

## MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Don Saltee at 8:00 a.m. on February 4, 1993 in Room 423-S of the Capitol.

All members were present :

Committee staff present:: Dennis Hodgins, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Clarene Wilms, Committee Secretary

## Conferees appearing before the committee:

Sam Brownback, Secretary, The Kansas State Board of Agriculture  
John C. Bottenberg, Kansas Ethanol Association  
Written testimony by Lee M. Reeve  
Written testimony by Paul E. Fleener, Director, Public Affairs Division,  
Kansas Farm Bureau  
Marty Vanier, DVM, Legislative Agent, Committee of Kansas Farm Organizations  
Jere White, Kansas Growers Association and Kansas Grain Sorghum Producers  
Pam Wells, Executive Assistant, Kansas Cooperative Council

Others attending: See attached list

SB-59 - concerning the expiration date for the agricultural ethyl alcohol incentive program

Sam Brownback, Secretary, The Kansas State Board of Agriculture, appeared before the committee in support of SB-59 noting Kansas agriculture has been in the forefront of a commercialization movement for agricultural products. The commercialization of ethanol as an octane enhancer and more environmentally safe fuel additive has been recognized at national levels and is a major part of the new federal Clean Air Act which is currently being implemented across the country. It was further noted several potential new ethanol producers were considering locating in Kansas. Other states besides Kansas have similar incentive funds, with most of the other states' production incentives at higher rates than exist in Kansas, therefore, this Kansas incentive fund at minimum is necessary. Attachment 1

John C. Bottenberg, Kansas Ethanol Association, presented testimony in support of SB-59 stating this program is a proven success with expansion planned by one of the producers. Information on the ranking of state incentives and production capacities was included with his information. Mr. Bottenberg further noted that this bill is truly an economic development proposal and if passed, would keep Kansas dollars in Kansas. Attachment 2 A Kansas Ethanol Directory was also handed to committee members. Attachment 3

A member questioned Mr. Bottenberg concerning incentives and he noted Kansas presently, on a percentage of production basis, has the lowest incentive of any of the states.

Written testimony by Lee M. Reeve was called to the attention of the committee by Mr. Bottenberg. Mr. Reeve stated he had been involved in the non-food use and value added area, primarily through ethanol production for years. He further noted ethanol was a method of developing Kansas from within and this is a great opportunity for Kansas. Attachment 4

The chairman called the attention of committee members to written testimony by Paul E. Fleener, Director, Public Affairs Division, Kansas Farm Bureau. Attachment 5 The testimony noted support of Farm Bureau for extending the incentive program for ethanol. It is the Farm Bureau's belief that ethanol can significantly in reducing U. S. reliance on foreign oil, for addressing environmental concerns and for grain consumption and grain price enhancement.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 423-S Statehouse, at 8:00 a.m. on February 4, 1993.

Marty Vanier, DVM, Legislative Agent, Committee of Kansas Farm Organizations, noted support of SB-59 by a coalition of 25 agribusiness organizations which span Kansas agriculture. Attachment 6

Jere White, Kansas Corn Growers Association, Kansas Grain Sorghum Producers, appeared before the committee to ask for favorable passage of SB-59, noting these organizations view the Kansas ethanol industry as one vital to our state's overall economy, and yet an industry that provides unique benefits to our rural economy. Attachment 7

Pam Wells, Executive Assistant, Kansas Cooperative Council, representing nearly 200 Kansas cooperative businesses throughout the state, appeared in support of SB-59. Attachment 8

Senator Martin, with a second from Senator Walker moved to pass out SB-59 favorable for passage. The motion carried.

The meeting adjourned at 8:30 a.m.

The next meeting is scheduled for February 5, 1993.

