

MINUTES OF THE HOUSE AGRICULTURE & NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Larry Powell at 9:00 a.m. on March 16, 2011, in Room 783 in the Docking State Office Building.

All members were present except:

Representative Rocky Fund - Excused
Representative Michael Peterson - Excused

Committee staff present:

Sean Ostrow, Office of the Revisor of Statutes
Raney Gilliland, Kansas Legislative Research Department
Michael Wales, Kansas Legislative Research Department
Kay Scarlett, Committee Assistant

Conferees appearing before the Committee:

Senator Terry Bruce
Chris Tymeson, Chief Legal Counsel, Kansas Department of Wildlife and Parks
Patricia Stoneking, President, Kansas State Rifle Association
Synthia Wilson, Olathe, Kansas
Jordan Austin, National Rifle Association of America (written only)
Jay Armstrong, Commissioner, Kansas Wheat Commission
Bob Haselwood, Chairman, Kansas Soybean Commission
Jere White, Executive Director, Kansas Corn Commission
Clayton Short, Chairman, Kansas Grain Sorghum Commission
Karl Esping, Chairman, Kansas Sunflower Commission

Others attending:

See attached list.

Information related to **HB 2295** from Chris Tymeson, Chief Legal Counsel, Kansas Department of Wildlife and Parks, providing additional information related to possible Department proposals concerning deer hunting for the 2012 seasons was distributed. (Attachment 1)

Hearing on SB 152 – Clarifying that a person with a concealed carry permit may carry a concealed firearm while legally hunting, fishing, or fur harvesting.

Chairman Powell opened the hearing on **SB 152**. Sean Ostrow, Office of the Revisor of Statutes, explained that this bill would permit a person with a concealed carry license to carry a concealed handgun while lawfully hunting, fishing, or fur harvesting. The bill would also permit a person with a legally acquired suppression device to use the device while lawfully hunting, fishing, or fur harvesting.

Senator Terry Bruce testified in support of **SB 152** that would allow a person with a concealed carry permit to carry a concealed firearm while lawfully hunting, fishing, or fur harvesting. Further, the bill would allow a person who has gone to the expense and trouble of lawfully possessing a suppressor to hunt while using such a device. (Attachment 2)

Chris Tymeson, Chief Legal Counsel, Kansas Department of Wildlife and Parks, appeared in support of **SB 152** stating that concealed carry has long been allowed while hunting or angling with two major exceptions, archery only seasons and spotlighting. The spotlighting prohibition is statutory and the archery only prohibition is regulatory. After passage of the Personal and Family Protection Act in 2007, the Kansas Department of Wildlife and Parks requested an Attorney General's opinion, which resulted in KDWP's narrowly tailored prohibitions on concealed carry taking precedence over the broader allowances of the Act. Since that time there have been increasing requests to allow permitted concealed carry while hunting. The bill also would allow the use of suppressors while hunting, and he noted that an unofficial survey of states via the Internet showed that approximately fifty percent of states that responded allowed the use of suppressors while hunting. He said the Kansas Wildlife and Parks Commission considered these issues last year, but took no action. The Department feels there would be no biological impact from the passage of this bill. (Attachment 3)

CONTINUATION SHEET

The minutes of the House Agriculture & Natural Resources Committee at 9:00 a.m. on March 16, 2011, in Room 783 of the Docking State Office Building.

Patricia Stoneking, President, Kansas State Rifle Association, testified in support of **SB 152** that would allow a concealed carry licensee to exercise their right to carry a firearm while in the act of hunting, fishing, and fur harvesting. She said they had received many reports of hunters happening upon situations that made them feel that their personal safety was in peril. (Attachment 4)

Synthia Wilson from Olathe, a certified Hunter Education Instructor for the Kansas Department of Wildlife and Parks, and a Bowhunter Instructor for the National Bowhunting Education Foundation, appeared in support of **SB 152**. She described a number of situations encountered while hunting alone when personal safety was in jeopardy and more protection was desired. (Attachment 5)

Jordan Austin, National Rifle Association of America, submitted written testimony expressing support for passage of **SB 152**. (Attachment 6)

Michael Egan, Board of Directors' member, Kansas State Rifle Association, from Shawnee, Kansas, and Chad Allen, from Lenexa, Kansas, expressed their support for **SB 152**.

There being no other conferees, the Chairman closed the hearing on **SB 152**.

The five commodity commissions presented their annual legislative reports to the committee highlighting their various activities and accomplishments. Presenters included: Jay Armstrong, Commissioner, Kansas Wheat Commission (Attachment 7); Bob Haselwood, Chairman, Kansas Soybean Commission (Attachment 8); Jere White, Executive Director, Kansas Corn Commission (Attachment 9); Clayton Short, Chairman, Kansas Grain Sorghum Commission (Attachment 10); and Karl Esping, Chairman, Kansas Sunflower Commission (Attachment 11).

Discussion and action on SB 186 – Pesticides; hearing prior to denial, suspension or revocation of license, registration or certification.

Chairman Powell opened discussion on **SB 186**. Raney Gilliland, Kansas Legislative Research Department, explained that **SB 186** would amend current law regarding commercial pesticide applicator licenses. The bill would allow the Secretary of the Department of Agriculture discretion in suspending a pesticide business license without a hearing until compliance is reached if a pesticide business does not employ one or more commercial applicators who are certified in each type of commercial application which the pesticide business applies. Currently, the law states the Secretary of Agriculture must suspend the license if the pesticide business is not in compliance with the law.

Representative Kerschen moved to recommend SB 186 favorably for passage. Seconded by Representative Wetta, the motion carried.

Discussion and action on SB 188 – Amending the exemptions from a solid waste permit.

The Chairman opened discussion on **SB 188**. Raney Gilliland, Kansas Legislative Research Department, explained that this bill would change existing law to expand the Kansas Department of Health and Environment's authority to approve the disposal of the demolition waste of buildings or structures at, adjacent to, or near the site of the building or structure without requiring a solid waste permit. The bill would add additional evaluation criteria that the Secretary of KDHE must consider when determining whether to approve a request for off-site disposal of demolition waste. The additional criteria to consider would include public safety concerns, proposed plans to redevelop the demolition site, and the disposal capacity of any nearby permitted landfills.

Representative Brookens moved to recommend SB 188 favorably for passage. The motion was seconded by Representative Hildabrand. The motion passed.

The meeting adjourned at 10:42 a.m. The next meeting of the House Agriculture & Natural Resources Committee is scheduled for March 17, 2011.

HOUSE AG & NATURAL RESOURCES COMMITTEE
GUEST LIST

DATE: MARCH 16, 2011

[illegible]



**Information related to HB 2295 relating to Deer Hunting
To
The House Committee on Agriculture and Natural Resources**

**By Christopher J. Tymeson
Chief Legal Counsel
Kansas Department of Wildlife and Parks**

March 15, 2011

In relation to the Sub-Committee on HB 2295, there was a request to provide additional information related to possible proposals for the 2012 seasons. The Department has started discussions generally with constituent groups and the KDWP Commission on the following items:

1. A two day mid-October antlerless-only firearms season.
2. An any deer firearms season for youth around the holiday break from school.
3. An expansion of the archery deer season beginning September 1 and continuing through January 31 statewide.

In addition, the Sub-Committee requested information on depredation permits and the program. We did not mention yesterday but wanted to ensure that we were intending to convene an internal working group to look at possible revisions, if necessary.

