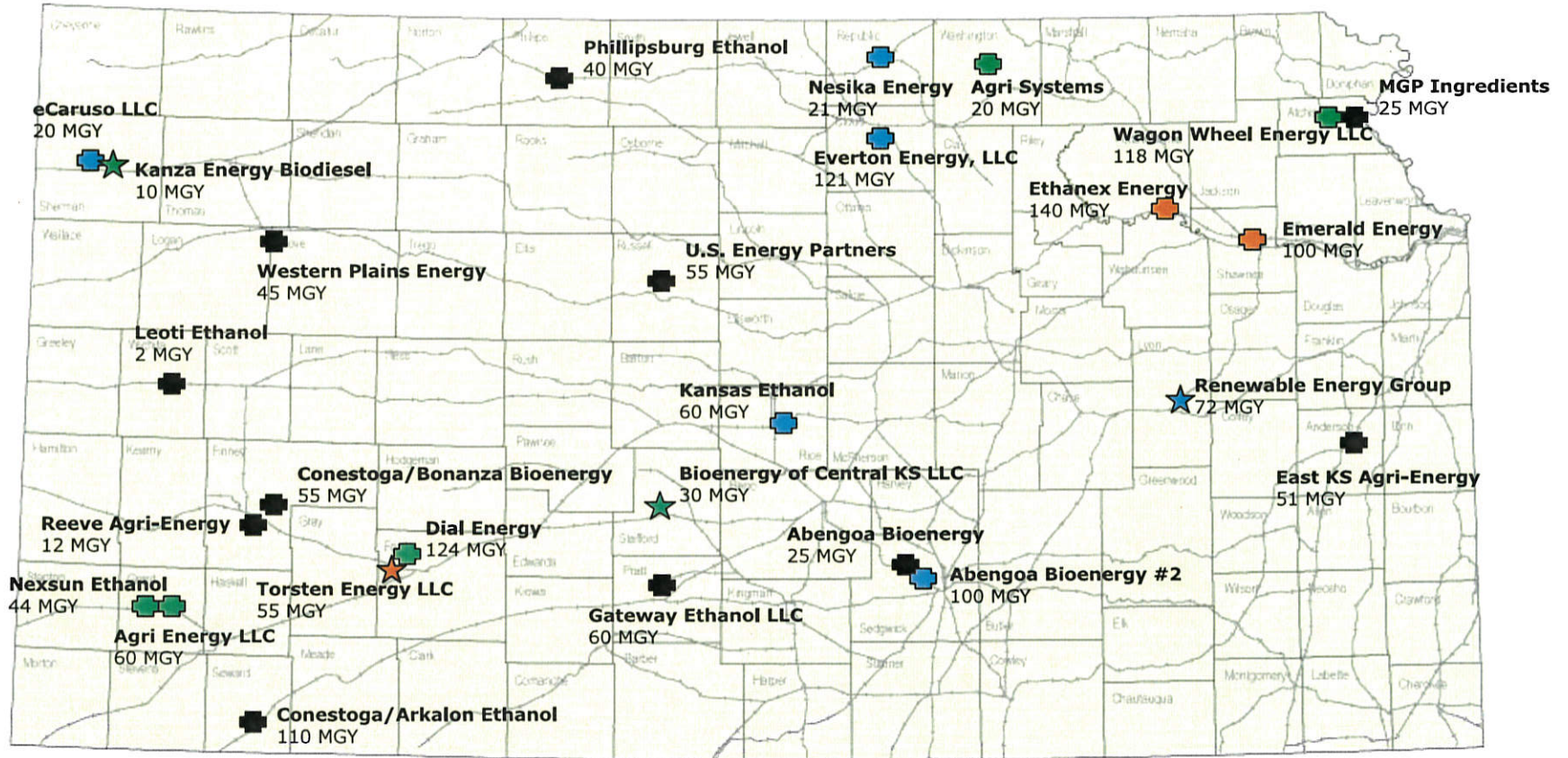
Steve Wassom, Kansas Securities Commission