## GUEST LIST

## SENATE COMMITTEE ON ENERGY &amp; NATURAL RESOURCES

DATE February 4, 1993(PLEASE PRINT)  
NAME AND ADDRESS

ORGANIZATION

Sam Wells  
Marty Vanier  
Jack R. Shipman  
Whitney Dameron  
Tom Whitaker  
Sam Brownback  
Jere White  
Ray Trine  
Carl Daugherty  
Mike Todley  
Rich McKee  
Keed W. Davis  
Mal Davis  
Bob Kelley  
D. B. Dallan  
Greg Krissch  
Pete McKeel  
Tom Tunnell

Kansas Coop Council  
CREO  
KS Dept Purchases  
Pete McMillan & Associates  
KS Motor Carriers Assn  
KS Bd of Ag  
KS Corn Growers Assn.  
High Plains Coop - KS Ethanol Assoc  
Empire District Electric  
KECA  
KS Livestock Assoc.  
KDOT  
Gen. office of Eff. Mgmt.  
" "  
Dir of Budget  
KS Bd of Ag  
KS Ethanol Assn.  
KS Grain & Feed Assn



# THE KANSAS STATE BOARD OF AGRICULTURE

Sam Brownback, Secretary  
Donald L. Jacka, Assistant Secretary

901 S. Kansas Ave.,  
Topeka, KS 66612

## SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

### SENATE BILL NO. 59

### TESTIMONY

FEBRUARY 4, 1993

### AGRICULTURAL ETHYL ALCOHOL INCENTIVE PROGRAM

Good morning Chairman Saltee and members of the committee, my name is Sam Brownback. I am the Kansas Secretary of Agriculture. You might be interested to know that the Kansas Board of Agriculture has been and will continue to be involved in state and national efforts for commercializing industrial uses for agricultural commodities. This past fall I was chairman of the Biobased Products Expo in St. Louis, Missouri. That conference brought together over 400 participants from across the nation, of the private and public sectors, to display commercial and industrial products made from agricultural products. Ethanol is a prime example of such commercialization.

By way of information, Kansas agriculture has been in the forefront for many years of this commercialization movement. You as legislators played an important part in beginning this trend by approving in 1979 K.S.A. 74-5029, which states: "Declaration of public policy; development of agricultural products. It is hereby

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declared to be the public policy of the state of Kansas to encourage and assist the development and expansion of new uses of agricultural products including agricultural ethyl alcohol, including the use by the state of Kansas and all political and taxing subdivisions thereof." Further, a KSBA Task Force, chaired by Ladd Seaberg, President of Midwest Grain Products, unanimously agreed in their findings issued in December, 1988, that substantial opportunities are available to Kansas through the development of these industrial uses. KSBA completed a study in 1992 for Kansas, Inc. analyzing the Kansas Value-Added agriculture industry. Ethanol is an excellent example of processing basic Kansas commodities and adding value prior to exporting the finished product from Kansas. The commercialization of ethanol as an octane enhancer and more environmentally safe fuel additive has been recognized at national levels and is a major part of the new federal Clean Air Act which is currently being implemented across the country.

Kansas ethanol plants, currently four in number, presently produce approximately 27 million gallons of alcohol annually. This represents a nearly 60% increase in Kansas ethanol production since 1989. With the coming implementation of the federal Clean Air Act, this trend is expected to continue during the next four years as ethanol provides a source of oxygenates which substitute for certain harmful components of motor fuels while addressing air pollution concerns. For 1992, Kansas ethanol production translates into use of approximately 10,800,000 bushels of corn and milo that the ethanol producers have purchased from Kansas farmers and local

suppliers. For 1992, which was a near record year for feed grain production in Kansas, this amount translates into almost 2% of Kansas corn and milo production serving as inputs for the ethanol industry.

Several potential new ethanol producers are considering locating in Kansas. As you are aware, other states besides Kansas have similar incentive funds, with most of the other states' production incentives at higher rates than exist in Kansas. If our state is to have any reasonable chances at recruiting these new locations, this Kansas incentive fund at minimum is necessary.

The Kansas agricultural ethyl alcohol incentive program plays an important role in this commercialization of agricultural commodities movement. The Kansas State Board of Agriculture supports all efforts to broaden and deepen markets and opportunities for renewable, agricultural commodities. Your continued support of this commercialized use of agricultural products through passage of SB 59 is urged and appreciated.

Thank you for allowing the Board of Agriculture to testify today. This concludes my testimony. I will certainly attempt to answer any questions you may have.