And finally, information was requested regarding possible diversion with mandatory fees related to feeding the hungry programs. Attached is a letter from the USFWS regarding the same issue from 2009 which the Department provided to this Committee previously.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Mountain-Prairie RegionIN REPLY REFER TO:
FWS/R6MAILING ADDRESS:
Post Office Box 25486
Denver Federal Center
Denver, Colorado 80225-0486STREET LOCATION:
134 Union Blvd.
Lakewood, Colorado 80228-1807

March 6, 2009

Mike Hayden, Secretary
Kansas Department of Wildlife and Parks
1020 S. W. Kansas, Suite 200
Topeka, Kansas 66612

Dear Secretary Hayden:

This letter is in response to your request for our review comments regarding Kansas House Bill 2362 (HB 2362) *AN ACT concerning deer; relating to procedures for the taking thereof; concerning certain fees charged by the secretary of wildlife and parks; relating to the feed the hungry fund; amending K.S. A. 2008 Supp. 32-988, 32-995 and 79-3606 and repealing the existing sections*, that has been introduced during the 2009 legislative session.

In our opinion, should provisions of HB 2362 be implemented, it would be considered by us as the expenditure of license fees and would constitute a diversion of license fees for a purpose other than the administration of the state fish and wildlife agency in violation of the provisions of 50 CFR 80.4, *Diversion of License Fees*.

50 CFR 80.4 states:

- (a) Revenues from license fees paid by hunters and fishermen shall not be diverted to purposes other than administration of the State fish and wildlife agency.
- (b) For purposes of this rule, administration of the State fish and wildlife agency include only those functions required to manage the fish and wildlife-oriented resources of the State for which the agency has authority under State law.
- (c) A diversion of license fee revenues occurs when any portion of license revenues is used for any purpose other than the administration of the State fish and wildlife agency.
- (d) If a diversion of license revenues occurs, the State becomes ineligible to participate under the pertinent Act from the date the diversion is declared by the Director until:
 - (1) Adequate legislative prohibitions are in place to prevent diversion of license revenue, and
 - (2) All license revenues or assets acquired with license revenues are restored, or an amount equal to license revenue diverted or current market value of assets diverted (whichever is greater) is returned and properly available for use for the administration of the State fish and wildlife agency.

Mike Hayden, Secretary

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If the Kansas Department of Wildlife and Parks (KDWP) were required to make deposits into the State Treasury, *"to the credit of the deer management account"* within the feed the hungry fund as proposed in Section 3(f), the expenditure would be a diversion of license fees as defined in 50 CFR 80.4(a)(b). The reason is that "feeding the hungry" is not a legal mandate required to manage the fish and wildlife oriented resources of the State for which the agency has authority under State law.

Furthermore, while donated deer meat may benefit the feed the hungry program, deer population management is a separate and unrelated issue. We do not regard payment of deer meat processing fees alone as a wildlife management practice regardless of how the meat will be used. We only view it as an acceptable management tool when the payment of processing fees is employed as a necessary incentive to hunters to increase the harvest of deer to accomplish deer management objectives of the state fish and wildlife agency. Our understanding is that deer population management goals and objectives in the State are being met and do not require additional hunter harvest. Therefore, payment of license fees paid by non-resident deer hunters in Kansas to the feed the hungry fund as specified by HB 2362 would be treated by us as a diversion of license fees, rendering KDWP ineligible to further participate in the benefits of the Wildlife and Sport Fish Restoration Programs until the diverted funds were returned in accordance with 50 CFR 80.4(d)(1&2).

As you know, the KDWP has received an apportionment of \$11,653,417 from the Wildlife and Sport Fish Restoration Programs in 2009.

Thank you for the opportunity to comment on HB 2362. Please keep us informed of the progress of this proposed legislation and any changes that may be proposed. Please contact me at any time for further assistance at (303) 236-4411.

Sincerely,



David McGillivray
Chief, Division of Wildlife
and Sport Fish Restoration

cc: Carl Magnuson, FA Coordinator

TERRY BRUCE

STATE SENATOR
34TH DISTRICT
RENO COUNTY

TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: LEGISLATIVE POST AUDIT
MEMBER: JOINT COMMITTEE ON SPECIAL
CLAIMS AGAINST THE STATE
AGRICULTURE
JUDICIARY
NATURAL RESOURCES
UTILITIES

To: House Agriculture and Natural Resources Committee
From: Senator Terry Bruce
Re: Senate Bill 152

March 16, 2011

Mr. Chairman and Committee Members:

Kansans have long recognized, and have held dear, their rights to hunt and fish and protect themselves, as well as their families. This was made clear during the last election, wherein Kansas voters decided by nearly a 90% majority to change the state constitution to more clearly express these rights.

Senate Bill 152 further refines these already established rights by amending K.S.A. 32-1002 in two significant ways.

The first method is found in new subsection (a)(3). This provision allows a person to carry concealed so long as they have a concealed carry permit pursuant to K.S.A 75-7c01 et seq. There are two primary reasons for this change. First, it clarifies a discrepancy between existing statutory and regulatory law. Second, it allows for a hunter, most likely bow hunters, to protect themselves.

The second method is found in new subsection (a)(4). This provision allows for a person who has gone through the trouble of lawfully possessing a suppressor to hunt while using such a device. Despite popular belief, a suppressor will not totally eliminate the noise a firearm makes when being discharged, but it will limit the noise to varying degrees. More significantly, it will protect the hunter's ears from the percussion of the discharge, which earplugs or earmuffs cannot do effectively. Thereby, more hearing impaired hunters to ability to hunt without suffering further damage to their hearing.

It is important to note, that in addition to paying the \$2000 price tag to purchase a suppressor, and applicant for the federal license must also pay a \$1000 tax stamp and undergo the same background check required of machine gun applicants. Assuming these requirements are met and someone receives a suppressor lawfully, the use of such a device to commit or further a violent offense could result in a 30-year increase in an offender's federal prison sentence.

I hope you have found my testimony helpful, and I urge you to support SB 152.

HOME
PO BOX 726
HUTCHINSON, KS 67504
620-662-6830

DISTRICT OFFICE
FORKER, SUTER & ROSE, LLC.
129 WEST SECOND AVE, SUITE 200
PO BOX 1868 HUTCHINSON, KS 67504-1868
PHONE: 620-663-7131 FAX: 620-669-0714

House Ag & Natural Resources
March 16, 2011
Attachment 2



**Testimony on SB 152 relating to Suppressors and Concealed Carry
To
The House Committee on Agriculture and Natural Resources**

**By Christopher J. Tymeson
Chief Legal Counsel
Kansas Department of Wildlife and Parks**

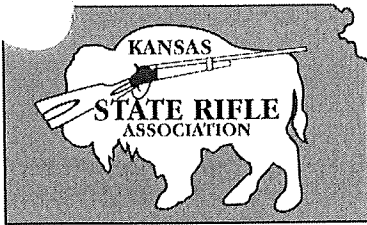
March 16, 2011

SB 152 seeks to allow permitted concealed carry and suppressors while hunting. The Department supports the provisions contained in the bill.

