



**Comments from Kent Moore, Chairman, Kansas Corn Commission
Annual Report to the Legislature
February 9, 2016**

My name is Kent Moore and I am chairman of the Kansas Corn Commission. I farm near Iuka and represent growers in south central Kansas. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

Kansas produced its second largest corn crop in history in 2015, harvesting 580 million bushels with a yield of 148 bushels per acre on 3.4 million acres. Our ability to produce more per acre while continually reducing the amount of pesticides and fertilizers show that corn production is becoming more sustainable. But the price farmers are receiving for corn today is certainly not sustainable. That is why Market Development is the top priority of the Kansas Corn Commission. We can grow our crop, but we also need growing market demand.

The Kansas Corn Commission continues to focus on our top customers—the livestock and ethanol industries. Export markets are lagging now, thanks in part to the strong U.S. dollar. However, it is important that we continue to build export markets for corn and products including corn-fed beef and pork.

Livestock is our top customer and over the years, the Kansas Corn Commission has supported the industry through investment research and in market development for red meat. The commission was the first corn checkoff in the nation to support the US Meat Export Federation back in the 1970s, and our support has continued for over 30 years. USMEF's mission is to build export markets for beef and pork.

We work with the US Grains Council and K-State's International Grains Program to build export markets through increased demand and better market access for U.S. corn. The International Grains Program brings grain buyers from around the world to Kansas providing technical training in grain storage and handling, milling, marketing and processing.

The corn commission continues its strong support of ethanol, a priority since the commission was created in 1977. There is much synergy between corn, ethanol and livestock. The ethanol process uses only the starch from the corn kernel. The part of the corn kernel that is important to livestock remains. A third of the corn used for ethanol becomes DDGS, also called distillers grains, a high nutrient feed ingredient that is valued by our state's livestock feeders.

The Kansas Corn Commission continues its work to build markets for ethanol, which has become a vital domestically-produced component in the nation's fuel supply. The commission continues to work with our partners to build retail infrastructure to offer higher blends of ethanol fuel on the state and national levels.

Today, almost every gallon of gasoline sold contains 10% ethanol. For this market to grow, infrastructure to sell higher blends of ethanol must be in place. The Kansas Corn Commission supports ethanol infrastructure programs on the national and state level. The commission led an effort with Renew Kansas and Kansas Department of Agriculture to apply for a USDA Biofuels Initiative Program. Kansas received \$1.3 million in matching funds for the Kansas Better Blends Initiative that will help fuel retailers install blender pumps for higher blends of ethanol. With matching funds and in-kind services from the Kansas Corn Commission, Renew Kansas, Kansas Grain Sorghum

Commission, United Sorghum Checkoff Program, ICM and KDA. This will allow retailers to offer fuels like E15, which is approved for use in all vehicles 2001 and newer—over 85% of all the cars on the road today.

In 2015, we completed our fifth year of partnering with Growth Energy, National Corn Growers and several other state corn checkoffs in the American Ethanol program with NASCAR. All NASCAR race vehicles operate on 15 percent ethanol fuel and have now driven well over 8 million miles on the ethanol blend with excellent results in both engine performance and mileage. Not only has NASCAR has provided an excellent platform to reach a broad cross section of American consumers with a positive message about ethanol fuel, it also has also generated a great deal of research into the performance of E15 ethanol fuel. NASCAR racing legend Richard Childress spoke in Kansas City before the NASCAR race at Kansas Speedway this fall. He said “NASCAR has raced over 8 million brutal miles on E15 without one ethanol fuel-related issue.”

The Corn Commission also funds research at K-State, focusing on production and profitability. An area of emphasis is in irrigation management for drought tolerant corn, and also different maturities for lower water usage. The goal is to maintain profitability for growers while conserving water while producing a bountiful corn crop that our livestock and ethanol industries rely upon. This year, the Kansas Corn Commission worked with K-State Research and Extension to host three corn schools in Independence, Garden City and Salina. Attendance was very strong for all three schools.