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# BOTTENBERG & ASSOCIATES

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JOHN C. BOTTENBERG

Statement of  
Kansas Ethanol Association

Presented to the Senate  
Energy and Natural Resources Committee  
The Honorable Don Sallee, Chairman

Statehouse  
Topeka, Kansas  
February 4, 1993

Mr. Chairman and members of the Committee:

I am John Bottenberg, representing the Kansas Ethanol Association.

I am here to ask your support of SB 59. This bill would extend the current Ethanol Producer's Incentive Fund for an additional four years. Funding would remain at the current level of \$2.5 million annually.

This program is a proven success. Ethanol production has increased from 11 million gallons during 1987 to a current capacity of 27 million gallons. An additional 5 million gallon expansion is planned by one of our producers.

There are four fuel alcohol producers in Kansas at this time. They are located in Atchison, Colwich, Garden City and Leoti. They have approximately 100 employees directly related to fuel alcohol production (not minimum wage jobs). They had approximately 50 employees in 1987.

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It is estimated that fuel grade alcohol production adds 15 to 30 cents per bushel to the price of grain on the market.

Alcohol production provides a market for damaged or wet grain. Alcohol production within Kansas consumes approximately 11 million bushels of grain annually. In 1987, approximately 3.3 million bushels of grain was consumed.

In recent years some of the producers have expanded into cattle and fish feeding, using the by-products of alcohol production.

I have attached a sheet that shows what other states are doing to encourage fuel ethanol production.

By acting favorably on SB 59, the advantages to Kansas would be to:

1. Provide stronger markets for Kansas grains.
2. Create employment opportunities for Kansans.
3. Maintain and enhance the development of additional in-state production.
4. Create a cleaner environment for Kansans, both present and future generations.

This bill is truly an economic development proposal. If passed it would keep Kansas dollars in Kansas.

We thank you for your support in the past and would encourage you to act favorably on SB 59.

Thank you. I would be pleased to answer any questions.



**Ranking of State Incentives & Production Capacities**

(Note: Unless otherwise indicated, the incentives described below are tax exemptions or credits computed to determine their value per gallon of ethanol blended and sold in the state.)

| State        | Amount<br>(\$/gal. ethanol)        | Production Capacity<br>(million gallons/yr.) |                |
|--------------|------------------------------------|--|----------------|
|              |                                    | <u>Existing</u>                              | <u>Planned</u> |
| Alaska       | .80                                | 0  | 0              |
| South Dakota | .20 <sup>1</sup> /.20 <sup>2</sup> | 1.1  | 30             |
| North Dakota | .40 <sup>1</sup>                   | 16.4   | 0              |
| Minnesota    | .20 <sup>1</sup> /.20 <sup>2</sup> | 14.7   | 10             |
| Missouri     | .20 <sup>1</sup> /.20 <sup>2</sup> | 0  | 0              |
| Oregon       | .50                                | 0  | 0              |
| Hawaii       | .40 <sup>3</sup>                   | 5  | 0              |
| Nebraska     | .20 <sup>1</sup>                   | 26   | 157.5          |
| Montana      | .30                                | 4  | 30             |
| Washington   | .37                                | 3.7  | 0              |
| Ohio         | .15                                | 65   | 0              |
| Illinois     | .20 <sup>3</sup>                   | 552  | 170            |
| Iowa         | .10                                | 267  | 130            |
| Connecticut  | .10                                | 0  | 0              |
| Kansas       | .092 <sup>1</sup>                  | 26.5   | 0              |

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<sup>1</sup> Net Value of Incentive Paid Directly to Producer.

<sup>2</sup> Total Value of Excise Tax Exemption (per gallon of ethanol).

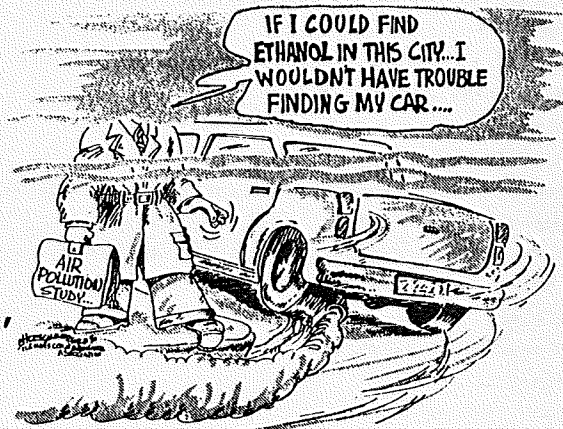
<sup>3</sup> Based Upon Retail Sales Tax (Percentage) Exemption.