- KS and out-of-state securities registration

ETHANOL AND BIODIESEL PLANT ACTIVITY in KANSAS

January 2008

1-6



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 *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

Biofuels Projects Funded Since 2001

Nesika Energy LLC Ethanol Feasibility	\$15,000
Western Plains Energy LLC	\$100,000
East Kansas AgriEnergy	\$75,000
Central KS Renewable Fuels	\$50,000
Kansas Renewable Energy	\$10,000
E2-Ethanol Energy	\$30,000
KanAgri Energy LLC	\$40,000
Conestoga Energy	\$27,500
NEK SEN Energy Partners	\$40,000
State Energy Program Grant	\$30,000
AgraMarke Ethanol	\$30,000
Northeast KS Bioenergy	\$79,500
Central KS Biodevelopment	\$22,000

Biofuels Projects Funded Since 2001

Conestoga Energy (Liberal Ethanol) \$7,500
South Central Kansas Bioenergy \$20,000
Kansas Wheat Biomass Project \$50,000
Hoelscher Ag Development \$16,000

Total: \$642,500

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

Value Added Center Sales Generated 2007

Total Sales for fiscal year 2007 for all active
loan clients:

\$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)

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

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

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*



(785) 296-3737

www.kansascommerce.com

KANSAS

as big as you think

State of Kansas Renewable Fuels Contact List

Building a renewable fuel facility requires careful planning and compliance with a number of local, state and federal statutes and rules and regulations. A listing of state government contacts are listed below:

PLANNING, LOANS and MATCHING FUNDS

Feasibility Studies, Business Plans and Equity Drives

Contact the Kansas Department of Commerce's Agriculture Marketing Division.
Contact: Corey Mohn at 785-296-3737 or cmohn@kansascommerce.com.

Funding Assistance

To learn more about the Agriculture Value Added Loan program or Economic Development Block Grants through the Community Development Block Grant program, contact the Kansas Department of Commerce's Agriculture Marketing Division.
Contact: Lyle Peterson at 785-296-6080 or lpeterson@kansascommerce.com.

REGULATORY ACTIONS

Above Ground Storage Tanks

To learn more about regulations, contact the Office of the Kansas State Fire Marshall.
Contact: Mike Heim at 785-296-3401 or heimm@ksfm.state.ks.us.

Air Quality/Emissions

To learn more about permitting requirements, contact the Kansas Department of Health and Environment, Bureau of Air and Radiation.
Contact: John Ramsey at 785-296-1992 or jramsey@kdhe.state.ks.us.
Terry Tavener at 785-296-1581 or ttavener@kdhe.state.ks.us.

Boiler Inspections

To learn more about the Kansas Boiler Safety Act, the Boiler Safety Program, and related regulations, contact the Kansas Department of Labor.
Contact: Steve Zink at 785-296-4386 or Steve.Zink@dol.ks.gov.

Licensing, Bonding, Motor Fuels Tax, Tax Credits

To learn more, contact the Kansas Department of Revenue.
Contact: Edie Martin at 785-296-5327 or edie_martin@kdor.state.ks.us.

REGULATORY ACTIONS (cont.)

Securities Registration

To learn more about necessary registrations and filings for equity drives, contact the Kansas Office of the Securities Commissioner.

Contact: Steve Wassom at 785-296-3307 or Steve.Wassom@ksc.ks.gov.

Water and Waste Water (quality)

To learn more about permitting requirements, contact the Kansas Department of Health and Environment, Bureau of Water.

Contact: Don Carlson at 785-296-5547 or dcarlson@kdhe.state.ks.us.

Water Resource Allocation and Water Supply (quantity)

To learn more about Kansas water law and water needs for renewable fuel production, contact the Kansas Department of Agriculture's Division of Water Resources.

Contact: Ken Kopp at 785-296-3717 or kkopp@kda.state.ks.us.

ENERGY POLICY

Agriculture

To learn more about commodities, or other agricultural policy issues, contact the Kansas Department of Agriculture.

