

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.

CONTINUATION SHEET

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

If any state's concerns are not resolved at the end of arbitration, it may be brought before the U.S. 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 on 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.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 1-20-2009

NAME	REPRESENTING
John Donley	KS Lusk Assn
Kayla Burr	KS LUSTK. ASSN.
Kelli Kirkwood	KS LUSTK. ASSN.
SHAWN TIFFANY	KS LUSTK ASSN
Josh Morrill	KS LUSTK ASSN
Karl Harborth	KLA
Brian Hermann	KLA
Jody Wacker	KLA
Sandra Utter	KLA
Dewayne Ross	KLA
Clint Sturdy	KLA
DAN Hueser	KLA
Dustin Hattrop	KLA
Clint Gulick	KLA
Roy Beeley	KLA
Kevin Thielen	KBC
Todd Allen	KLA
Ryan Higbie	KLA
Scarlett HAGWS	KLA



State of Kansas Agriculture

by
Adrian Polansky
Secretary of Agriculture

January 20, 2009
Senate Agriculture Committee



Farm Sector Holds Steady

- 2008 predicted to be good income year for crop producers
- Boost in farm income mostly from volatile commodity prices
- “Grain price bubble” fueled by international demand for grain in growing markets, production losses and weaker dollar
- However, crop farm-gate prices at year’s end at or below last year’s prices



Senate Agriculture Committee
1-20-09
Attachment 1

Farm Sector Holds Steady

- Grain price volatility made 2008 planting decisions unusually difficult
- In April, farmers paying 65 more for fertilizer than the year before
 - 43 percent more for fuel
 - 30 percent more for seed
- Concern is that lower crop prices, higher input costs will hinder profitability in 2009



Farm Sector Holds Steady

- Beef exports at highest since just before BSE was found in United States in 2003
- Aided by re-opening of market in South Korea
- Also aided by weaker dollar, which made beef more attractive in foreign markets
- Shipments also up to Canada, Mexico and Russia



Farm Sector Holds Steady

- In 2007, Kansas ranked 6th nationally in farm product exports
 - Valued at more than \$3.8 billion
- Cash receipts for farm marketings valued at more than \$11.7 billion
- Cash receipts from the sale of cattle set a new record high of \$6.32 billion
- Value of wheat, corn, sorghum and soybean production exceeded \$5.5 billion



National Bio- and Agro-Defense Facility

- Department of Homeland Security selected Manhattan to be new home of National Bio- and Agro-Defense Facility
- Speaks well of Kansas' strong agricultural tradition, leadership in food production and well-established and well-respected veterinary medical and research sector



National Bio- and Agro-Defense Facility

- \$451 million, 500,000-square foot facility
- Will provide integrated research, response and diagnostic capabilities to protect human and animal health
- Develop vaccine countermeasures for foreign animal disease



National Bio- and Agro-Defense Facility

- Expected to generate
 - 1,641 temporary construction jobs
 - \$138.2 million in labor income
 - 250 to 350 permanent jobs yielding \$26.8 million in annual salaries
 - \$1.5 million in new state and local taxes



Food, Conservation and Energy Act of 2008

- Congress passed 2008 farm bill after months of delay.
- Contains many farm safety net programs important to Kansas and adds new ones:
 - Allows dryland farming on land enrolled in Conservation Reserve Enhancement Program
 - Creates new crop revenue protection program
 - Continues our investment in biofuels



Food, Conservation and Energy Act of 2008

- New farm bill provisions (continued)
 - Establishes standing disaster assistance program
 - Provides ongoing funding to expand specialty crop production and marketing
 - Provides rural development initiatives that could benefit our many smaller communities
 - Invests in beginning farmers and ranchers



Food, Conservation and Energy Act of 2008

- New farm bill provisions (continued)
 - Builds biosecurity capacity, communications, planning, preparedness and response
 - Establishes Office of Homeland Security within USDA



Interstate Sales of State-Inspected Meat

- Farm bill also authorizes state-inspected meat and poultry processing plants to sell across state lines
- I was part of grassroots effort launched by National Association of State Departments of Agriculture advocating for this change
- Corrects law that allowed meat and poultry from 34 foreign lands greater access to American markets than from state-inspected plants



Interstate Sales of State-Inspected Meat

- Working with NASDA to develop sensible regulations
- We polled 63 state-inspected plants
 - 51 responded
 - 18 are interested
 - 4 might be interested
 - 29 are not interested now, but we believe they might be interested when the rules are known



Protecting Integrity of Kansas Wheat

- Just before harvest, received word that fungicide applications made too late in growing season
- A check of commercial applicator records revealed late-season applications made on more than 7,000 acres in 17 counties affecting 42 farmers
- Some applications on fields in south-central Kansas