The Kansas Corn Commission recognizes the need to help consumers understand agriculture and our food system. We support Common Ground, the Kansas Farm Food Connection, Corn Farmers Coalition and US Farmers and Ranchers Alliance. These efforts all aim to help consumers gain a better understanding of how farmers produce feed, fuel, food and fiber for the world. We also support the Kansas Ag in the Classroom program to educate students about the role agriculture plays in our lives.

Provided with my comments today, are copies of the commission’s Fiscal Year 2015 financial audit, the FY 2015 Year-End Budget Report, the FY2016 Budget, and our annual report to producers, which was distributed through Kansas Farmer magazine, grower meetings and farm shows.

On July 1, 2015 the Kansas corn checkoff increased to the 10 mill rate within the statutory provisions originally approved by the 2008 Kansas Legislature. With that change, the current Kansas corn checkoff rate is 1 cent per bushel. It was the first increase to the Kansas corn checkoff rate increase in 25 years. An ongoing strategic planning effort has focused on stronger and sustainable demand for our crop by:

- Strengthening and expanding our foreign and domestic markets for corn products made with corn like ethanol and corn-fed beef and pork
- Building infrastructure and demand for ethanol-blended fuels
- Supporting research and education efforts to ensure our growers are using the most innovative technology and production practices to grow plentiful and sustainable crops

The Kansas corn checkoff is fully refundable, and our staff honors refund requests in a prompt and courteous manner. The FY2015 checkoff refund percentage was 9.2 percent, down from 9.6 percent in FY2014, and down from 12.23 percent in FY2013.

The Kansas Corn Commission continues its work to benefit Kansas corn producers and our customers. Thank you for your interest in agriculture and the activities of the Kansas Corn Commission.

Kansas Corn Commission

Income & Expense Budget vs. Actual

July 2014 through June 2015

	Jul '14 - Jun 15	Budget	% of Budget
Income			
Checkoff Funds			
Assessments Received	2,614,914.01	2,446,875.00	106.9%
Refunds to Producers	-238,263.06	-244,688.00	97.4%
Total Checkoff Funds	2,376,650.95	2,202,187.00	107.9%
Interest Received	3,332.13	5,000.00	66.6%
Total Income	2,379,983.08	2,207,187.00	107.8%
Expense			
Communications			
Annual Report	4,945.00	6,000.00	82.4%
Education and Outreach	14,308.50	20,000.00	71.5%
Elections	0.00	1,000.00	0.0%
Postage	2,115.00	2,500.00	84.6%
Radio	40,886.05	40,000.00	102.2%
Total Communications	62,254.55	69,500.00	89.6%
Ethanol Expansion Program			
Ethanol Promotion	24,999.15	25,000.00	100.0%
In-State NASCAR Activation	19,805.29	20,000.00	99.0%
Vehicle, Additional Expenses	2,078.00	4,500.00	46.2%
Total Ethanol Expansion Program	46,882.44	49,500.00	94.7%
Grants	27,803.00	25,000.00	111.2%
Hospitality	3,605.35	6,000.00	60.1%
Meeting Expense	5,728.04	6,000.00	95.5%
Natl Ag Genotyping Ctr	35,000.00	35,000.00	100.0%
Office Expenses	2,010.11	3,500.00	57.4%
Professional Services			
Auditing Services	3,200.00	3,200.00	100.0%
Corn Vision 2020	6,969.94	7,000.00	99.6%
KCGA - Administration	72,000.00	72,000.00	100.0%
KCGA - Programs	380,500.00	380,500.00	100.0%
KDA - Audit and Collection Fees	8,918.24	14,000.00	63.7%
Ks Found for Ag in the Class	15,000.00	15,000.00	100.0%
KSU - International Grains	75,000.00	75,000.00	100.0%
KSU - Research	112,932.00	112,932.00	100.0%
National Corn Growers Assn.			
Core Funding	252,700.00	252,700.00	100.0%
Image and Activism Campaign	113,300.00	113,300.00	100.0%
NASCAR	250,000.00	250,000.00	100.0%
Portfolio - Ethanol	30,000.00	30,000.00	100.0%
Portfolio - Grower Services	10,000.00	10,000.00	100.0%
Portfolio - Prod & Steward	10,000.00	10,000.00	100.0%
Portfolio - Public Policy	30,000.00	30,000.00	100.0%
Portfolio - Research & Develop	15,000.00	15,000.00	100.0%
Portfolio - Trade and Biotech	5,000.00	5,000.00	100.0%
Prime The Pump	100,000.00	100,000.00	100.0%
Total National Corn Growers Assn.	816,000.00	816,000.00	100.0%
No-Till On The Plains	15,000.00	15,000.00	100.0%
ProExporter Network Grain Study	8,000.00	8,000.00	100.0%
US Grains Council			
Foreign Market Development	277,000.00	277,000.00	100.0%
Total US Grains Council	277,000.00	277,000.00	100.0%
US Meat Export Federation			
USMEF Core Funding	75,000.00	75,000.00	100.0%
Total US Meat Export Federation	75,000.00	75,000.00	100.0%
Total Professional Services	1,865,520.18	1,870,632.00	99.7%
Travel	51,355.72	75,000.00	68.5%
Uncategorized Expenses			
ACE E15 Retailer Edu Video	5,000.00		