Source: Information Resources, Inc.

# KANSAS ETHANOL DIRECTORY

## A GUIDE TO STATIONS SELLING FUEL BLENDED WITH 10% ETHANOL

Thank you for using fuels containing ethanol, a Kansas grown renewable energy source. By choosing an ethanol blend, you are receiving a high performance fuel that is also cleaner burning. To assist you in finding ethanol blends, we have produced this directory of retail fuel outlets that offer ethanol blended fuel at their pumps. Ethanol blends have been sold in our state for over twelve years. Kansas has four ethanol plants, which produce good jobs and a broader economic base for our state, as well as a high quality fuel. The price that our farmers receive for their corn and grain sorghum is approximately fifteen cents per bushel higher because of the current ethanol industry.



The energy security of the United States is enhanced when we use ethanol blended fuels. We can replace a considerable amount of the oil imported from foreign countries if we would simply switch to ethanol blended fuels in our tanks. Since 1979, Americans have logged over 900 billion trouble free miles on 10% ethanol blended fuel and every auto manufacturer in the world provides warranty coverage for properly blended fuel. By choosing ethanol

blends, you make our air cleaner and our nation more energy independent. Thanks once again.

Kansas Corn Growers Association and Commission  
Kansas Grain Sorghum Producers Association and Commission  
Kansas State Board of Agriculture  
Kansas Ethanol Association