Protecting Integrity of Kansas Wheat

- Worked with KDHE to embargo fields in south-central Kansas
- Some already harvested, so arranged embargo at grain warehouse where stored
- Collected samples from fields in all areas to test for residue
- All tested well below tolerances for product



Protecting Integrity of Kansas Wheat

- Daily conference calls with USDA, FDA and EPA
- Lab staff worked extra hours to process samples
- With lab results, able to get embargoes lifted in a few days
- Decisive action, positive communication allowed us to avert market disruption



Protecting Integrity of Kansas Wheat

- Complimented by federal partners for
 - Initiating communication early
 - Conveying accurate, useful information to industry, lawmakers, public, domestic and foreign markets
- Now working with farmers and applicators to ensure all understand preharvest intervals



Food Safety Consolidation

- Senate Bill 584 became law October 1
- Transferred food service and lodging inspection to Department of Agriculture from Department of Health and Environment
- Initiated transition team as soon as Governor Sebelius signed bill into law



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Food Safety Consolidation

- Cross-trained transferring inspectors
- Arranged for some inspectors to work from home offices
- Cross-trained employees assigned smaller territories appropriate for expanded duties
 - Inspection territories increased to 25 from 9
 - Reduces travel; more time spent on inspections
- Equipped transferring inspectors with PC tablets loaded with inspection software
 - Allows inspector to record results electronically during the inspection



Food Safety Consolidation

- 4 of 38 positions transferred were administrative
 - Because we use electronic inspection technology, only two needed
- Previously, field inspectors did paperwork and email work from field offices
 - Home offices and wireless Internet capability eliminated need for field offices



Food Safety Consolidation

- Seized opportunity to standardize all inspection data
- Provided inspection software to county health departments performing inspections under contract with us (Douglas, Geary, Johnson, Lyon, Reno, Riley, Saline and Sedgwick)
- Electronic reports available online at www.ksda.gov/food_safety/.



Future of Food Safety

- Bill will be introduced this session to streamline all agency food safety regulatory functions
- Internal work group reviewing food safety regulations for areas that require updating
- Organizing food safety conference involving all stakeholders from farm to fork



Republican River

- Kansas in nonbinding arbitration with Nebraska and Colorado over Nebraska's continued overuse of Republican River basin water
- Expected to last through May 2009
- If any state's concerns are not resolved at the end of arbitration, they can be brought before the U.S. Supreme Court



Republican River

- In December 2007, chief engineer demanded Nebraska significantly reduce its water use and pay monetary damages for overuse in 2005 and 2006 in violation of a 2003 U.S. Supreme Court decree and final settlement stipulation
- Republican River Compact Administration could not resolve our concerns
- Nonbinding arbitration next step required by settlement stipulation



Republican River

- We calculate Nebraska used 79,140 acre-feet more than it should have in 2005 and 2006, the first years to measure compliance with settlement terms for water-short years
- 2007 first year to measure normal year compliance from 2003 to 2007
 - We estimate Nebraska overused 118,000 acre-feet in this time frame



Republican River

- Colorado also overused 52,600 acre-feet from 2003 through 2007
- Colorado plans to purchase 15,000 acre-feet of existing consumptive use water in the North Fork Republican River and pump it through a 12-mile pipeline to deliver it to the Nebraska state line
- We believe Colorado is also overusing its South Fork Republican River allocation



Republican River

- Kansas is both an upstream state and a downstream state
- Kansas is in compliance with the final settlement stipulation
- To maintain compliance, Kansas is focusing the Environmental Quality Incentive Program and Water Transition Assistance Program on the upper Republican River basin



Intensive Groundwater Use Control Areas

- Process to expand the boundaries of the Pawnee-Buckner IGUCA generated intense constituent and legislator interest
 - First phase was to establish need for IGUCA
 - Second phase, which has not taken place, would be to establish corrective control measures
 - Issue with Pawnee-Buckner were drought-related controls
 - Drought has eased



Intensive Groundwater Use Control Areas

- Spent last two years reviewing laws and regulations to answer constituent and legislator concerns
- Regulations for establishing an IGUCA and for establishing corrective controls are being updated to resolve those concerns
- Regulations that govern the hearing process are also being updated



Milk and Dairy Product Labeling

- Senate Bill 595 introduced last year
- Would have made it unlawful to label any agricultural product with claim that cannot be confirmed through laboratory analysis, or is supported solely by sworn statements, affidavits, or testimonials
- Existing Kansas law prohibits labeling a milk container with words that are in any way misleading
- Authority for enforcing the law resides with the secretary of agriculture



Milk and Dairy Product Labeling

- Kansas law is consistent with the federal Food, Drug and Cosmetic Act, which also prohibits false or misleading statements
- FDA considers any milk or dairy product label with the statement that the product is hormone-free is false and misleading
 - All milk contains naturally occurring hormones
 - Milk can not be processed in a manner that renders it free of hormones
 - Many milk products in the marketplace contain vitamin D, an added hormone



