



Kansas Corn Commission

Comments from Mike Brzon, Chairman Kansas Corn Commission Annual Report to the Legislature March 7, 2012

My name is Mike Brzon, and I am the chairman of the Kansas Corn Commission. I farm near Courtland in north central Kansas. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

In 2011, Kansas farmers harvested 449.4 million bushels of corn, down 23 percent from 2010. Drought and extreme heat hurt our crop and other grain crops, especially in the southern two-thirds of the state. While our corn production was down 23 percent, the value of our crop decreased by less than 3 percent. The 2011 corn crop was valued at \$2.8 billion dollars.

The main goal of the Kansas Corn Commission is to increase the profitability of growing corn for our growers. The commission has helped to build a strong ethanol industry and the commission remains committed to a strong livestock industry. Our investments show a strong commitment to both. In addition, our farmers have shown a commitment to provide year after year a plentiful supply of feedstock to satisfy both livestock and ethanol.

Building markets for corn and for products made with corn continues to be a focus of the Kansas Corn Commission. We work with the US Grains Council and K-State's International Grains Program to build export markets for corn. One of our Kansas Corn Commissioners, Terry Vinduska, finished his term as chairman of the Council about six months ago and is now serving as past chairman. The commission's executive director, Jere White, serves on the Grains Council Board of Directors. Corn exports are an important component in the profitability of corn.

The livestock industry remains our #1 customer. We work closely with the US Meat Export Federation to build exports of beef and pork. In fact, the Kansas Corn Commission was the first state corn checkoff to invest in the US Meat Export Federation over 30 years ago. The commission is an active and engaged member of USMEF. In 2011, the U.S. attained record

export numbers for beef and pork. According to USMEF, we export about 600 million bushels of corn through meat exports.

We are excited to be entering our second year of partnering with Growth Energy, National Corn Growers and several other state corn checkoffs in the American Ethanol partnership with NASCAR. NASCAR is the world's largest marketing entity, and in 2011, we reached 80 million people with the American Ethanol message of the value of using a homegrown fuel that provides jobs and economic growth in our rural communities. All NASCAR race vehicles operated on 15 percent ethanol fuel and drove over 1.3 million miles on the ethanol blend with excellent results in both engine performance and mileage. NASCAR performs studies and carefully analyzes racecar performance throughout the year and stated in its "Million Mile" report: "There's no question in our minds that E15 is a quality fuel."

The Corn Commission also funds research at K-State in areas like improving production under limited irrigation; looking at the effects of vertical tillage; methods to reduce corn spoilage; and storage systems for wet distillers grains.

Provided with my comments today, are copies of the commission's Fiscal Year 2011 financial audit, the FY 2011 Year-End Budget Report, the FY2012 Budget, and our annual report to producers, which was distributed through Kansas Farmer magazine, grower meetings and farm shows. This report includes a description of current projects funded by the Kansas Corn Commission. We have also provided a copy of the Corn Fact Book, published by the Corn Farmers Coalition, one of the agricultural advocacy projects we support. The farmers on the cover are Stan and Ken McCauley from White Cloud, Kansas. The entire McCauley family was featured in this effort and they are a great example of a multi-generation family farm.

The corn checkoff rate remains at a half-cent per bushel. The corn checkoff is fully refundable, and we honor refund requests in a prompt and courteous manner. Refund vouchers are typically processed and checks mailed within five to ten working days of receipt at our office. The FY 2011 checkoff refund percentage was 11.34 percent, down from 11.5 percent in FY2010.

The Kansas Corn Commission continues to work to benefit Kansas corn producers and we look forward to continuing these efforts in the years to come. Thank you for your interest in agriculture and in the activities of the Kansas Corn Commission.

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Cash Basis

Kansas Corn Commission Income & Expense Budget vs. Actual July 2010 through June 2011