The provisions in the bill would allow concealed carry permit holders to carry concealed while hunting. Concealed carry has long been allowed while hunting or angling with two major exceptions, archery only seasons and spotlighting. The spotlighting prohibition is statutory and the archery only prohibition is regulatory. In 2007, after passage of the concealed carry permit laws, the Department requested an Attorney General's opinion on which law was applicable. The Attorney General opined that the Department's specific narrowly tailored prohibitions took precedence over the broader allowances. Since that time, there have been increasing requests to allow permitted concealed carry while hunting. The KDWP Commission looked at the issue last year but took no action. The Department feels there would be no biological impact from the passage of this bill.

The provisions of the bill would also allow the use of suppressors while hunting. An unofficial survey of states via the Internet showed that approximately fifty percent of states that responded allowed the use of suppressors while hunting. Prior to the passage of a bill by the Legislature allowing the possession of suppressors by Kansas residents, this was non-issue. Since that time, there have been increasing requests to use suppressors for hunting. The Commission recently considered and authorized the use of suppressors when conducting wildlife damage control operations permitted by the Department. The Commission briefly considered the issue in relation to all hunting last year but took no action. The Department feels there would be no biological impact from the passage of this bill and there is merit in the use of suppressors in various hunting scenarios.

In summary, the Department appreciates the support of the Committee in passage of the bill.



www.ksraweb.org

Kansas State Rifle Association

P.O. Box 219

Bonner Springs, Kansas 66012-0219

(913) 608-1910

info@ksraweb.org

March 16, 2011

RE: House Committee on Agriculture and Natural Resources
Senate Bill No. 152 Hearing

Dear Chairman Powell and Honorable Members of the Committee:

Thank you for allowing me to submit testimony to you as a proponent of SB 152, An Act amending KSA 32-1002 concerning the ability for concealed carry licensee's to exercise their right to carry firearms while in the act of hunting, fishing and fur harvesting, without restriction as to caliber or type of firearm as well as the use of suppressed firearms.

I am the President and Registered Lobbyist for the Kansas State Rifle Association. I speak for our membership which now hedges on 6000 individual members and over 20,000 club members. Many of our members are licensed for concealed carry under the Personal and Family Protection Act as well as being avid hunters and sportsmen.

The issue before you has been of strong concern to our membership and we ask that you vote in support of SB 152 which will amend an area of Kansas Statute that makes no sense and is actually contrary to existing concealed carry law. The amending of this Statute will in no way affect the lawful compliance with KSA 75-7c01 et seq. The Senate has seen fit to pass this bill with a vote of 38-1 showing overwhelming support for its provisions.

Kansas law currently restricts the ability for hunters and fishermen to carry their regular concealed carry firearm by placing unreasonable restrictions on them. Currently they are prohibited from having any firearm on their person while hunting during archery or non-firearms related hunting seasons. They are also restricted to certain cartridge types and sizes during certain firearms seasons such as deer hunting. This is a clear violation of a licensee's right to carry concealed for their personal protection under the concealed carry law. The Personal and Family Protection Act is clear that no individual jurisdiction or municipality has the right to regulate concealed carry. We believe the prohibition to regulate concealed carry extends to agencies such as the Kansas Department of Wildlife and Parks. Also, by amending KSA 32-1002 it will bring Kansas State law into line with the intent of the Personal and Family Protection Act.

There are many reasons why this prohibition should be repealed in addition to it being a clear violation of rights to continue the restrictions. We have received many reports of hunters running into situations that made them feel that their personal safety was in peril.

There have been incidents where unlawfully armed trespassers on private land have confronted hunters in an aggressive manner. In one particular case, a female huntress was in a ground blind on her privately owned property deer hunting during archery season and a gang of older teenage boys came up on her. They were smoking marijuana and talking and behaving in a manner that made her fear for her personal safety. In another reported incident, two hunters were on their privately owned land deer hunting during archery season when a group of poachers approached them and began a confrontation that was only ended by the landowners vacating their own land. Additionally, hunters have reported finding marijuana crops on hunting land and have become fearful that the illegal farmer of this illegal drug would confront them as these drug dealers would no doubt use deadly force to protect their crops as it may appear to them the hunter is there to "steal" their crops or they fear it being exposed to law enforcement. We have received many reports regarding this type of behavior. I have to ask, why would we prohibit hunters to exercise their right to protect themselves? It does not make sense.

Mr. Chairman and members of the Committee, thank you for considering our position in this most important matter. We respectfully urge that you vote in support of SB 152, recommend it for passage, and send it to the floor of the House for a vote.

Respectfully Submitted,

President
913-667-3044 Direct Line
913-522-4765 Cell

House Ag & Natural Resources
March 16, 2011
Attachment 4

Julia Wilson
14209 S Summertree Lane
Olathe, Kansas 66062-2005

March 15, 2011

Re: House Bill No152

Dear Larry Powell
Chairman, Agriculture and Natural Resources Committee
Kansas State Capitol
300 W 10th St, Room 149-S
Topeka, KS 66612

Dear Chairman Powell and Members of the Committee,

Thank you for allowing me to submit testimony to you as a proponent of HB 152, Clarifying that a person with a concealed carry permit may carry a concealed firearm while legally hunting, fishing or fur harvesting.

I am a Kansas resident and have hunted for 20 years and a certified Hunter Education Instructor for KDWP, as well as a Bowhunter Instructor for National Bowhunting Education Foundation. I have a valid Concealed Carry license. I am a member of various organizations; Kansas State Rifle Association, NRA, Kansas Bowhunters Association, Quality Deer Management Association, Safari Club and National Wild Turkey Federation. I speak for myself and other hunters who have the same concerns.

The issue before you is of significant concern to me and other hunters. I ask that you vote in support of HB 152 to allow Concealed Carry While Hunting.

Kansas law currently allows Concealed Carry with a license. It does not specify that this is allowed while hunting. Having researched this issue I feel that our state must align itself with other states CCH laws. My primary source of was www.carryconcealed.net, which gives by state listings of CC laws.

Below are some instances that have taken place where extreme danger existed, with no defense. Furthermore, while bowhunting, you have no other protection in poor circumstances.

- My 60 year old father was assaulted by trespassing hunters, when they were told to leave.
- While hunting in a ground blind with a bow I was approached by a group of 5 juveniles on drugs.
- While hunting I encountered a poacher with a rifle. He pointed his rifle at me in a threatening stance and held his position for about 3 minutes before lowering his gun and disappearing.
- While hunting in my tree stand a trespasser came by. I asked him to leave and he challenged me.
- While hunting I encountered a pack of 7 wild (farrell) dogs in a pack, which threatened to attack.
- During rut season while using a deer call I lured in 2 bucks, which began to fight 6 feet from me. When they stopped, one left and the other one rushed at me but stopped short of goring me.
- While walking back in the dark from a hunt, I had a pack of 5 coyotes follow me thinking I was a deer, due to the scent of deer oil on my clothes. A frightful confrontation took place in a creek bed. Later this encounter led to me having a stroke.

Many hunters such as I hunt alone. When isolated in the woods, no person is there to assist or hear a plea for help. The original settlers were allowed self protection while hunting. I believe the fundamental right of self protection, which this country was founded on then and requires lawful protection while hunting even now.

Mr. Chairman and members of the Committee, thank you for considering this testimony and this position on such a critical matter. I respectfully ask that you vote in support of HB 152.