Milk and Dairy Product Labeling

- In response to SB 595, department spent several months developing a regulation to specify how production claims may be used on dairy products
- Our proposal specified that labels may not claim to be free of something already prohibited
 - Pesticides
 - Antibiotics



Milk and Dairy Product Labeling

- We would allow products to contain a production claim that “this milk is from cows not supplemented with rbST” or its equivalent
- We would require dairy business to have milk producer’s affidavit and other records to support the veracity of the statement
- We would require the label to contain an FDA-recommended companion message that there is no significant difference in milk from rbST-supplemented cows and non-rbST-supplemented cows



Milk and Dairy Product Labeling

- Due to the high level of interest shown in this regulation, we want the Legislature to weigh in



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Homeland Security

- Kansas continues to be active in the Multistate Partnership for Security in Agriculture
- Partnership states collaborate on surveillance, preparedness and response to threats in agriculture, whether intentional or accidental
- Partnership receives no-match federal funding through Department of Homeland Security



Homeland Security

- For third year, Department of Homeland Security rated our state's agriculture-related proposals for funding among the top in the nation
- As a result, Kansas received \$274,000 from the 2007 State Homeland Security Grant Program
- Grant is earmarked for border exercise



Homeland Security

- We are working with the Kansas Animal Health Department and Oklahoma animal health officials on an exercise that tests our state's ability to stop animal movement in the event of a foreign animal disease in another state
- This is an important test of our state's ability to stop animal movement on very short notice



Big on Biofuels

- December 19 was one-year anniversary of Energy Security and Independence Act
- Included Renewable Fuels Standard
 - Requires ethanol and other renewable fuels to be used to reduce nation's dependence on foreign oil
- Resulted in expanded biofuel production



Big on Biofuels

- Nationally, ethanol production capacity rose to 6.9 billion gallons in 2007 to more than 10 billion gallons today
- Ethanol now represents more than 7 percent of the nation's gasoline supply
- Produced and used more than 6.5 billion gallons of homegrown ethanol last year
 - Added more than \$45 billion to GDP
 - Created more than 238,000 green jobs
 - Displaced 228 million barrels of imported oil



Big on Biofuels

- Currently, Kansas' 12 dry mill ethanol plants have capacity to produce about 450 million gallons of ethanol
 - Creates market for about 160 million bushels of sorghum and corn
 - One-third of grain used is returned to the food stream as wet or dry distillers' grains
- More plants are planned, including the first commercial-scale cellulose-to-ethanol plant Abengoa will build in Hugoton



Big on Biofuels

- Life cycle analysis
 - In 1975, there were 4 billion people on earth
 - Today there are more than 6.5 billion
 - Despite growth, we are using 20 percent less land mass to grow crops to feed our world's population
 - We need to be careful about the assumptions we make about biofuels' place in our energy mix



Big on Biofuels

- Impact of 300 bushel corn yields
 - Total corn production in 2030 is anticipated to be 24.6 billion bushels
 - With no increase in harvested corn acres from 2007 (85 million acres) and growth in other uses of corn, 12 billion bushels would be available to make ethanol
 - This compares to 2.2 billion bushels used from the 2006 crop



Big on Biofuels

- Ethanol efficiency today is 2.75 gallons of ethanol per bushel of corn, which would create 33 billion gallons
 - Today we are creating 7.1 billion gallons
 - If efficiency increase to 3 gallons per bushel, ethanol production would be 36 billion gallons



Big on Biofuels

- K-State study—Kansas Ethanol Production and its Effect on Crops, Livestock, Trucking—documents that White Energy of Russell:
 - Employs 70 full-time workers
 - For every job, 6.72 more jobs are created in Russell County
 - Has a total economic impact of about \$18.27 million
 - Increases demand for trucking

Truckloads of Corn		Truckloads of Ethanol		Truckloads of WDGs	
Daily	Annually	Daily	Annually	Daily	Annually
50.3	18,373	7.3	2,667	26.9	9,822



Blender Pump Project

- In June, I joined officials from EPA, Congressman Dennis Moore and Lawrence Mayor Mike Dever to preside over a grand opening of Zarco Earth Friendly Fuels
- Station was first in state under biofuel blender pump pilot project we launched in December 2007



Blender Pump Project

- Blender pumps can dispense ethanol blends ranging from E10 to E85 and biodiesel blends ranging from B2 to B99
- Blends allow vehicle owners to select the blend that works best for them based on performance and price
- Kansas currently has four blender pump stations in Lawrence, Blue Rapids, Colwich, Garden City and Dodge City
 - Five more are planned in Ottawa, Hutchinson, Coffeyville, Topeka and another one in Lawrence



