

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Larry Powell at 3:30 p.m. on January 19, 2010, in Room 783 of the Docking State Office Building.

All members were present.

Committee staff present:

Jason Thompson, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Corey Carnahan, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Pat Matzek, Committee Assistant

Conferees appearing before the Committee:

Carole Jordan, Director, Rural Development Division, Kansas Department of Commerce

Others attending:

See attached list.

Chairman Powell opened the meeting with a short synopsis of his trip to Florida at the Orlando Convention Center. The farm show was called the Ag Connect Expo where the Association of Equipment Managers displayed farm machinery which included two dealers from Kansas. Also, they visited the Deseret Ranch owned by the Mormon Church.

Chairman Powell introduced his intern for 2010, Amanda Allenbrand, to members of the Committee.

Chairman Powell then introduced Carole Jordan, Director, Rural Development Division, Kansas Department of Commerce (KDOC), who spoke on various Commerce programs that focus on rural development, including the Community Development Block Grant Program, Community Assistance Services and Agricultural Marketing Program (Attachment 1).

Some of the items referenced were:

- **Agriculture Products Development** - Kansas was built on agriculture and it will continue to contribute to the state's 21st century economy with production of traditional commodities and livestock, the growth of the specialty crop industry, renewable energy and the biosciences.
- **Challenges** - Budget cuts have forced the KDOC to look at different ways to save dollars. Before the beginning of Fiscal year 2010, the KDOC took a 15% cut from the submitted budget and another 3% cut since the start of 2010, as well as losing a domestic marketing position.
- **Highlights of the Past Year** - KDOC has reinvigorated their international marketing efforts, marketed and grown their Simply Kansas Trademark Program (brochure information available on its website at www.SimplyKansas.com). Simply Kansas promotes quality-made Kansas products to consumers.
- **Renewable Energy** - KDOC assists and supports sensible and sustainable development of the renewable energy industry, which encompasses ethanol, biodiesel and cellulosic technologies, as well as wind energy in Kansas. Both ethanol and biodiesel producers are eligible to receive incentive funds for production and sales.
- **Agriculture Value-Added Loan Program** - This program's goal is to improve income for agricultural producers through the creation of value-added marketing and processing opportunities, resulting in job creation and retention for rural communities. "Value-added" is defined as the further processing or alternative marketing of agriculturally derived products to capture additional value in the marketplace (brochure information available on its website at www.KansasCommerce.com).

In conclusion, Carole Jordan acknowledged that the Department of Commerce, Kansas' premier economic development agency, recognizes the importance of agriculture and rural Kansas to the overall economic health of the state, with continued efforts in the coming year.

The next meeting is scheduled for January 20, 2010.

The meeting was adjourned at 4:10 p.m.

AG. & NATURAL RESOURCES COMMITTEE GUEST LIST

DATE: 1-19-10

NAME	REPRESENTING
JJ Jones	Commerce
Carole Jordan	"
John Dunley	KS Livestock Ass'n
Tom Brown	KS Dairy Assn.
WALLY KEARNS	KSBDC
Leslie Kaufman	KCC

**Testimony on Agriculture Products Development
to
The House Committee on Agriculture and Natural Resources**

**by Carole Jordan
Director
Rural Development Division
Kansas Department of Commerce**

January 19, 2010

Good afternoon, Chairman Powell and members of the committee. My name is Carole Jordan, director of the Rural Development Division of the Department of Commerce. Our division is the umbrella over a number of Commerce programs that focus on rural development, including our Community Development Block Grant program (HUD-funded grants for rural community infrastructure improvements); Community Assistance Services (state-funded grants and loans, collaboration with PRIDE, Office of Rural Opportunity); and agricultural marketing programs.

We have a diverse group of programs and specialties in the rural development division, but what we all have in common is a passion for the rural Kansas community—whether it is about building successful Main Streets, helping a town build a new sewer system, administering federal stimulus dollars, getting more high speed Internet service out into rural areas of the state, helping build a strong dairy industry or encouraging a new grape and wine industry--members of our team are passionate about rural Kansas.

