



Kansas Grain & Feed Association Kansas Cooperative Council

Senate Committee on Agriculture
Feb. 25, 2013

SB 87 – Creating the equine promotion board.



Thank you, Chairman Love and members of the Agriculture Committee, for the opportunity to comment on SB 87. I am Leslie Kaufman, President/CEO of the Kansas Cooperative Council and I present this testimony on behalf of the Kansas Cooperative Council and the Kansas Grain & Feed Association. We appear today as “neutral with concerns”, at this time, on SB 87 as introduced.

The Kansas Cooperative Council (KCC) represents all forms of cooperative businesses across the state. Many of these ag co-ops provide feed and supplements, mix feed, and may even sell other items for animal nutrition and care, including equine care. The KGFA is a voluntary state-wide trade association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in Kansas.

The Kansas Horse Council (KHC) approached us in the summer or fall of 2011 to discuss the creation of an equine promotion board. We sincerely appreciate the discussions and communications we have had with their staff since then. We do believe KHC tried to mitigating some of our concerns, but certain issues still remain.

Our retail members do not want to collect/remit for another “check-off” program. They do so now for various grain commodity “check-off” programs and our members essentially provide that administrative function “free of charge” to the commissions. They are not reimbursed for their cost to track, collect, and remit these monies to the proper authority. Nor, is there reimbursement for any computing, accounting or software changes our members undertake anytime there is a revision to collection rates or remittance procedures for any of these programs. Creation of another “check-off” program, such as the equine promotion board, would only add to this administrative burden our members would bear, if not exempted from the collection process. For our cooperative members, whose profits flow down to the member-owners, so co-op producer-owners ultimately carry the burden of the administrative costs as they cut into the cooperative’s profit margins.

The revenue projection we were provided in January estimates the program will generate \$100,000 to \$300,000 annually. If that is correct, and the fund is closer to the low side, our retailers will bear a noticeable burden for the horse industry for a program yielding relatively modest revenue.

We believed the KHC understood our ag retail members’ desire to be removed from the equine promotion board’s collection/remittance system. We think they made a good-faith attempt to push the remittance burden up the supply chain, but we do not believe the bill achieves this goal. Since “manufacture” and “label” are not defined, we think our members, or at a minimum, our retail members that mix and blend feed, are obligated to collect an assessment.

We have significant concerns with the possibility of funds generated under this assessment program being used to build, construct or maintain recreational trails (possibly even rail trails), that may run along, adjacent to or even through our members’ operational sites. Creating a linear park that brings the public into the midst of grain handling operations creates burdens and challenges for our members and is an unfair intrusion into our business operations. These concerns are multiplied during particular seasons such as harvest.

The two items above describe our industry-specific concerns with SB 87. As a point of reference, as we understand it, this promotion board proposal is unlike any other in our

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state and has some major differences from some other state programs. Most notably, this bill gives a private association the authority to appoint all voting board members, then provides that board the authority to assess a fee (some might even say a tax) and promulgate rules and regulations.

Other notable differences include the lack of a referendum approving the implementation of a promotional board; not relying on an election or gubernatorial appointments to fill board seats; sending remittances to a private bank account; and assessing a "commodity" other than what is sought to be promoted.

It is our understanding that in developing their proposed promotion fund structure, KHC sought to minimize their administrative costs and avoid placing obligations on state agencies. Those are admirable goals. As such, we would suggest that creating a 501(c) charitable or educational foundation would allow them full control over board appointments, avoid placing any new obligations on state agencies, and eliminate any question as to whether local ag retailers were involved in the assessment/remittance process.

If this committee acts to advance SB 87 favorably, we would respectfully request the bill be amended to:

- 1) Remove retail agribusiness operations from the assessment/remittance process; and
- 2) Prohibit the use of assessment funds from being used, directly or indirectly, to facilitate the development or maintenance of recreational trails along, adjacent to or through agribusiness operations, including seasonal facilities.

We thank you for the opportunity to share our comments with the committee. If you should have any questions for us regarding our testimony, please feel free to contact me at 785-220-4068 or Ron Seeber (KGFA) at 785-234-0461.