Contact: Carole Jordan at 785-296-3556 or cjordan@kda.state.ks.us.

Energy Programs

To learn more about the Kansas Energy Council and other matters related to the Kansas State Energy Plan or energy policy, contact the Energy Programs Division of the Kansas Corporation Commission.

Contacts: Liz Brosius at 785-271-3264 or l.brosius@kcc.ks.gov.

Ray Hammarlund at 785-271-3100 or r.hammarlund@kcc.ks.gov.

Transportation Issues

To learn more, contact the Kansas Department of Transportation.

Contact: Jesse Romo at 785-291-3711 or romo@ksdot.org.

Water Policy

To learn more, contact the Kansas Water Office.

Contact: Earl Lewis at 785-296-3185 or elewis@kwo.state.ks.us.

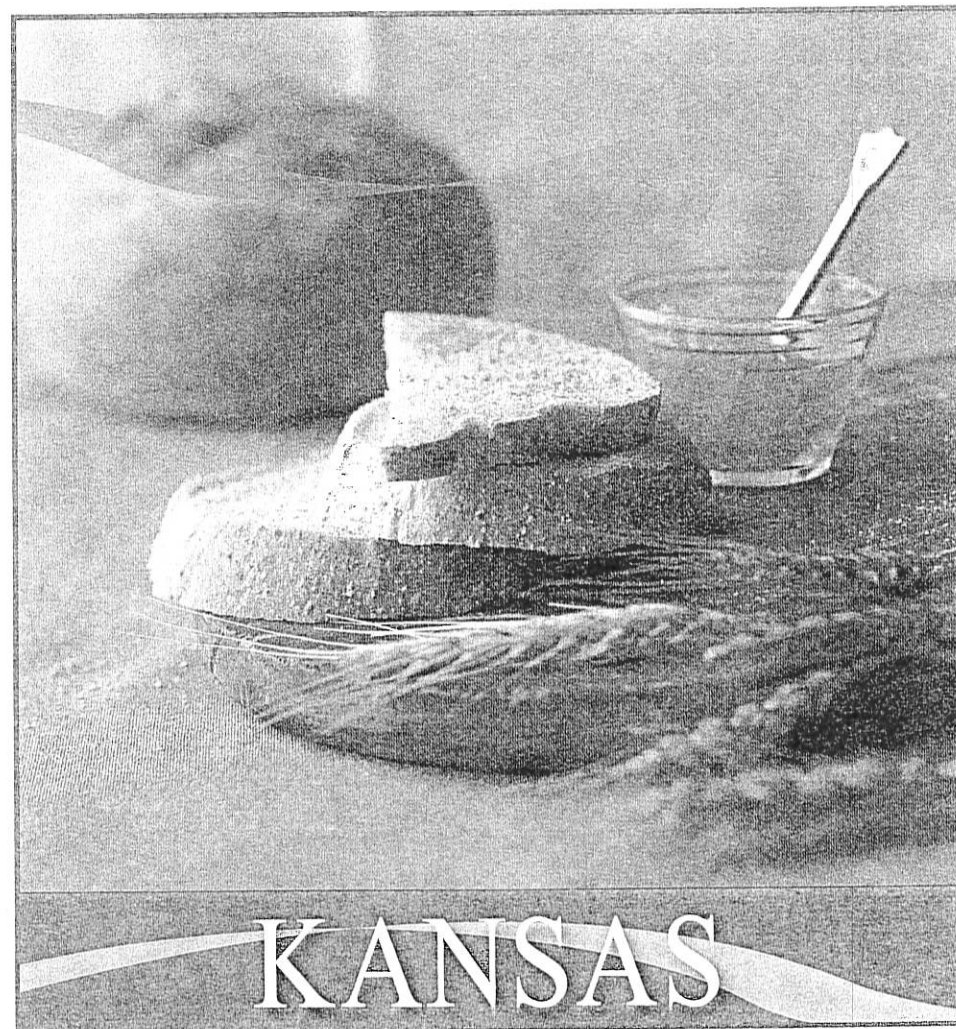
6-17

KANSAS

DEPARTMENT OF COMMERCE

Agriculture Marketing

1000 S.W. Jackson St., Suite 100
Topeka, KS 66612-1354
Phone: (785) 296-3737
TTY: (785) 296-3487
E-mail: agprod@kansascommerce.com
www.kansascommerce.com



