

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on January 20, 2009 in Room 446-N of the Capitol.

All members were present except:

Senator Terry Bruce- excused
Senator Steve Morris- excused

Committee staff present:

Raney Gilliland, Kansas Legislative Research
Corey Carnahan, Kansas Legislative Research
Jason Thompson, Revisor of Statutes Office
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:

Adrian Polansky, Secretary, Kansas Department of Agriculture (KDA)

Others attending:

See attached list.

Chairman Taddiken welcomed the Kansas Livestock Association Leadership Class to the Committee. Each person in attendance gave their name and hometown.

Adrian Polansky, Secretary, Kansas Department of Agriculture (KDA) (Attachment 1) said that he is very proud of the KDA staff and believes they are one of the best staff of any agency in government. He also noted that the KDA has the fewest number of managers relative to the number of employees and is an efficient and effective agency.

Secretary Polansky used a Power Point slide presentation for his report.

Secretary Polansky reported that overall, 2008 was a reasonably good year for most grain producers even though there were some challenges in the last quarter due to economic conditions. There was a dramatic increase in the cost of fertilizer, fuel and seed than the year before. Cash receipts last year from the sale of cattle set a new record high of \$6.32 billion. In 2007, Kansas ranked 6th nationally in farm products exports.

Manhattan was recently selected to be the new site of the National Bio- and Agro-Defense Facility. The facility will provide research and response and diagnostic capabilities to protect human and animal health. Secretary Polansky said this new facility is expected to add jobs increasing the economic activity in the community. There is also the possibility of \$1.5 million in new state and local taxes.

Congress passed the Food, Conservation and Energy Act of 2008. New programs include the allowance of dryland farming on land enrolled in the Conservation Reserve Enhancement Program (CREP). The farm bill also continues the state's investment in biofuels. Other provisions of the bill are rural development initiatives that could benefit small communities and beginning farmers and ranchers; the establishment of an Office of Homeland Security within the United States Department of Agriculture (USDA) and authorizes state-inspected meat and poultry processing plants to sell across state lines.

At the beginning of wheat harvest there was a report that some wheat had been treated with fungicide too late in the growing season. The KDA worked with the Kansas Department of Health and Environment (KDHE) to embargo the wheat. All wheat tested was well below tolerance levels and the embargo was lifted in a few days.

SB 584 transferred the food service and lodging inspection duties to the KDA from the KDHE. Steps have been taken to make the food inspection area more efficient and effective. Secretary Polansky said there will be a bill introduced this session to streamline all agency food safety regulatory functions.

Kansas is in nonbinding arbitration with Nebraska and Colorado over Nebraska's continued overuse of the Republican River basin water. The Republican River Compact Administration could not resolve the concerns. If any state's concerns are not resolved at the end of arbitration, it may be brought before the U.S.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture Committee at 8:30 a.m. on January 20, 2009 in Room 446-N of the Capitol.

Supreme Court. Kansas really wants the water. It is difficult how to decide what monetary damages would be appropriate to award Kansas in place of the water.

The process to expand the boundaries of the Pawnee-Buckner Intensive Groundwater Use Control Areas (IGUCA) generated intense constituent and legislative interest. The first phase was to establish a need for IGUCA and there is now a need to establish corrective control measures. The KDA has been reviewing laws and regulations to answer constituent and legislator concerns.

SB 595 was introduced during the 2008 session concerning milk and dairy product labeling. In response to this bill the KDA has spent several months developing a regulation to specify how production claims may be used on dairy products.

Secretary Polansky reported that Kansas continues to be active in the Multistate Partnership for Security in Agriculture. The partnership states collaborate on surveillance, preparedness and response to intentional or accidental threats in agriculture.

The Energy Security and Independence Act requires ethanol and other renewable fuels to be used to reduce the nation's dependence on foreign oil. Currently Kansas has 12 dry mill ethanol plants in production with a capacity to produce about 450 million gallons of ethanol. This creates a market for about 160 million bushels of corn and grain sorghum. The biofuels industry has created over 600 jobs in Kansas.

In June 2008 was the grand opening of Zarco Earth Friendly Fuels in Lawrence. This was the first station under the biofuel blender pump pilot project. Another station to offer blended fuel will open in Topeka on January 28.

Secretary Polansky noted that there is negative media in the terms of biofuels. He said to keep in mind that some of that rhetoric is not necessarily accurate. He also said there is little correlation between the price of fuel and the price of corn; but biofuel opponents use both to condemn ethanol. He said that grocery manufacturers are trying to convince the consumers that the price of corn and wheat had a dramatic impact on the price of food. The prices for corn and wheat has gone down over half but has anybody noticed a decrease in the price of bread or cornflakes at the supermarket. He stated that there is very little relationship between the price of raw agriculture products and food prices. According to a study by the U.S. Department of Energy gasoline prices would be 20 to 35 cents higher per gallon without ethanol and saves a family \$1250 to \$300 per year.

Secretary Polansky said the KDA is working with the Department of Commerce to disburse funds to support specialty crops.

He stated there has been an extensive review of fee funds which will sunset in 2010. The potential loss in revenue if these fees are allowed to sunset would be \$625,000.

Secretary Polansky took questions from the Committee.

The next meeting is scheduled for January 21, 2009.

The meeting was adjourned at 9:31 a.m.