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Attachment 3

Equity Exchange Box 157 Plains  
Casey's #1254 1310 Park & Laurel Pleasanton  
Coastal Mart #2523 702 E. 1st Pratt  
Ransom Farmers Coop Union Box 246 Ransom  
Robinson Farmers Union Coop P.O. Box 8 Robinson  
The Renzoll Jct 96 & 183-RR #1 Box 16A Rush Center  
Klepper Oil Co. 1429 W. Old Highway 50 Salina  
Kwik Shop #739 1600 S. 9th Salina  
Bosselman Truck Plaza 1944 N. 9th Salina  
Kwik Shop #742 657 Fairdale Salina  
Satanta Coop Grain Co. HWY 56, Box 99 Satanta  
Casey's #1233 Box 70 Hwy 56 Mercer Scranton  
Coop Union Mercantile Co. RR 2, Box 71A Sequin  
Seven Eleven Food Store #25951 11023 Johnson Dr Shawnee  
Am-Plus (Smith Center Coop) 318 S. Madison Smith Center  
Offerle Coop Grain & Supply RR 2, Box 28 Spearville  
St Francis Merc. Equity Exchan 105 S. River St. St Francis  
Studley Coop Equity Box 38 Studley  
Sublette Cooperative Inc. Box 340 Sublette  
Coastal Mart 619 N. Galveston, Box 176 Thayer  
Coastal Mart #9121 2525 SW 29th Topeka  
E Z Shop #9 3150 NW Hwy 75 Topeka  
E Z Shop #8 550 SE Croco Road Topeka  
Coastal Mart #9168 2201 W. 6th Topeka  
Coastal Mart #9119 3100 E. 6th Topeka  
Kwik Shop #705 1114 N. Topeka Ave Topeka  
Larry's Short Stop 3834 S. Topeka Ave. Topeka  
Kwik Shop #732 5954 SW 29th Topeka  
E Z Shop #1 819 Croix Topeka  
Kwik Shop #737 801 S. Topeka Ave. Topeka  
E Z Shop #24 2121 SW Wanamaker Topeka  
Kwik Shop #788 1414 W. 17th Topeka  
Kwik Shop #720 102 W. 37th Topeka  
E Z Shop #35 1000 Wanamaker Road Topeka  
E Z Shop #33 4601 S. Topeka Blvd Topeka  
Kwik Shop #775 110 E. 5th Valley Center  
Am Plus 508 S. 1st Wakeeney  
Farmer's Coop Elevator Assn. Box 157 Washington  
Coastal Mart #9136 1105 N A Wellington  
Parallel Farms RR 1, Box 58 Whiting  
Seven Eleven #250 1102 W. Maple Wichita  
Klepper's Corner Store #21 2700 N. Amidon Wichita  
Kwik Shop #706 3601 E. 47th South Wichita  
Kwik Shop #728 1955 S. Washington Wichita  
Coastal Mart #9166 7990 E. Central Wichita  
Coastal Mart #9112 10723 W. Highway 54 Wichita  
Coastal Mart #9180 2102 E. 21st St. Wichita  
Seven Eleven #145 3810 N. Woodlawn Wichita  
Coastal Mart #9198 6485 E. 13th Wichita  
Coastal Mart #9105 4255 S. Seneca Wichita  
Kwik Shop #772 2750 S. Oliver Wichita  
Kwik Shop #760 1335 N. Tyler Wichita  
Coastal Mart #9177 2012 E. Central Wichita  
Seven Eleven #252 445 N. Broadway Wichita  
Conoco Pipe Line Co. 8001 Oak Knoll Wichita  
Brown County Coop Box 308, 3rd & Hudson Willis  
Plainville Service Station 105 N. Washington ville  
Casey's General Store #1252 135 S. Franklin  
Midwest Coop Box 366, 2nd & Gove Quinter  
Menlo-Rexford Coop Assn. Box 38, Main Street Rexford  
Handy Stop 4050 Shawnee Mission Pkwy. Roeland Park  
Casey's #1184 105 S. Hwy 75 Sabetha  
Kwik Shop #744 1727 W. Crawford Salina  
Kwik Shop #707 2629 S. Market Place Salina  
Kwik Shop #723 2003 S. Ohio Salina  
Kwik Shop #708 1121 W. Cloud Salina  
Collingwood Grain(Shallow Water) RR 2 Scott City  
Coastal Mart #9130 401 N. Commercial Sedgwick  
S S Country Store, Inc. Jct Hwy 40 & 27 Sharon Springs  
Casey's #1196 100 Sage Silver Lake  
Right Coop Association 205 E. Santa Fe Spearville  
Casey's #1194 607 N. Webster Spring Hill  
Farmers Union Merc. & Shipping 323 S. Cedar Stockton  
Collingwood Grain Inc. Box 220 Sublette  
H & H Service Box 154 Summerfield  
Casey's #1571 104 W. 4th Street Tonganoxie  
Larry's Short Stop #501 706 Fairlawn Topeka  
Wood Oil Co. #11 1320 W. 6th Topeka  
E Z Shop #10 841 Fairlawn Topeka  
E-Z Shop #34 1001 SE. 45th Topeka  
Coastal Mart #9135 2701 S. California Topeka  
Kwik Shop #776 125 SW. 10th Topeka  
Wood Oil Co. #7 101 NE. Hwy 24 Topeka  
Kwik Shop #789 746 Wabash Topeka  
Coastal Mart #9132 141 SW 37th Topeka  
Kwik Shop #729 1700 Topeka Ave Topeka  
Larry's Shortstop #542 5943 SW 29th Topeka  
Kwik Shop #743 5633 SW 21st Topeka  
Kwik Shop #719 1107 W. 6th Topeka  
Kwik Shop #740 2277 W. 10th Topeka  
Kwik Shop #757 2619 SW 21st Topeka  
Trego County Coop 427 S. Railroad Wakeeney  
Casey's #727 Box 323, 401 Spruce Wamego  
Casey's #1132 4th & Mill Wathena  
Casey's General Store #1080 4th & Main Wellsville  
Kwik Shop #748 2809 E. Douglas Wichita  
Kwik Shop #722 3959 S. Hydraulic Wichita  
Kwik Shop #731 710 W. 29th N. Wichita  
Coastal Mart #9195 2320 E. Mt Vernon Wichita  
Kwik Shop #771 3940 W. 13th Wichita  
Seven Eleven #147 5530 E. Central Wichita  
Coastal Mart #9193 1001 W. 31st South Wichita  
Klepper Oil Co. 2601 N. Broadway Wichita  
Food Express #539 3805 W. 21st Wichita  
Coastal Mart #9102 7101 E. Lincoln Wichita  
Seven Eleven #144 3405 S. West St. Wichita  
Coastal Mart #7301 10330 W. Central Wichita  
Coastal Mart #9109 400 S. West Street Wichita  
Coastal Mart #9179 527 W. 13th Wichita  
Kwik Shop #736 114 N. West Wichita  
Coastal Mart #9157 1925 W. 21st St. Wichita  
Farmers Union Elevator P.O. Box 116 Woodston