Today I'll focus on the agriculture products development portion of our activities. Everything we do is designed to add value to Kansas agriculture, agribusiness and our rural communities. We strive to build partnerships and collaborations among other public and private entities with an interest in rural development. We host meetings and conferences, connect resource providers, and research policy issues that can affect rural Kansas.

Agriculture Products Development

The Division helps with business development and finance, marketing and communications, and industry product research and development. We collaborate with other agencies and organizations to advocate for agriculture and rural communities of Kansas. We provide financial and technical assistance to agricultural businesses, ranging from assistance for food processing

expansions and renewable energy development to promoting agricultural products internationally and right here at home. We work with producers, lenders, educators and researchers to innovatively capture value from raw commodities.

Kansas was built on agriculture and it will continue to contribute to the state's 21st century economy with production of traditional commodities and livestock, the growth of the specialty crop industry, renewable energy and the biosciences. These industries will help take Kansas into a healthy economic future. There would be no Animal Health Corridor nor Bioscience Industry without our Kansas fields, and we want to make sure people remember that.

Challenges and Things to Celebrate

Like everyone else, we've had our challenges this year. Budget cuts have forced us to take a new look at how we do things to find ways to save EDIF dollars. Before the beginning of Fiscal year 2010, we took a 15 percent cut from the submitted budget. Since the start of 2010 we've reduced another three percent. We need to maintain our services in a balanced way with the staff we have to perform duties. One way we found to save dollars was a job-sharing agreement between us and the trade division, and we believe that has worked to the benefit of both programs and the clients we serve. Unfortunately, the last FY 2010 cut required us to lay off a position, and that person will be leaving us in February. I am just glad we have a great team and desire to work together creatively with the agriculture industry, so we can continue our work. But now, let's talk about some things to celebrate.

Highlights of the Past Year

Budget challenges aside, I am absolutely proud of the things we have accomplished in the past year. We have reinvigorated our international marketing efforts, marketed and grown our Simply Kansas trademark program, been the lead state agency for the state's first MarketPlace conference for rural communities and entrepreneurs, launched a dairy initiative in cooperation with wKREDA, brought our Agriculture Value-Added Loan program up-to-date, gotten a mapping and planning grant from the federal government to allow the state to expand rural high-speed internet access, hosted an agritourism conference, co-sponsored the Kansas Energy Conference, entered the world of social networking for our agriculture products, assisted the Kansas Commission on Rural Policy in holding its first meetings, and more.

Dairy Initiative

Although the status of the dairy economy has been distressing during the past year, we believe it will improve and we believe that increased dairy production and processing can add value to the state's economy. With that in mind, DairyInKansas.com was launched last July. Our analytics tell us we've had 845 views/490 unique visitors from 43 states and 19 countries visiting DairyInKansas.com. The average visitor visits five pages on the site and spends just under five minutes viewing the site. Since launch, the site has generated nine unique inquiries. Two of these have been dairymen looking to relocate or expand. Four ads were featured in Progressive Dairyman since July 2009 and will continue in 2010. All this work is in cooperation with wKREDA, which we supported at the 2009 World Ag Expo in Tulare. Commerce and wKREDA believe now is the time to reach out to dairymen who will be poised to expand/relocate when the dairy economy turns around.

Larger Markets, Exports and International Connections

We can help a company get started, and we can also help a company take the next step up to larger markets. Participation in national tradeshows can help companies move to larger production and sales in the national and international marketplaces. Through the Kansas Pavilions project, we help companies exhibit in an organized Kansas area at highly regarded trade shows. We also help them develop a more effective and attractive individual trade show presence. The Pavilion project also led to a new marketing effort for us at the Kansas State Fair—our Simply Kansas Showcase in our own building, the Bluestem Building. As we speak today we are assisting Kansas companies, including Browniepops of Leawood, Pantry Shelf of Hutchinson, Original Juan's of Kansas City, Kansas, and New Grass Bison of Shawnee at the Fancy Foods Show in San Francisco.