	Jul '10 - Jun 11	Budget	% of Budget
Income			
Checkoff Funds			
Assessments Received	3,003,471.58	2,650,000.00	113.3%
GSSB Outstand Refund Cks Void	4,632.49		
Refunds to Producers	-338,313.61	-305,000.00	110.9%
Total Checkoff Funds	2,669,790.46	2,345,000.00	113.9%
Interest Received	17,936.89	25,000.00	71.7%
Total Income	2,687,727.35	2,370,000.00	113.4%
Expense			
Communications			
Annual Report	4,625.00	6,000.00	77.1%
Elections	1,498.76	2,000.00	74.9%
Postage	2,620.35	2,500.00	104.8%
Printing	1,305.00	5,000.00	26.1%
Radio	41,030.00	70,000.00	58.6%
Communications - Other	32,985.53		
Total Communications	84,064.64	85,500.00	98.3%
Ethanol Expansion Program			
E-85/Blender Pump Program	10,800.00	100,000.00	10.8%
Ethanol Promotion	31,029.55	44,000.00	70.5%
NASCAR Activation	65,120.70	100,000.00	65.1%
Vehicle, Additional Expenses	2,324.00	4,500.00	51.6%
Total Ethanol Expansion Program	109,274.25	248,500.00	44.0%
Grants	15,526.50	18,000.00	86.3%
Hospitality	2,633.96	6,000.00	43.9%
Meeting Expense	1,010.80	8,000.00	12.6%
Office Expenses	3,119.16	3,500.00	89.1%
Professional Services			
Auditing Services	3,100.00	3,200.00	96.9%
Kansas FFA Foundation	5,000.00		
KCGA - Administration	80,000.00	80,000.00	100.0%
KCGA - Programs	381,000.00	381,000.00	100.0%
KDA - Audit and Collection Fees	12,997.79	14,000.00	92.8%
Ks Found for Ag in the Class	15,000.00	15,000.00	100.0%
KSU - International Grains	50,000.00	50,000.00	100.0%
KSU - Research	141,535.00	141,535.00	100.0%
National Corn Growers Assn.			
Core Funding	239,700.00	239,700.00	100.0%
Image and Activism Campaign	239,500.00	239,500.00	100.0%
NASCAR	200,000.00	200,000.00	100.0%
Portfolio - Biotech	20,000.00	20,000.00	100.0%
Portfolio - Ethanol	60,000.00	60,000.00	100.0%
Portfolio - Grower Services	13,750.00	13,750.00	100.0%
Portfolio - Prod & Steward	33,750.00	33,750.00	100.0%
Portfolio - Public Policy	40,000.00	40,000.00	100.0%
Portfolio - Research & Develop	20,000.00	20,000.00	100.0%
Total National Corn Growers Assn.	866,700.00	866,700.00	100.0%
No-Till On The Plains	5,000.00	5,000.00	100.0%
ProExporter Network Grain Study	8,000.00	8,000.00	100.0%
Undetermined Contracts	0.00	500,000.00	0.0%
US Grains Council			
USGC Office Relocation	50,000.00	50,000.00	100.0%
USGC Programs	350,000.00	350,000.00	100.0%
Total US Grains Council	400,000.00	400,000.00	100.0%
US Meat Export Federation			
USMEF Core Funding	80,000.00	80,000.00	100.0%
Total US Meat Export Federation	80,000.00	80,000.00	100.0%
Total Professional Services	2,048,332.79	2,544,435.00	80.5%

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Cash Basis

Kansas Corn Commission
Income & Expense Budget vs. Actual
July 2010 through June 2011

	<u>Jul '10 - Jun 11</u>	<u>Budget</u>	<u>% of Budget</u>
Travel	85,642.07	100,000.00	85.6%
Total Expense	2,349,604.17	3,013,935.00	78.0%
Net Income	<u>338,123.18</u>	<u>-643,935.00</u>	<u>-52.5%</u>