Respectfully submitted,

913-764-2553 home
913-620-2620 cell

House Ag & Natural Resources
March 16, 2011
Attachment 5



National Rifle Association of America
Institute for Legislative Action
11250 Waples Mill Road
Fairfax, Virginia 22030-7400

Chairman Larry Powell
House Agriculture and Natural Resources Committee
Room 7083 DSOB
Topeka, KS 66612

Mr. Chairman,

March 16, 2011

On behalf of the National Rifle Association I would like to express my support for SB 152. This important legislation has been overlooked for sometime now and it is vitally important that we make a statutory change so that these two issues concerning the right to carry firearms while hunting and hunting with legally possessed firearm suppressors are made legal in Kansas.

The first aspect addressed in SB 152 would allow hunters to carry concealed handguns for self-defense while hunting. This is an option provided to hunters in many states throughout the country and these states have experienced no problems. There is no reason that sportsmen and women should be prohibited from choosing to legally carry a self-defense sidearm. One of the obvious examples of when this might serve as a life-saving measure is when a female bow hunter who is being stalked or harassed chooses to hunt. Under the current prohibition, she could be defenseless against an attack while in the field. Another example is protection from dangerous predators while bow hunting. There have been increasing numbers of cougars in Kansas and well as rabid coyotes. Hunters should be able to protect themselves from these animals while hunting and not be limited to the weapon they are licensed for.

The second proposal would allow hunters, who legally possess suppressors, to use those suppressors with their firearms while hunting. Many hunters would choose to use suppressors to protect against hearing loss, allow them the option of taking varmints while in the field without disturbing the primary game species they are pursuing, and also to help prevent noise complaints from neighbors and other land users. When the Kansas Legislature repealed the state prohibition on Title II firearms, there was considerable discussion as to the extensive background checks that individuals who choose to possess these firearms and suppressors must go through. These people are the most law-abiding in the country and have willingly agreed to be monitored by the federal government at all times. If they chose to hunt with a suppressor it would not be for reasons of poaching or hunting on lands without permission. It would simply be for the reasons previously stated regarding varmints and noise.

I would like to thank the committee for the opportunity to present testimony and would urge this committee to pass SB 152 favorably out of committee for consideration before the full House. Thank you for your time.

Jordan Austin
Kansas State Lobbyist
NRA-ILA

House Ag & Natural Resources
March 16, 2011
Attachment 6



KANSAS WHEAT COMMISSION

Kansas grown. Kansas good.

**Kansas Wheat Commission Annual Report
Presented to House Committee on Agriculture and Natural Resources
Wednesday, March 16, 2011
By Jay Armstrong, Muscotah
Kansas Wheat Commissioner, Districts 7, 8, 9**

Chairman Powell and committee members, thank you for the opportunity to provide an annual report from the Kansas Wheat Commission. My name is Jay Armstrong, a wheat producer from Muscotah, Kan. Our Chairman, Doug Keesling, has family obligations that prevent him from being here today.

Since our presentation to this Committee last year, many positive things have happened in the wheat industry, and I look forward to sharing those with you. However, let me tell you a bit about the Kansas Wheat Commission. It was established by the Kansas legislature in 1957 to represent the states' wheat producers in the areas of research, domestic marketing, international marketing, education and communication.

The Kansas Wheat Commission is funded by the wheat assessment, which collects a penny-and-a-half per bushel of wheat at the first point of sale. The Kansas farmers who grow wheat are our stakeholders, and our nine-member commission represents these farmers. They have told us in the past that wheat research, in particular finding new ways to boost yield or

solve agronomic challenges, are the most important investments we can make with their investment.

We are working hard to deliver. In the last year, the Kansas Wheat Commission invested more than \$1.2 million in a number of projects to help make the development of new wheat varieties and new wheat solutions more efficient. For instance, we committed \$100,000 to the new greenhouse project at the Kansas State University Agriculture Research Center in Hays. This important infrastructure investment ensures that the Hays wheat breeding unit will remain viable for years to come. In all, the Kansas Wheat Commission funded hundreds of thousands of dollars in additional research projects at K-State in 2010.

Our Commissioners and our staff are considered leaders in the nation's wheat industry. Kansas has been at the forefront of mapping the wheat genome; an ongoing, multinational project nearly 10 years in the making. Our state's farmers were there from the start and we are beginning to see the fruits of these investment.

This, coupled with a number of recent wheat industry collaborations between universities and private companies; and continued cooperation between land-grant universities makes for an exciting future for wheat. By 2050, the earth will be inhabited by more than 9 billion people. A great influx of technology and research will be required for the world's farmers to feed these people. Through its investments, and its leadership in the industry, the Kansas Wheat Commission stands ready to meet this challenge.

Farmer-stakeholders of the Kansas Wheat Commission have told us they want a strong wheat breeding program to continue at Kansas State University. Through the wheat assessment, farmers have invested millions of dollars in new variety development at Kansas State University over the past 50 years. That strong partnership with K-State has resulted in a vibrant public

breeding program in our region and has advanced countless varieties adapted throughout the state.

That these varieties are largely in the public domain places a lot of importance on how we proceed. Past investments by Kansas wheat farmers must not be lost, nor should we relinquish the important role that successful public programs will play in the future. We are nearing an era where public-private collaborations in the wheat variety development industry must exist, in order to maximize the opportunity of this new investment from private companies. This will allow Kansas farmers and our customers around the world to benefit. Ultimately, our farmers will continue to lead the way in feeding a growing world population with nutritious, high-quality and affordable wheat food products.

Let me continue with a summary of the past year's events. I've distributed a copy of our Annual Report, a copy of my printed remarks, and our annual audit prepared by Varney and Associates, of Manhattan.

A significant accomplishment of the Kansas Wheat Commission is that of the Heartland Plant Innovations, Inc. This unique collaboration between the Kansas Wheat Commission, Kansas Association of Wheat Growers and the Kansas Bioscience Authority is bringing new technologies to wheat breeders. HPI has developed a "Doubled Haploid" laboratory in rented space at Kansas State University. Using Doubled Haploid technology dramatically increases the efficiency of making new and improved wheat varieties, by cutting the development time from 10 years to five years. The Doubled Haploid technology has heretofore been difficult for land-grant universities to access because these laboratories are expensive to develop and require a great deal of intellectual capital. However, HPI has hired a small staff of exceptional scientists and our Doubled Haploid laboratory is running at full capacity.

To accommodate HPI's rapid growth and continued evolution as an advanced plant breeding laboratory, the Kansas Wheat Commission has committed \$8 million to construct a plant science center near the K-State campus in Manhattan. This facility will house the offices of the Kansas Wheat Commission, the Kansas Assn. of Wheat Growers and HPI, but more importantly, it will serve as state-of-the-art research laboratories and greenhouses for HPI scientists. That the Kansas Wheat Commission is committing resources of this magnitude to the long-term future of the wheat industry is indicative of our stakeholders' commitment to the wheat industry.

Along with research and development of wheat, the Kansas Wheat Commission works to market Kansas wheat products both in the US and to overseas buyers. Each year, dozens of wheat buyers come to Kansas from other countries to learn more about how our farmers' produce the world's most-consumed grain. We consistently showcase the technology, stewardship and efficiency that goes into a typical Kansas wheat crop.

In fall, 2010, several members and staff of the Kansas Wheat Commission attended the Urban Wheat Field II, held in Washington, D.C. The Urban Wheat Field was an ambitious, interactive exhibit through which thousands of urban consumers learned how wheat is grown, processed and packaged into nutritious food. Consumers paraded through a quarter-acre interactive display of green, growing wheat, growing in pallets, illustrating the crop's progress from early emergence to just before harvest. They proceeded to a milling and baking session – complete with fresh-baked bread and cookies – before exiting the Urban Wheat Field with a handful of samples, recipes and nutrition information.