Agriculture Marketing Overview

As one of the state's leading industries, agriculture keeps changing to suit the discriminating customer's needs. Because agriculture is at the heart of the Kansas economy, it is imperative that we keep producers growing and prospering through entrepreneurial activity and innovation.

The Agriculture Marketing Division of the Kansas Department of Commerce is committed to improving the economic condition of Kansas producers and boosting the prosperity of rural communities. The Department fulfills this commitment by acting as a catalyst for economic development through initiatives like agritourism, the Agriculture Value Added Center (AVAC) and the *From the Land of Kansas* trademark program, as well as international and domestic marketing programs. The Department also provides agricultural clients with access to various other Commerce programs.

From the Land of Kansas

From the Land of Kansas is a state-sponsored trademark program designed to help small businesses market the products they manufacture, grow, process or handcraft in Kansas. Membership is free and offers a number of benefits, including the right to apply for business enhancement grants. The business enhancement grant program is designed to assist companies with their marketing and promotional efforts. The business enhancement grant requires a dollar-for-dollar cash match. Companies are eligible to receive one grant per fiscal year for up to three years. Applications are reviewed quarterly.

Agritourism

In Kansas, agritourism is defined as: *"When the public visits a working farm, ranch, winery or any agricultural operation or active agricultural heritage site for enjoyment, outdoor recreation, activities, education, shopping, dining or lodging."* These visits generate income for the operators, which can help sustain the rural way of life and help keep more producers on our Kansas lands.

Agritourism opportunities in Kansas are endless. You can experience anything from pumpkin cannons and duck races to hunting trips, working ranches to grape harvest, picking your own produce to winding your way through a corn maze. The sky is the limit!

Kansas Wine and Grape Industry

The Kansas wine and grape industry has a rich and eventful history. The story begins in the mid-1800s, when Kansas was among the most prolific grape-producing states in the nation and boasted thousands of acres of vineyards. But that soon changed, as Kansas in 1881 became the first state to outlaw the manufacture and sale of alcohol through a constitutional amendment, making grape production a significantly less-exciting proposition for farmers. Today, the Kansas grape and wine industry finds itself in the middle of an impressive revival. There are currently 14 wineries in the state, half of which have opened in the past three years alone. In addition, there are more than 90 vineyards in the state, with grapes being grown on approximately 200 acres of Kansas soil. Please visit www.winesofkansas.com to plan your next winery trip!

Farmers' Markets

Direct marketing of farm products through farmers' markets continues to be an important sales outlet for agricultural producers nationwide. Farmers' markets, now an integral part of the urban/rural linkage, have continued to rise in popularity mostly due to increased consumer interest in obtaining fresh products directly from the farm. Who benefits from farmers' markets? The farmer, consumer and community are all beneficiaries. Farmers have direct access to markets to supplement farm income. Consumers have access to locally grown, farm-fresh produce and the opportunity to personally interact with the farmer who grows the produce. Many urban communities where fresh, nutritious foods are scarce gain easy access to food. Farmers' markets also help to promote nutrition education, wholesome eating habits and better food preparation while also boosting the community's economy. Kansas currently has more than 70 farmers' markets in communities across the state.

Web sites of Interest

www.kansascommerce.com
www.kansas.gov
www.ksda.gov
www.TravelKS.com
www.kansasagritourism.org
www.kansasruralcenter.org
www.winesofkansas.com
<http://kansasgrapesandwines.com>
www.kansasfarmwineries.org
www.kansasustainableag.org
<http://ncr.sare.org>
www.agmrc.org
www.networkkansas.com
www.ksbcd.biz
www.usda.gov