EVERY EFFORT HAS BEEN MADE TO PRODUCE AN ACCURATE LIST.  
TO REPORT ERRORS OR OMISSIONS - PLEASE CALL 913-448-6922

## Senate Natural Resources Committee

presented by: Lee M. Reeve  
February 4, 1993

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Mr. Chairman & Members of the Committee

I am Lee Reeve and I thank you for the opportunity to address this committee. I think there is tremendous potential in the whole non-food use & value added area.

I have been personally involved in this area for years, primarily through our ethanol production. We are also involved in farming, cattle feeding and fish production. We have tried to integrate those systems together. There seems to be great interest in this whole area, we had over 2,000 visitors to our operation last year.

Let me share a few thoughts that I have about this area.

The government is now paying to idle 30% of our farmland. Most of the rest of the world produces at 100% capacity and we cut back because of lack of market. Rural America dies a slow death. Rural communities try to attract new industry. It is very difficult. I heard somewhere there are only 500 new facilities built each year and there are 25,000 communities in this country. Most rural communities have a very slim chance of attracting one of these facilities.

Rural areas have a far better chance at rural development by developing from within. Add value to the raw products you produce in the area.

It is hard for people to change their way of thinking; many feel that farmland should be used only for food production.

We are in the process of tripling our ethanol production. The money made in ethanol is reinvested.

With the passage of the clean air legislation and the location of Kansas, a great opportunity is at hand. If Agriculture doesn't take advantage of this, the oil industry will.

Kansas has always been very supportive of the ethanol industry and we thank you for that. We ask you for your continued support.

Senate Energy & Nat'l Resources  
February 4, 1993  
Attachment 4





## Kansas Farm Bureau

2627 KFB Plaza, P.O. Box 3500, Manhattan, Kansas 66502-8508 / (913) 587-6000

February 4, 1993

Senator Don Sallee, Chairman  
Senate Committee on Energy and Natural Resources  
Statehouse, Room 423-S  
Topeka, Kansas 66612

Dear Chairman Sallee:

Thank you very much for your willingness to accept our testimony in support of **S.B. 59**, the bill which proposes to extend the expiration date of the agricultural ethyl alcohol incentive program to July 1, 1997. I regret a previously scheduled leadership conference in my organization today and tomorrow (being held in Manhattan, Kansas) prevents us from personally presenting a brief statement in support of **S.B. 59**.

Chairman Sallee, we are providing sufficient copies of this letter to you to share with your committee members and staff. We ask that each member be apprised of the support of Farm Bureau for extending the incentive program for ethanol. Attached to this letter you will find the policy position, adopted by voting delegates at our November 19 - 21, 1992 Annual Meeting concerning ethanol production. You will also find a reference in our policy position on Highway Development and Funding which lets you know that we are seeking the support of the Federal Government to provide a tax credit on ethanol.

Previous to the ethanol producer incentive program there was an exemption from the motor fuel tax for ethanol-enhanced motor fuel. You will remember that fuel tax incentive which, frankly, we believe to be the superior enhancement to the producer incentive program. But the Legislature determined the Highway Fund was diminished significantly by that fuel tax exemption and replaced it with the producer incentive. While we would have preferred the exemption from motor fuel taxation of ethanol-enhanced fuel, that is not what we have in Kansas today.

Please note that on our attached statement concerning ethanol production we believe ethanol can help significantly in reducing U.S. reliance on foreign oil, for addressing environmental concerns, and for grain consumption and grain price enhancement. Members of the Kansas Legislature have been supportive of programs and projects which stabilize agriculture in Kansas and enhance the opportunity for

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Attachment 5

agricultural producers in Kansas. For this we are thankful. We would appreciate greatly a favorable response of your committee to support **S.B. 59** which will extend the incentive for qualified agricultural ethyl alcohol producers to continue their production of ethanol and to increase that production.