On the international front, our team hosted five teams or individual international visitors this year. Last spring we hosted a team from New Zealand. This gave us new potential global partners; New Zealand agriculture is mainly pastoral and could be a prime opportunity for some of our precision agribusinesses. In July, we hosted an Indian food buyer here for a two-day reverse trade mission. She left with at least two companies she was planning to work with to explore building a market for their products in India. The two companies were Cereal Ingredients of Leavenworth and Rabbit Creek Gourmet Products of Louisburg. We also worked with delegations from Henan Province, China, and a delegation from the Taiwan Flour Mills Association. The Taiwan reverse trade mission went very well with a memorandum of agreement signed for Taiwan to purchase approximately \$425 million worth of hard red winter wheat from the U.S., much of that wheat coming from Kansas.

Renewable Energy

We assist and support sensible and sustainable development of the renewable energy industry, which encompasses ethanol, biodiesel and cellulosic technologies, as well as wind energy in Kansas. As a traditional agricultural leader and a state blessed with tremendous natural resources, Kansas is positioned to be a forerunner in the area of renewable energy production. Although a number of forces slowed new development of biodiesel and ethanol during the last year, we believe that market forces will stabilize to allow renewable energy production to be successful in Kansas, bringing employment and related business activity to many rural communities. In addition, the availability of wind energy production in Kansas offers endless possibilities for growth and expansion.

Fiscal Year 2009 ended with 12 Kansas ethanol facilities in operation, with a combined permitted output of 519 million gallons per year, and another three plants, with a combined permitted output of 241 million gallons per year, under construction. The biodiesel industry, developing at a slow pace, ended Fiscal Year 2009 with two plants in operation, with a combined permitted output of 6.2 million gallons per year, and one plant, permitted to produce 72 million gallons per year, under construction.

Both ethanol and biodiesel producers are eligible to receive incentive funds for production and sales. In Fiscal Year 2009, biodiesel producers received more than \$30,219 in payments, and

ethanol producers received approximately \$1 million. In addition, a number of new tax credit programs were put in place in anticipation of new energy industries. Of these, the Alternative Fuel Tax Credit is the longest standing and has had the most activity. Since Tax Year 2003, there have been 257 filings for the credit, with more than \$632,742 in credits allowed. Other tax credit programs supporting both renewable and conventional energy development have seen application activity. Credits are allowed for renewable energy projects such as biomass-to-energy, electric cogeneration, integrated coal gasification, nitrogen fertilizer plants and storage and blending equipment, as well as for pipeline and refinery projects in conventional energy.

We continue to facilitate the Kansas Biofuels Working Group, which coordinates biofuels inquiries and activity and includes representatives from the Kansas departments of Agriculture, Health and Environment, Revenue and Transportation, as well as the Kansas Energy Office and the Kansas Securities Commission. Renewable energy of all sorts, both production and associated manufacturing, can have real benefits for rural Kansas.

Agriculture Value-Added Loan Program

This program's goal is to improve income for agricultural producers through the creation of value-added marketing and processing opportunities, resulting in job creation and retention for rural communities. "Value-added" is defined as the further processing or alternative marketing of agriculturally derived products to capture additional value in the marketplace.

The Agriculture Value-Added Loan Program provides marketing assistance, technical support, information and research to create producer-based alliances and assist Kansas agricultural producers with value-added ventures. In addition, the Agriculture Marketing Division looks for ways the Agriculture Value-Added Loan Program can assist with the feasibility of projects that might have a broader application in the entire state.

In collaboration with the Food Science and Meat Science departments of Kansas State University, the loan program provides grant funding for assistance with value-added products, including product screening, packaging, processing, product safety and consumer testing and screening. This commercial benefit to clients is valued at \$568,030 for FY 2009.

This year, the value-added loan program also funded a new grant to the KSU Meat Science department for a study to determine the chemical characteristics of trimmings from hot processed and traditionally processed cull meat goats, as well as to investigate composting as a viable means of disposing of goat tissue resulting from the slaughter and fabrication process. This study will provide valuable data for the emerging goat specialty livestock production in Kansas.

In Fiscal Year 2009, four Kansas companies benefited from value-added loans. Funds provided assistance for flour mill equipment, a feasibility study for the development of a grain sorghum functional foods and nutraceuticals processing facility, specialty livestock production and an agritourism operation. In total, Kansas companies and organizations received \$264,619 in loans and \$77,095 in grants. Matching funds of \$89,401 were reported. The economic impact of sales, from both the current loan recipients and those previous recipients still reporting, totaled \$128 million.