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Cash Basis

Kansas Corn Commission
Income & Expense Budget vs. Actual
July 2014 through June 2015

	Jul '14 - Jun 15	Budget	% of Budget
Kansas FFA Foundation	5,000.00		
Uncategorized Expenses - Other	0.00	25,000.00	0.0%
Total Uncategorized Expenses	10,000.00	25,000.00	40.0%
Total Expense	2,110,159.39	2,165,132.00	97.5%
Net Income	269,823.69	42,055.00	641.6%

KANSAS CORN COMMISSION

Garnett, Kansas

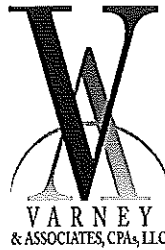
FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2015 and 2014

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas



November 4, 2015

Board of Commissioners
Kansas Corn Commission
Garnett, Kansas

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying statements of assets and net assets - cash basis of the Kansas Corn Commission (the Commission), a quasi-municipal entity, as of and for the years ended June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net assets - cash basis and the notes to the financial statements, which collectively comprise the Commission's basic financial statements.

Management's Responsibility for the Financial Statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets - cash basis of the Kansas Corn Commission, as of June 30, 2015 and 2014, and its revenues, expenses, and the changes in its net assets for the years then ended, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Independent Auditor's Report

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

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 400,000	\$ 650,000
CDARS deposits	1,587,210	1,067,387
Money market		
TOTAL ASSETS	<u>\$ 1,987,210</u>	<u>\$ 1,717,387</u>
NET ASSETS		
Net Assets	<u>\$ 1,987,210</u>	<u>\$ 1,717,387</u>
TOTAL NET ASSETS	<u>\$ 1,987,210</u>	<u>\$ 1,717,387</u>