Thank you for taking our views into consideration as you examine **S.B. 59**.

Sincerely,

Paul E. Fleener, Director  
Public Affairs Division  
Kansas Farm Bureau

PEF:lc

attachment

## Ethanol Production

AG-11

We believe ethanol has great potential for reducing U.S. reliance on foreign oil, for addressing environmental concerns, and for grain consumption and grain price enhancement. We strongly support ethanol production and encourage:

1. Consumer education concerning ethanol use;
2. Promotion of ethanol as an octane rating enhancer and an emissions-reducing additive;
3. Utilization of ethanol fuels by state vehicles, by farmers and other consumers;
4. Suppliers to make significantly increased quantities of ethanol-enhanced fuels available to customers; and
5. Establishment of research projects for the utilization of all by-products of the ethanol production process.

We support tax credits and other appropriate measures which will promote production and sale of ethanol-blended gasoline.

## Highway Development and Funding

TU-4

We believe safety of drivers and vehicle passengers will be enhanced by maintaining present weight and length limits on tractor-trailers and motor carriers.

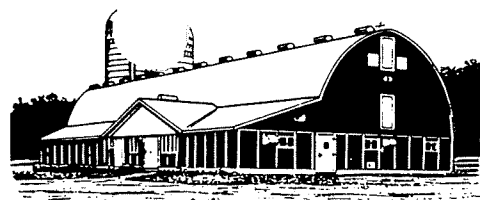
We support the concept of highway users paying, through gallonage taxes, vehicle registration fees and sales taxes on motor vehicles, for the construction and maintenance of highways, roads and bridges. We oppose the shift of any funds now designated for highways.

We believe the federal government should provide a tax credit equal to the federal motor fuel tax for ethanol used in motor fuel.

Toll road and turnpike construction in Kansas should not be contemplated unless a feasibility study on any such project shows the toll road or turnpike will pay its own way.

We are opposed to the use of State General Fund revenue to guarantee toll road or turnpike bonds, or to provide for highway construction or maintenance.

Highway design and planning should avoid, where feasible, diagonal routing. Diagonal cuts are most disruptive to agricultural operations.



# Committee of Kansas Farm Organizations

**Marty Vanier, DVM**

**Legislative Agent  
1728 Thomas Circle  
Manhattan, Ks 66502  
913/539-9506**

**Committee of Kansas  
Farm Organization Members**

Associated Milk Producers, Inc.

Kansas Agri-Women Association

Kansas Association of Nurserymen

Kansas Association of Soil  
Conservation Districts

Kansas Association of Wheat Growers

Kansas Cooperative Council

Kansas Corn Growers Association

Kansas Electric Cooperative

Kansas Ethanol Association

Kansas Farm Bureau

Kansas Fertilizer and  
Chemical Association

Kansas Grain and Feed  
Dealers Association

Kansas Grain Sorghum Producers

Kansas Livestock Association

Kansas Meat Processors  
Association

Kansas Pork Producers Council

Kansas Rural Water  
Districts Association

Kansas Seed Industry Association

Kansas Soybean Association

Kansas State Grange

Kansas Veterinary Medical Association

Kansas Water Resources Association

Kansas Water Well Association

Mid America Dairymen, Inc.

Western Retail Implement  
& Hardware Association

**STATEMENT OF THE  
COMMITTEE OF KANSAS FARM ORGANIZATIONS  
BEFORE THE  
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE  
DON SALLEE, CHAIRMAN  
REGARDING S.B. 59  
FEBRUARY 4, 1993**

The Committee of Kansas Farm Organizations (CKFO) is a coalition of 25 agribusiness organizations that spans the full spectrum of Kansas agriculture, including crop production, livestock production, horticultural production, suppliers, allied industries and professions.

The Committee supports S.B. 59 extending the Agricultural Ethyl Alcohol Incentive Program. The program provides a market for Kansas-grown feed grains and makes a positive contribution toward our environment and economy.