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 Cash Basis

Kansas Corn Commission
FY12 Budget
 July 2011 through June 2012

	Jul '11 - Jun 12
Income	
Checkoff Funds	
Assessments Received	2,227,500.00
Refunds to Producers	-267,300.00
Total Checkoff Funds	1,960,200.00
Interest Received	20,000.00
Total Income	1,980,200.00
Expense	
Communications	
Annual Report	6,000.00
Elections	2,000.00
Postage	2,500.00
Printing	5,000.00
Radio	70,000.00
Total Communications	85,500.00
Ethanol Expansion Program	
E-85/Blender Pump Program	40,000.00
Ethanol Promotion	40,000.00
In-State NASCAR Activation	40,000.00
Vehicle, Additional Expenses	4,500.00
Total Ethanol Expansion Program	124,500.00
Grants	18,000.00
Hospitality	6,000.00
Meeting Expense	8,000.00
Office Expenses	3,500.00
Professional Services	
Auditing Services	3,200.00
K-State Motorsports	3,500.00
Kansas FFA Foundation	5,000.00
KCGA - Administration	80,000.00
KCGA - Programs	390,000.00
KDA - Audit and Collection Fees	14,000.00
Ks Found for Ag in the Class	15,000.00
KSU - International Grains	75,000.00
KSU - Research	129,058.00
KU Motorsports	3,500.00
National Corn Growers Assn.	
Core Funding	257,300.00
Image and Activism Campaign	201,900.00
NASCAR	310,000.00
Portfolio - Ethanol	30,000.00
Portfolio - Grower Services	13,750.00
Portfolio - Prod & Steward	33,750.00
Portfolio - Public Policy	30,000.00
Portfolio - Research & Develop	20,000.00
Portfolio - Trade and Biotech	20,000.00
Total National Corn Growers Assn.	916,700.00
No-Till On The Plains	15,000.00
ProExporter Network Grain Study	8,000.00
Undetermined Contracts	500,000.00
US Grains Council	
Foreign Market Development	350,000.00
Total US Grains Council	350,000.00
US Meat Export Federation	
USMEF Core Funding	80,000.00
Total US Meat Export Federation	80,000.00
Total Professional Services	2,587,958.00

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Cash Basis

Kansas Corn Commission
FY12 Budget
July 2011 through June 2012

	<u>Jul '11 - Jun 12</u>
Transfers Between Accounts	0.00
Travel	<u>100,000.00</u>
Total Expense	<u>2,933,458.00</u>
Net Income	<u><u>-953,258.00</u></u>



September 29, 2011

Board of Directors
Kansas Corn Commission
Garnett, Kansas

Independent Auditors' Report

We have audited the accompanying statements of assets and net assets - cash basis of Kansas Corn Commission (the Commission), a quasi municipal entity, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 and net assets - cash basis of Kansas Corn Commission as of June 30, 2011 and 2010, and the changes in its net assets for the years then ended on the basis of accounting described in Note 1.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Independent Auditors' Report

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

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,100,000	\$ 2,100,000
CDARS deposits	412,690	74,567
Money market		
TOTAL ASSETS	\$ 2,512,690	\$ 2,174,567
NET ASSETS		
Net Assets	\$ 2,512,690	\$ 2,174,567
TOTAL NET ASSETS	\$ 2,512,690	\$ 2,174,567

Financial Statements

KANSAS CORN COMMISSION

Garnett, Kansas

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - CASH BASIS

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
REVENUE		
Check-off collections	\$ 3,003,472	\$ 2,649,641
Refunds	(333,681)	(304,770)
Net	\$ 2,669,791	\$ 2,344,871
Return of unused funds	-	252,127
Interest income	17,937	22,915
Total Revenue	<u>\$ 2,687,728</u>	<u>\$ 2,619,913</u>
EXPENSES		
Administrative		
Communications	\$ 84,065	\$ 162,103
KCGA - Administration	80,000	80,000
Travel	85,642	64,950
Office	3,119	3,210
Meetings	1,011	4,028
Hospitality	2,634	2,332
Grants	15,527	15,592
Program		
Ks Foundation for Ag in the Class	15,000	15,000
KCGA	381,000	368,000
KSU - Research	141,535	154,079
KSU - International Grains	50,000	50,000
National Corn Growers Association	866,700	393,500
No-Till on the Plains	5,000	5,000
Ethanol expansion	109,274	58,185
Other contracts	21,098	302,407
ProExporter Network Grain Study	8,000	8,000
US Grains Council	400,000	335,000
US Meat Export Federation	80,000	115,000
Total Expenses	<u>\$ 2,349,605</u>	<u>\$ 2,136,386</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 338,123	\$ 483,527
NET ASSETS - BEGINNING OF YEAR	<u>2,174,567</u>	<u>1,691,040</u>
NET ASSETS - END OF YEAR	<u>\$ 2,512,690</u>	<u>\$ 2,174,567</u>

Financial Statements

KANSAS CORN COMMISSION
Garnett, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Corn Commission (the Commission) is organized as an instrumentality of the state to conduct a campaign of corn promotion and market development through research, education, and information. Revenues are primarily from check-off monies which are collected when producers sell their grain. The Commission's offices are located in Garnett, Kansas.

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 the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through September 29, 2011, which is the date the financial statements were available to be issued.

Cash and Cash Equivalents

The Commission considers all cash, money market, and CDARs deposits are cash equivalents regardless of the maturity date.

Note 2: Deposits and Investments

The Commission's deposits were secured by FDIC insurance and pledged securities.