Blender Pump Project

- Kansas Corn Commission and Ethanol Promotion Information Council (EPIC) are also working to add 100 more blender pumps by providing technical, financial and promotional assistance to retailers



Expanding Biofuel Availability

- National Governors' Association announced in October that Kansas is one of 10 states to receive help making E85 fuel more accessible
- General Motors will provide technical assistance, including help placing pumps and ensuring an adequate supply of fuel E85 vehicles can use
- Kansas currently has 42 stations



Biofuels Under Fire

- Fuel and corn prices at unforeseen highs last summer
- Little correlation between price of fuel and price of corn, but biofuels opponents used both to condemn ethanol
- Well-financed, aggressive public relations campaign launched to roll back ethanol mandates

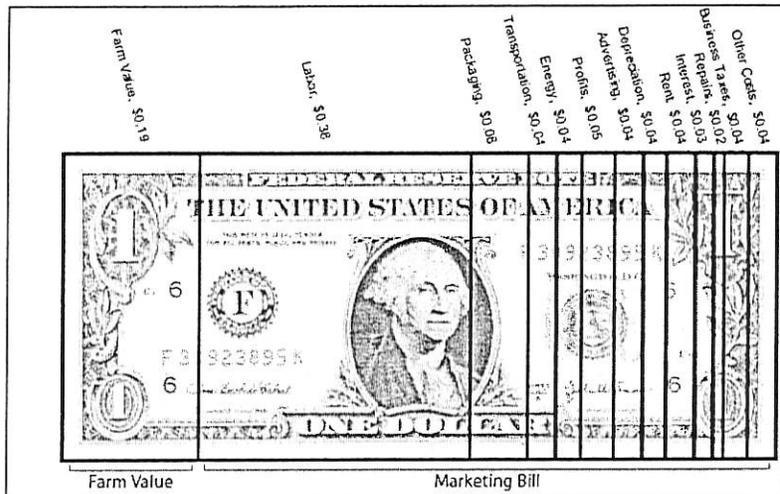


Biofuels Under Fire

- At current prices, ethanol adds about 20 percent, or a little less than 80 cents, to the value of a bushel of corn
- Higher grain prices account for an estimated 1.2 percent increase in the price of food
- According to the Federal Reserve, as energy prices increase by \$1, food prices increase by 50 cents



Food Dollar



KANSAS
DEPARTMENT OF
AGRICULTURE

Biofuels Have Positive Impact

- The U.S. Department of Energy estimates that gasoline prices would be 20 to 35 cents higher without ethanol
 - Saves typical family \$150 to \$300 a year
- DOE also estimates that 13 million tons of greenhouse gases were avoided in 2007 due to biofuel production and use
- Corn ethanol from the U.S. reduces greenhouse gas emissions by 19 percent when the full life cycle of the fuel is measured

KANSAS
DEPARTMENT OF
AGRICULTURE

Supporting Our Specialty Crops

- Kansas Department of Agriculture administers specialty crop block grants state receives as a result of Specialty Crops Competitiveness Act of 2004
- Grants help create new opportunities for growth and increased marketability of Kansas specialty crops
- Specialty crops include horticulture, fruits, vegetables and nuts



Supporting Our Specialty Crops

- Kansas received \$102,000 in 2008
- We received an additional \$106,240 due to special provision in farm bill
- We will receive \$104,504 in 2009
- We work with the Department of Commerce and the specialty crops industry to disperse funds



Supporting Our Specialty Crops

- Grant projects funded so far will:
 - Increase vineyard acres and varieties
 - Establish wine quality certification
 - Enhance wine marketing
 - Train new fruit and vegetable growers
 - Promote farmers markets
 - Encourage sales of locally grown foods and products



Fee Fund Review and Recommendations

- Initiated extensive review of all fees assessed by Dairy, Water Appropriation, Weights and Measures, and Pesticide and Fertilizer programs
 - All have fees that are scheduled to sunset June 30, 2010, to pre-2002 levels
- Analyzed regulatory costs incurred by the agency to determine if they are consistent with current fees



Fee Fund Review and Recommendations

- If fees are allowed to sunset, revenue losses will be:

Program	Potential Revenue Loss
Dairy	\$167,000
Water Appropriation	\$215,000
Weights and Measures	\$6,000
Pesticide and Fertilizer	\$237,000
Total	\$625,000



Fee Fund Review and Recommendations

- We developed a list of recommendations to address program needs in light of current fee fund health and projected needs. These fee recommendations were proposed independent of any potential decrease in SFG allotments, which makes the need to implement them even more critical.



Fee Fund Review and Recommendations

- Our proposal will generate the following:

Program	Fee Increase
Dairy	\$105,000
Water Appropriation	\$64,000
Weights and Measurers	\$22,000
Pesticide	\$7,500
Total	\$198,500



Thank You

Thank you for the opportunity to appear before you today.