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>2015</u>	<u>2014</u>
REVENUE		
Check-off collections	\$ 2,614,914	\$ 2,177,697
Refunds	(238,263)	(209,071)
Net checkoff collections	\$ 2,376,651	\$ 1,968,626
Interest income	3,332	2,988
Total Revenue	\$ 2,379,983	\$ 1,971,614
EXPENSES		
Administrative		
Communications	\$ 62,255	\$ 35,573
KCGA - Administration	72,000	72,000
Travel	51,357	37,422
Office	2,010	2,092
Meetings	5,728	3,560
Hospitality	3,605	3,744
Grants	27,803	17,050
Program		
Ks Foundation for Ag in the Class	15,000	15,000
KCGA	380,500	335,000
KSU - Research	112,932	109,301
KSU - International Grains	75,000	75,000
National Corn Growers Association	816,000	741,300
No-Till on the Plains	15,000	15,000
KEMA	-	41,000
FFA Foundation	5,000	5,000
Ethanol expansion	46,882	22,397
Other contracts	24,088	6,927
ProExporter Network Grain Study	8,000	8,000
US Grains Council	277,000	297,300
US Meat Export Federation	75,000	75,000
National Ag Genotyping Center	35,000	-
Total Expenses	\$ 2,110,160	\$ 1,917,666
INCREASE (DECREASE) IN NET ASSETS	\$ 269,823	\$ 53,948
NET ASSETS - BEGINNING OF YEAR	1,717,387	1,663,439
NET ASSETS - END OF YEAR	\$ 1,987,210	\$ 1,717,387

Financial Statements

KANSAS CORN COMMISSION
Garnett, Kansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

Notes To Financial Statements

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 pursuant to K.S.A. 2-3002. 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.

Cash and Cash Equivalents

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

Note 2: Deposits and Investments

The Commission's deposits were secured by the Federal Deposit Insurance Corporation (FDIC) insurance and pledged securities.

Note 3: Economic Dependency

In 2015 and 2014, the Commission received 99.86% and 99.84%, respectively, of its income from the Kansas Department of Agriculture. The funds are a result of check-off monies collected when producers sell grain.

Note 4: Subsequent Events

Subsequent events were evaluated through November 4, 2015, which is the date the financial statements were available to be issued.

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Cash Basis

Kansas Corn Commission
FY16 Budget
July 2015 through June 2016

	Jul '15 - Jun 16
Income	
Checkoff Funds	
Assessments Received	5,130,000.00
Refunds to Producers	-615,600.00
Total Checkoff Funds	4,514,400.00
Interest Received	5,000.00
Total Income	4,519,400.00
Expense	
Communications	
Annual Report	6,000.00
Education and Outreach	20,000.00
Media	45,000.00
Postage	2,500.00
Total Communications	73,500.00
Ethanol Expansion Program	
Ethanol Promotion	25,000.00
In-State NASCAR Activation	20,000.00
Vehicle, Additional Expenses	4,500.00
Total Ethanol Expansion Program	49,500.00
Grants	30,000.00
Hospitality	5,000.00
Meeting Expense	6,000.00
Natl Ag Genotyping Ctr	40,000.00
Office Expenses	3,500.00
Professional Services	
Ag Auto Ethanol Group	10,000.00
Auditing Services	3,200.00
Corn Vision 2020	2,230.00
Heartland GIS	19,800.00
Kansas FFA Foundation	5,000.00
KCGA - Administration	80,000.00
KCGA - Programs	490,500.00
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	121,455.00
National Corn Growers Assn.	
Core Funding	227,000.00
Ethanol Pump Standardization	260,000.00
Image and Activism Campaign	205,000.00
NASCAR	250,000.00
Portfolio - Ethanol	150,000.00
Portfolio - Grower Services	10,000.00
Portfolio - Prod & Steward	10,000.00
Portfolio - Public Policy	30,000.00
Portfolio - Research & Develop	15,000.00
Portfolio - Trade and Biotech	5,000.00
Total National Corn Growers Assn.	1,162,000.00
ProExporter Network Grain Study	8,000.00
US Grains Council	
Ethanol Promotion and Export	23,000.00
Foreign Market Development	277,000.00
Indian Dairy Modernization	15,000.00
Total US Grains Council	315,000.00
US Meat Export Federation	
USMEF Core Funding	75,000.00
Total US Meat Export Federation	75,000.00

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Cash Basis

Kansas Corn Commission
FY16 Budget
July 2015 through June 2016

	Jul '15 - Jun 16
USDA BIP	250,000.00
Total Professional Services	2,646,185.00
Travel	75,000.00
Uncategorized Expenses	100,000.00
Total Expense	3,028,685.00
Net Income	1,490,715.00