Agriculture Value-Added Grants

K-State Meat Science-- Manhattan	\$16,880
K-State Meat Science--Equipment, Manhattan	\$4,999
K-State Meat Science --Meat Goat Project, Manhattan	\$36,216
K-State Food Science-Equipment, Manhattan	\$19,000
Total Grants	\$77,095

Agriculture Value-Added Loans

Farmer Direct Foods	\$73,637
Nu Life Market, LLC	\$13,975
Penn Acres Farm	\$7,000
Boot Scootin' Barn, LLC	\$109,792
Total Loans	\$204,404
Total Grants and Loans	\$264,619

Dollars repaid from value-added loans can be used to promote special projects and events that benefit the various segments of Kansas agriculture.

Agritourism

At the end of Fiscal Year 2009, 274 agritourism businesses had registered with the Department of Commerce. Registration is a voluntary process that allows agritourism businesses to access many resources, including agritourism scholarship funds, agritourism attraction development loan program, limited liability signage and entry to the Simply Kansas program. We are now working to re-register businesses after their first five years.

In Fiscal Year 2009, \$13,080 in agritourism scholarships were awarded to eight registered businesses. These funds allowed the participating farms to attend four different educational conferences, including the MAiZE Site Owners Conference in Houston, TX and North America Farm Direct Marketing Association annual conference in Savannah, GA.

To measure the impact of agritourism in Kansas, an online survey of agritourism businesses in Kansas was completed in February 2009. More than 60 percent of the respondents indicated growth in both the number of visitors and their gross revenues in 2008. More than 70 percent indicated that they have been in business for more than five years.

We sponsored a statewide agritourism conference last spring in Great Bend, and continue to support this special opportunity to bring agriculture and entertainment experiences together to add value to rural areas. Last year we instituted a program in which a registered agritourism business can also become a part of the Simply Kansas trademark program. We are within days of launching a brand new Kansas Agritourism Web page.

Specialty Crops—Grapes and Wine

We continue to support the Kansas grape and wine industry. The number of licensed farm wineries has grown from 15 to 19 in the past year. These 19 wineries produce more than 50,000 gallons of wine. Kansas winemakers use locally grown berries, grapes and other fruits to create a wide variety of unique wines. In 2009, passage of legislation allowed for sales of Kansas wines at approved Kansas farmers' markets, wine manufacturing at farm winery outlets, and shipment of wine direct to Kansas wine consumers.

Kansas Products Trademark Program

Simply Kansas was launched in 2008 as the new trademark program for marketing and promotion of value-added agricultural products from Kansas. Complete with an updated logo and expanded menu of benefits to its members, Simply Kansas promotes quality-made Kansas products to consumers. Benefits available to members include the Business Enhancement Grant, presence of a company profile on SimplyKansas.com, access to Simply Kansas point-of-purchase materials, and the chance to be featured at various Department of Commerce functions throughout the year.

We're excited about this program. The 125 companies that now are registered are receiving a good deal of media and consumer attention. We have been able to invest in some selective advertising for Simply Kansas. We have sponsored Simply Kansas receptions at several events including MarketPlace and the annual statewide Travel and Tourism Industry convention and have developed a Simply Kansas toolkit to help other groups put on such popular events at their own meetings.

Funds for marketing and consulting fees may be awarded to eligible companies through the Business Enhancement Grant program. Two companies participated in the Business Enhancement Grant program in Fiscal Year 2009. Funds in the amount of \$3,145 were awarded.

In Conclusion

We are grateful that the Department of Commerce, our state's premier economic development agency, recognizes the importance of agriculture and rural Kansas to the overall economic health of the state, and we will continue our efforts in the coming year.

We would urge you to visit SimplyKansas.com, to become a fan of Simply Kansas on FaceBook, to have a look at DairyInKansas.com and ConnectKansas.org. We would also like to remind you to join us on March 18th for the Kansas Agriculture Day luncheon sponsored by Kansas commodity organizations and the departments of Agriculture and Commerce. We will have a nice Simply Kansas lunch and maybe some surprises designed to draw some attention to Kansas agriculture.

Holidays Simplified

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