Others will present specific information on the impact of the ethyl alcohol industry, but it is important to note that the growth in production of

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Attachment 6*



ethyl alcohol has increased the use of feed grains from 4 million bushels in 1987 to over 11 million bushels in 1992.

The Committee of Kansas Farm Organizations urges you to support S.B. 59 and extend the Agricultural Ethyl Alcohol Incentive Program.

Thank you for the opportunity to appear before this committee.

TESTIMONY  
SENATE BILL #59  
February 4, 1993  
Jere White  
Kansas Corn Growers Association  
Kansas Grain Sorghum Producers  
P.O. Box 446  
Garnett, KS 5 66032  
1-800-489-2676

I would like to thank the members of this committee for the opportunity to ask for the favorable passage of Senate Bill #59, the Ethyl Alcohol Producers Incentive Fund. Corn and grain sorghum growers view the Kansas ethanol industry as one vital to our state's overall economy, and yet an industry that provides unique benefits to our rural economy.

We have long recognized the value-added characteristics of national ethanol production. This is greatly enhanced when that industry functions in your state, and even more so, in your local community. These operations are not some kind of hillbilly moonshine still. They are high tech, high efficiency, and produce a high quality fuel. And yet, we find ourselves asking for continued financial support.

The ethanol industry is one of those unique groups that purchase inputs on one market and sell the end product on a completely different one, not unlike farming. They, like comedian Rodney Dangerfield, have been searching for respect most of their life. Respect that has come slow from their necessary partners in product distribution, the oil

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companies. Things are starting to change. All major automobile manufacturers warrant the use of ten percent ethanol blends. General Motors will be rolling variable fuel vehicles off their assembly lines this spring that will run on eighty-five percent ethanol. The EPA, in the past few days, has released for comment, new regulations on reformulated gas that will give ethanol an opportunity to be an oxygenate in our nations largest and most polluted cities. If allowed to stand, this should provide our ethanol producers a market based income that will no longer be dependant on in-state incentives.

Senate Bill #59 meets the need in the interim. We need to keep our current industry in place, if Kansas is to benefit from these new market opportunities in the future. Three years ago, a Legislative Interim Committee recommended a ten year extension to this program. This proposed four year extension would result in a net \$ 7,500,000 savings, when combined with the current program and compared with the earlier ten year recommendation. Three years ago, we would not have suggested that three years would be long enough to accomplish it's goal. Today, the industry believes, and we concur, that in four or five years, the marketplace should provide needed incentive. The value of ethanol to Kansas feedgrain producers is easily over \$ 80,000,000 per year. To

Kansas in general, several hundred million. Good jobs, expanded tax bases, and enhanced local grain markets exist in Atchison, Colwich, Garden City, and Leoti because of our Kansas ethanol facilities. Senate Bill #59 will help keep them in Kansas while the marketplace matures.

Senate Bill #59 will not, however, provide a strong incentive for the location of new plants. Our neighbors are offering very enticing incentives in that area. It will allow for the expansion of existing plants by giving baseline support. We have seen expansion in the past three years under the current program. While we support new efforts, probably rooted in economic development initiatives, for new plant location in Kansas, we view this issue as somewhat separate; one of preserving what we have. The corn and grain sorghum producers of Kansas urge passage of this bill. Thank you.

STATEMENT OF THE  
KANSAS COOPERATIVE COUNCIL  
PRESENTED TO THE  
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE  
REGARDING SB 59  
FEBRUARY 4, 1993

Mr. Chairman and members of the committee, I am Pam Wells, executive assistant for the Kansas Cooperative Council. The Council's membership consists of nearly 200 Kansas cooperative businesses which have a combined total of almost 200,000 members throughout the state.

I appear before you today in support of SB 59, the extension of the agricultural ethyl alcohol incentive program.

Ethyl alcohol is derived from a renewable source of energy and is a potential source of fuel having a positive environmental effect. Its continuous development not only enhances the Kansas agricultural economy, but also the state's general economy. For these reasons the Council asks for your support of SB 59.

Thank you for allowing me to address you this morning. I would attempt to answer any questions you may have.

Senate Energy & Natural Resources  
February 4, 1993  
Attachment 8