The Urban Wheat Field was such a success, we brought the story home and replicated it at the Kansas State Fair. This effort combined all wheat-related activities in one location, giving the more than 300,000 visitors to the State Fair an interactive experience.

In 2010, the Kansas Wheat Commission co-sponsored the state's first "Wheat Yield Contest," awarding cash prizes to farmers in Eastern, Central and Western Kansas who achieved the highest yields. Our central and western Kansas farmers produced more than 90 bushels per acre - well above the state average of 44 bushels per acre. This tells us that farmers who manage their wheat fields to achieve top yields can obtain more profit. The second yield contest occurs this year.

We are working diligently on hosting the second "National Festival of Breads" amateur bread baking contest. Eight finalists from four bread-baking categories will gather in Wichita in June. These bakers will be treated to a "Farm-to-Fork" harvest tour featuring a wheat field during harvest; grain elevator and flour mill. The goal is two-fold: to increase consumption of wheat flour, but to educate consumers about the role farmers play in providing a safe, affordable food supply. That dozens of VIPs from across the country get to enjoy the beauty of Kansas during wheat harvest is a bonus. In 2009, more than 200 consumers participated in the first National Festival of Breads, and we expect many more attendees in 2011, as well as dignitaries from our co-sponsors, King Arthur Flour Co. and Fleischmann's Yeast. More consumers will be exposed to the contest through a host of media outlets, including the nationally syndicated Mr. Food program. The Home Baking Association and visited other exhibits and vendors. We look forward to the next National Festival of Breads, in June, 2011.

Internationally, Kansas Wheat Commission works closely with our export marketing arm, U.S. Wheat Associates. Half of the hard red winter crop needs to be exported so this effort

continues by establishing relationships, communicating messages of wheat quality and market information, and trade visits. Producer dollars contributed to U.S. Wheat Associates are matched 3-to-1 by the USDA's Foreign Agriculture Service. The Kansas Wheat Commission also works regionally with other states in supporting the K-State Department of Grain Science International Grains Program and Plains Grains, Inc.

Last fall, Kansas farmers planted 8.8 million acres of wheat - a 200,000 acre increase over 2009. Weather challenges last fall and over the winter could have a negative impact on the 2011 crop, but wheat is resilient and we hope for another 3.6 million bushel crop.

Wheat is still an important crop to Kansas, providing thousands of jobs within the industry and pumping billions of dollars in the Kansas economy. Agriculture remains one of the few bright spots in a Kansas economy marked by recession. Wheat farmer's prosperity props up Kansas' main streets; farmers' success translates to capital purchases like tractors, combines, trucks and cars, new housing and building projects. A healthy Kansas wheat industry makes for a healthy Kansas economy.

The Kansas Wheat Commission is currently evaluating proposals for research sent in from Kansas State University and other public and private entities. The amount requested for these research dollars was a record level, highlighting the stressed situation in the public sector to maintain important research efforts on behalf of Kansas farmers. On average, between 20-25% of our current budget directly funds wheat research projects. And as mentioned previously in these remarks, that effort is a priority of Kansas wheat producers.

This concludes my report. Thank you once again for your support, this opportunity to share with you our efforts and your leadership in the future as we continue to work together. I'd be glad to answer any questions the committee may have.

KANSAS WHEAT COMMISSION

Manhattan, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

June 30, 2010 and 2009



November 10, 2010

To the Commissioners
Kansas Wheat Commission
Manhattan, Kansas

Independent Auditors' Report

We have audited the accompanying statements of net assets and balance sheets of Kansas Wheat Commission (the Commission) as of June 30, 2010 and 2009, and the related statements of activities and statements of revenues, expenditures and changes in fund balance for the year 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 audit.

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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2010 and 2009, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Varney & Associates

Certified Public Accountants

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Years Ended June 30, 2010 and 2009

Overview

Within this section of the Kansas Wheat Commission's (KWC) annual financial report, the management provides narrative discussion and analysis of the financial activities of the KWC for the year ending June 30, 2010. The KWC performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

The KWC is funded by Kansas wheat producers through an assessment when grain is sold by the producer to the first purchasing agent. The KWC funds programs that enhance the competitiveness of wheat by facilitating the development and adoption of innovation for wheat producers. These programs focus on the legislative mandates of research, education and communication, and domestic and international market development.

The income received each year by the Commission is heavily correlated to the size of the Kansas Wheat crop. Each year KWC collects approximately 93.6% of the wheat produced in the state. In 2010, Kansas produced 369 million bushels of wheat, equal to the 369 million bushels produced in FY 2009.

Fiscal Year 2010 and 2009 Financial Condition

	2010	2009
Beginning Net Assets	\$ 3,452,553	\$ 2,771,231
Wheat assessment collected	5,360,666	3,567,641
Other income (sales of promotional items, operating activities, reimbursed expenses, etc.)	169,668	274,766
Interest income	86,285	108,653
Total Income	<u>\$ 5,616,619</u>	<u>\$ 3,951,060</u>
Refunds to producers	(321,784)	(180,839)
Expenditures	(3,783,121)	(3,088,899)
Total Expenses	<u>\$ (4,104,905)</u>	<u>\$ (3,269,738)</u>
Change in Net Assets	<u>1,511,714</u>	<u>681,322</u>
Ending Net Assets	<u><u>\$ 4,964,267</u></u>	<u><u>\$ 3,452,553</u></u>

New income consisted of \$5.36 million of wheat assessment collection, \$169,668 from promotional items, sponsorships, operating activities, reimbursed expenses, etc, and \$86,285 of interest income by investing in CD's.

In January, 2009 the assessment authority was changed for the first time in twenty-five years from 10 mils to 20 mils, or 1 penny per bushel to 2 pennies per bushel. However, the assessment was only raised from 1 cent per bushel to 1.5 cents per bushel.

The investment by producers into the Kansas Wheat Commission is voluntary and each individual producer has the opportunity to request a refund on the investment. In FY 2010, KWC refunded \$321,784 or 6.01% of assessment collections to producers. This refund rate has declined for the past several years, but increased from 5.07% in FY 2009.

Financial Statements

KANSAS WHEAT COMMISSION
Manhattan, Kansas
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Years Ended June 30, 2010 and 2009

Fiscal Year 2010 and 2009 Financial Condition (Continued)

This year's expenditure budget was \$4.13 million. This is a slight increase from the previous year, which was approved at \$3.06 million. The FY 2010 budget goal was to begin to replace some of the reserve funds that have been used in prior years due to crop shortfalls. This decision was made based on the priorities within the Kansas Wheat marketing plan as set forth by the Board of Directors. Research and domestic and international market development programs were the core mandates that received funding in the fiscal year ended June 30, 2010.

The crop estimates were lower than the actual income received of \$5.36 million, so the KWC was able to replace \$1.6 million of the reserve fund. The asset value increased slightly from \$3.45 million in FY 2009 to \$4.96 million in FY 2010. This year's asset portfolio consists of \$2.04 million liquid cash and \$3.01 million in certificates of deposit. There was very little change in fixed asset depreciation.

Kansas Wheat Commission has continued to explore building a Wheat Research Building that would be the new home of the KWC offices. Funds were originally committed for this purpose on March 29, 2007 by a unanimous vote of the KWC board of \$2.5 million dollars. These funds have continued to be noted in the financial statements as the designated building fund. KWC has worked with KSU and Heartland Plant Innovations for researchers to occupy the lab space and utilize greenhouse space for a negotiated fair market rental value as tenants in the future. Potential ground breaking and final financing of the construction of the new facility is scheduled to begin in Fiscal Year 2011.

Effective July 1, 2005, Kansas Wheat Commission and the Kansas Association of Wheat Grower entered into cooperative agreement. This agreement outlines a new structure that allows for continuation of two separate entities and two boards of directors, a joint committee system, one staff and one office. KAWG contracts with the KWC for staff and office services and could effect the financial situation for the next few fiscal years. This year completed the fourth full year of this cooperative agreement.

Financial Statements

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENTS OF NET ASSETS
 June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 2,042,208	\$ 1,086,199
Certificates of deposit	3,012,668	2,364,451
Interest receivable	8,226	6,473
Tuition reimbursement receivable	2,259	4,140
Total Current Assets	<u>\$ 5,065,361</u>	<u>\$ 3,461,263</u>
Non-Current Assets		
Capital assets - Net	<u>\$ 57,762</u>	<u>\$ 47,818</u>
TOTAL ASSETS	<u><u>\$ 5,123,123</u></u>	<u><u>\$ 3,509,081</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 99,537	\$ -
Research contracts payable	-	8,460
Payroll taxes payable	11,255	-
Sales tax payable	-	4
Compensated absences	48,064	48,064
Total Current Liabilities	<u>\$ 158,856</u>	<u>\$ 56,528</u>
Net Assets		
Invested in capital assets	\$ 57,762	\$ 47,818
Unrestricted	4,906,505	3,404,735
Total Net Assets	<u>\$ 4,964,267</u>	<u>\$ 3,452,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,123,123</u></u>	<u><u>\$ 3,509,081</u></u>

Financial Statements

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2010

	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>	<u>TOTAL</u>
FUNCTIONS/PROGRAMS			
Research	\$ 1,099,675	\$ -	\$ 1,099,675
Domestic marketing			
Wheat producers	388,752	(28,000)	360,752
Consumers	250,068	(4,500)	245,568
First purchasers/Domestic buyers	13,450	-	13,450
Miscellaneous	8,473	-	8,473
International marketing	1,139,316	(32,700)	1,106,616
Public issues	600	-	600
Special projects	24,728	(406)	24,322
Administration	8,228	-	8,228
Facility support	849,831	-	849,831
Total Functions/Programs	<u>\$ 3,783,121</u>	<u>\$ (65,606)</u>	<u>\$ 3,717,515</u>
GENERAL REVENUES			
Wheat assessment			\$ 5,360,666
Refunds			(321,784)
Returned research dollars			5,002
KAWG Cooperative agreement			40,000
HPI Management agreement			50,000
Miscellaneous income			9,117
Gain (loss) on disposal of assets			(57)
Interest income			86,285
Total General Revenues			<u>\$ 5,229,229</u>
CHANGE IN NET ASSETS			\$ 1,511,714
NET ASSETS - BEGINNING			<u>3,452,553</u>
NET ASSETS - ENDING			<u><u>\$ 4,964,267</u></u>

Financial Statements

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2009

	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>	<u>TOTAL</u>
FUNCTIONS/PROGRAMS			
Research	\$ 793,417	\$ -	\$ 793,417
Domestic marketing			
Wheat producers	317,188	(43,715)	273,473
Consumers	232,962	(34,600)	198,362
First purchasers/Domestic buyers	11,175	-	11,175
Miscellaneous	9,852	-	9,852
International marketing	769,226	-	769,226
Public issues	570	-	570
Special projects	83,443	(135,950)	(52,507)
Administration	6,939	-	6,939
Facility support	864,127	-	864,127
Total Functions/Programs	<u>\$ 3,088,899</u>	<u>\$ (214,265)</u>	<u>\$ 2,874,634</u>
GENERAL REVENUES			
Wheat assessment			\$ 3,567,641
Refunds			(180,839)
Returned research dollars			21,824
KAWG Coop agreement			30,000
Miscellaneous income			9,121
Gain (loss) on sale of assets			(444)
Interest income			108,653
Total General Revenues			<u>\$ 3,555,956</u>
CHANGE IN NET ASSETS			\$ 681,322
NET ASSETS - BEGINNING			<u>2,771,231</u>
NET ASSETS - ENDING			<u><u>\$ 3,452,553</u></u>

Financial Statements

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
BALANCE SHEETS
 June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash in checking	\$ 2,042,208	\$ 1,086,199
Certificates of deposit	3,012,668	2,364,451
Accrued interest receivable	8,226	6,473
Tuition reimbursement receivable	<u>2,259</u>	<u>4,140</u>
TOTAL ASSETS	<u><u>\$ 5,065,361</u></u>	<u><u>\$ 3,461,263</u></u>

LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable	\$ 99,537	\$ -
Research contracts payable	-	8,460
Payroll taxes payable	11,255	-
Sales tax payable	-	4
Total Liabilities	<u><u>\$ 110,792</u></u>	<u><u>\$ 8,464</u></u>
Fund Balance		
Unreserved - Designated for compensated absences	\$ 48,064	\$ 48,064
Unreserved - Designated for building fund	2,282,481	2,300,000
Unreserved - Undesignated	<u>2,624,024</u>	<u>1,104,735</u>
Total Fund Balance	<u><u>\$ 4,954,569</u></u>	<u><u>\$ 3,452,799</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,065,361</u></u>	<u><u>\$ 3,461,263</u></u>

RECONCILIATION OF FUND BALANCE TO NET ASSETS
 June 30, 2010 and 2009

Total Fund Balance	\$ 4,954,569	\$ 3,452,799
Amount reported in statement of net assets is different because:		
Capital assets used in government activities are not financial resources and therefore not reported in the fund	57,762	47,818
There were no retirements or terminations at June 30, 2010 so no payments of compensated absences are due to be paid with current funds	<u>(48,064)</u>	<u>(48,064)</u>
Total Net Assets	<u><u>\$ 4,964,267</u></u>	<u><u>\$ 3,452,553</u></u>

Financial Statements

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KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Years Ended June 30,

	<u>2010</u>	<u>2009</u>
REVENUES		
Wheat assessment	\$ 5,360,666	\$ 3,567,641
Refunds	(321,784)	(180,839)
Interest income	86,285	108,653
Returned research dollars	5,002	21,824
Kansas Gold Book sales	406	2,616
Sponsorship income	32,500	59,800
KBA grant income	-	133,334
Proceeds from sale of assets	-	500
Miscellaneous income	131,816	57,637
Total Revenues	<u>\$ 5,294,891</u>	<u>\$ 3,771,166</u>
EXPENDITURES		
Special projects		
KBA grant expense	\$ -	\$ 70,943
Wheat Genome Project	7,500	7,500
Biotech	5,000	-
Unspecified	5,000	5,000
Public issues - Trade policy issues	600	570
Research contracts	1,099,675	793,417
Administrative expense	8,228	6,939
Domestic marketing		
First purchasers/Domestic buyer		
Annual report	-	925
Grain grading schools	900	-
Sponsorships	6,550	4,250
Wheat Quality Council	6,000	6,000
Consumers		
Urban wheat field	21,672	14,437
Anniversary tour	4,783	-
Sponsorships	3,500	2,810
Agriculture in the Classroom	20,000	20,000
Education and promotion	20,830	6,148
Spokesperson program	5,483	10,172
Festival of Breads	10,763	93,287
Membership contracts	163,037	86,108
Wheat producers		
Increase in wheat yields	8,147	4,646
Wheat conferences	8,934	5,261
Kansas Wheat Alliance	2,500	5,500
HWW market facilitator	-	102
Sponsorships	6,831	3,453
Newsletters	25,518	44,998
Annual report	24,139	18,905
Harvest campaign	34,657	35,625

(continued)

KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
For the Years Ended June 30,

	<u>2010</u>	<u>2009</u>
EXPENDITURES (CONTINUED)		
Domestic marketing (continued)		
Wheat producers (continued)		
Direct mailings	26,000	-
Website	5,659	-
Other promotions	21,925	8,862
Trade shows and booth rentals	4,160	10,763
Membership contracts	220,282	176,515
Miscellaneous	-	2,558
Promotional items	1,942	3,365
Other domestic travel	6,308	6,303
Hospitality	223	184
International marketing		
Flour mill purchases	32,032	44,745
Crop quality survey	32,607	69,726
Hospitality	912	1,062
Trade teams	11,141	4,708
Travel	9,264	1,000
Membership contracts	1,053,360	647,985
Promotional items	-	890
Facility support		
Errors and omissions insurance	-	698
Tuition reimbursement	11,843	7,480
Capital outlay	29,017	8,908
Advanced plant design	55,706	64,626
Hospitality	132	522
Bank service charges	2,414	1,834
Professional fees	5,800	4,875
Building expenses	3,250	3,900
Meeting expenses	3,009	281
Telephone	12,044	11,974
Equipment rental	9,221	8,730
Postage and delivery	6,638	7,744
Office supplies	10,545	10,277
Advertising	1,398	1,635
Rent	42,350	42,000
Computer expense	7,653	21,761
Fees	5,257	3,098
Board expenses	31,075	28,007
Automobile expense	6,273	6,563
Utilities	7,672	6,502
Building insurance	2,314	1,616
Advance Plant Design	7,228	-
Miscellaneous	10,939	(53)

(continued)

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (CONTINUED)
 For the Years Ended June 30,

	<u>2010</u>	<u>2009</u>
EXPENDITURES (CONTINUED)		
Payroll expenses		
Wages	496,686	522,985
Payroll tax expense	37,564	39,596
Disability insurance	1,529	2,139
Health insurance	26,127	27,700
Retirement benefits matching	25,978	25,371
Worker's compensation insurance	1,638	1,634
Other payroll expense	5,759	2,902
	<u> </u>	<u> </u>
Total Expenditures	\$ 3,793,121	\$ 3,090,967
	<u> </u>	<u> </u>
EXPENDITURES IN EXCESS OF RECEIPTS	\$ 1,501,770	\$ 680,199
	<u> </u>	<u> </u>
FUND BALANCE - BEGINNING OF YEAR	3,452,799	2,772,600
	<u> </u>	<u> </u>
FUND BALANCE - END OF YEAR	\$ 4,954,569	\$ 3,452,799
	<u> </u>	<u> </u>

Financial Statements

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2010 and 2009

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Wheat Commission (the Commission) is organized as an instrumentality of the State to conduct a campaign of wheat promotion and market development through research, education, and information. The Commission receives an assessment that is levied on wheat marketed through commercial channels in the state of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as refund requested is \$5 or more.

Method of Accounting

The major source of revenue for the Commission, the assessment on wheat sold, is accounted for as a special revenue fund. The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2005.

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Commission has the option to apply FASB pronouncements issued after that date and has elected to apply those when applicable. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

The statements of net assets and statements of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statements of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function.

The balance sheets and statements of revenues, expenditures, and changes in fund balance are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available which is as soon as they are received and expenditures are generally recorded when incurred and payable from current funds.

Income Taxes

The Commission is a governmental entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

Estimates

Preparing financial statements on the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Actual results could differ from the estimates.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2010 and 2009

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash includes all deposits in the bank and highly liquid investments with original maturities of three months or less. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. The Commission had no non-cash financing transactions nor made cash payments for income taxes or interest expense.

Inventory and Prepaid Expenses

The Commission has elected to account for inventories and prepaid expenses using the purchases method. Under this method, inventories and prepayments for services are reported as expenditures when purchased rather than capitalized as an asset.

Capital Assets

All capital assets are valued at historical cost. Depreciation is based on the estimated useful lives of the assets, using the straight-line method. Expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized in income of the period. The cost of maintenance and repairs is expensed as incurred.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition. The Commission has no debt outstanding at June 30, 2010 and 2009. Therefore, the net assets invested in capital assets are the historical cost of the capital assets, net of accumulated depreciation. In March 2007, the Board designated funds for the Commission share of a building to be constructed with funding in part through a grant from the Kansas Bioscience Authority.

Reclassification

Certain prior year balances have been reclassified to conform to current year presentation.

Pending Governmental Accounting Standards Board Statements

At June 30, 2010, the GASB had issued several statements not yet implemented by the Commission. The statement that might impact the Commission is as follows:

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued in March 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods ending June 15, 2011, and after.

Note 2: Cash and Certificates of Deposit

Cash and certificates of deposit are maintained at Kansas State Bank located in Manhattan, Kansas and UMB Bank located in Kansas City, Missouri. The Commission also has certificates of deposit issued through CDARS by multiple FDIC-insured institutions that are held at Kansas State Bank.

The bank balance at June 30, 2010 in checking accounts totaled \$2,038,522 and certificates of deposit totaled \$3,221,506. The bank balance at June 30, 2009 in checking accounts totaled \$1,361,014 and certificates of deposit totaled \$2,364,451. Deposit security held by the Commission in its name and FDIC coverage was adequate to secure all deposits.

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Years Ended June 30, 2010 and 2009

Note 2: Cash and Certificates of Deposit (Continued)

For June 30, 2010, the balances were secured as follows:

	Kansas State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 83,197	\$ 333,197
CDARS accounts insured through multiple institutions	951,830	-	951,830
Collateralized by Federal Home Loan Bank letter of credit	3,975,001	-	3,975,001
Total	<u>\$ 5,176,831</u>	<u>\$ 83,197</u>	<u>\$ 5,260,028</u>

For June 30, 2009, the balances were secured as follows:

	Kansas State Bank	UMB Bank	Total
FDIC insurance	\$ 250,000	\$ 137,786	\$ 387,786
Collateralized by Federal Home Loan Bank letter of credit	3,337,679	-	3,337,679
Total	<u>\$ 3,587,679</u>	<u>\$ 137,786</u>	<u>\$ 3,725,465</u>

Funds on deposit at UMB Bank are swept nightly when target balances are reached, invested in repurchase agreements, and swept back when required for payment of checks to transfer funds to Kansas State Bank.

Note 3: Pension Plan

On January 1, 2008, the Commission established a Section 457 plan and a section 401(a) plan. The plan allows the employee to contribute an amount from their wages to the plan. The maximum amount is established by the Internal Revenue Service. The Commission contributes a matching amount for each employee participating in the plan up to 7% of the employee's gross wages.

The Commission's expense for the years ended June 30, 2010 and 2009 was \$25,978 and \$24,371, respectively.

Note 4: Capital Assets

The Commission maintains an account for capital assets, which consists of furniture, equipment, vehicles, and computer hardware and software. Depreciation of these assets is calculated on the straight-line basis over the estimated useful life of the assets.

Changes in capital assets for the year ended June 30, 2010 were as follows:

	June 30, 2009	Additions	Disposals	June 30, 2010
Furniture and equipment	\$ 193,123	\$ 29,017	\$ (33,169)	\$ 188,971
Accumulated depreciation	(145,305)	(19,016)	33,112	(131,209)
Net Capital Assets	<u>\$ 47,818</u>	<u>\$ 10,001</u>	<u>\$ (57)</u>	<u>\$ 57,762</u>

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 For the Years Ended June 30, 2010 and 2009

Note 4: Capital Assets (Continued)

Changes in capital assets for the year ended June 30, 2009 were as follows:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2009</u>
Furniture and equipment	\$ 185,914	\$ 8,908	\$ (1,699)	\$ 193,123
Accumulated depreciation	(124,703)	(21,357)	755	(145,305)
Net Capital Assets	<u>\$ 61,211</u>	<u>\$ (12,449)</u>	<u>\$ (944)</u>	<u>\$ 47,818</u>

Depreciation expense was \$19,016 and \$21,357 for the years ended June 30, 2010 and 2009, respectively, and is included in facility support expense on the statements of activities.

Note 5: Compensated Absences

The Commission's policy allows employees to accumulate annual and sick leave as follows:

Annual Time:

- 0 - 5 years of service accrue 2 weeks per year
- 6 - 15 years of service accrue 3 weeks per year
- 15 or more years of service accrue 4 weeks per year
- Employees can accumulate 60 days maximum
- Employees can only carryover 1/2 of what is accrued each year
- Maximum payout is 30 days when an employee terminates employment or at retirement

Sick Leave:

- Employees initially accumulate 7 days per year
- Once an employee has accumulated 12 days of sick leave or has 3 years of continuous employment, whichever comes first, the employee accrues 14 days per year
- Maximum accumulation is 180 days
- Sick leave is paid at the employee's base rate of pay
- Maximum payout is 2 weeks upon termination of employment or 4 weeks upon retirement

Compensated absences have been accrued for the balance due upon termination, \$31,215 in vacation pay and \$16,849 in sick leave for a total of \$48,064 for the year ended June 30, 2010 and \$25,789 in vacation pay and \$22,275 in sick leave for a total of \$48,064 for the year ended June 30, 2009. This liability is recorded in the statements of net assets. On the balance sheets, they are recorded as a designation of the unreserved fund balance.

Note 6: Budget

A legally adopted budget by the Commission is required by KSA 2-3005, but this budget is not required to be published or have a public hearing. Therefore, the budget is presented in the supplemental information section, but Kansas cash basis budget laws do not apply.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2010 and 2009

Note 7: Building Lease

On July 1, 2006, the Commission began leasing the building at 217 Southwind Place, Manhattan, Kansas from Tillman Partners, LP. The total lease payments were \$42,000 for the years ended June 30, 2010 and 2009. The lease is for three years with two additional one year renewable options. The future minimum rental payments are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2011	\$ 42,000

Note 8: Advertising

Advertising expenses are expensed when incurred. Advertising expenses at June 30, 2010 and 2009 was \$1,398 and \$1,635, respectively.

Note 9: Risk Management

The Commission is considered an "agency, authority, institution, or other instrumentality" of the State of Kansas and Commissioners and any employees are considered employees of the Commission for the purpose of the Kansas Tort Claims Act. Generally, the Act imposes liability on a governmental entity for damages caused by the wrongful acts of its employees while acting within the scope of their employment.

Note 10: Related Party Transactions

Kansas Association of Wheat Growers (the Association) is a separate legal entity that has the same internal management. The Commission provides certain administration and management services for the Association under the terms of a cooperative agreement. The amounts received under this agreement in the years ended June 30, 2010 and 2009 were \$40,000 and \$30,000, respectively.

The Commission contracts with the Association for program services. The amounts paid under these contracts in the years ended June 30, 2010 and 2009 were \$195,283 and \$133,000, respectively.

Some members of the Association pay membership dues to the Commission that in actuality belong to the Association. These dues are then paid to the Association by the Commission. For the years ended June 30, 2010 and 2009, the amount paid by the Commission to the Association was \$2,800 and \$300, respectively.

Note 11: Concentrations

The amount received by the Commission is dependent upon the number of bushels of wheat produced in Kansas. The Commission may be adversely affected if the production of wheat drops dramatically. The Commission's management feels that the likelihood of this occurring is remote.

KANSAS WHEAT COMMISSION
Manhattan, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended June 30, 2010 and 2009

Note 12: Grant Income

During the year ended June 30, 2008, the Commission was awarded a grant from the Kansas Bioscience Centers for Innovation for the creation of a business plan for the Kansas Innovation Center for Advanced Plan Design: "Plants for the Heartland." This grant was for a total of \$200,000. The Commission received \$0 and \$133,333 of the grant proceeds in the years ended June 30, 2010 and 2009, respectively.

Note 13: Heartland Plant Innovations

Heartland Plant Innovations (HPI) has been incorporated as a for-profit subsidiary of the Association. Expenses were incurred for the planning and incorporation of HPI by the Commission using the proceeds of the Kansas Bioscience grant. The Commission also elected to fund the start-up expenses in excess of the proceeds of the grant. Total unreimbursed expenditures related to the planning and incorporation of HPI were \$7,227 and \$135,569 for the years ending June 30, 2010 and 2009, respectively.

The Commission provides certain administration and management services for HPI under the terms of a management agreement. The amounts received under this agreement in the years ended June 30, 2010 and 2009 were \$50,000 and \$0, respectively.

Note 14: Net Assets Designated for Building Fund

In March 2007, the Board designated \$2.5 million in funds to be set aside for the Commission's share of the costs of constructing the building to be used to house the operations of the Commission, the Association and HPI. Additional funding for the cost of the building would come through grant funds provided to HPI from the Kansas Bioscience Authority.

In addition to the \$200,000 received from the Kansas Bioscience grant, the Commission provided \$200,000 in matching funds through direct expenses and allocation of salary expenses. These contributions toward the project were subtracted from the original designation, leaving \$2.3 million in designated funds at June 30, 2009.

During the year ended June 30, 2010, the Commission paid \$17,519 for architect design costs for the new building, which reduced the amount designated for the project at June 30, 2010.

The Commission has paid additional design fees of approximately \$65,000 to date during the fiscal year beginning July 1, 2010.

The Commission has entered into a 50 year land-lease agreement with Kansas State University for the building site and plans to break ground on construction in the fall of 2010.

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
 For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Wheat assessment	\$ 5,360,666	\$ 4,682,700	\$ 677,966
Refunds	(321,784)	(327,789)	6,005
Interest income	86,285	100,000	(13,715)
Returned research dollars	5,002	-	5,002
Kansas Gold Book sales	406	-	406
Sponsorship income	32,500	5,000	27,500
Miscellaneous income	131,816	41,000	90,816
Total Revenues	<u>\$ 5,294,891</u>	<u>\$ 4,500,911</u>	<u>\$ 793,980</u>
EXPENDITURES			
Special projects			
Wheat Genome Project	\$ 7,500	\$ 7,500	\$ -
Biotech	5,000	5,000	-
Unspecified	5,000	-	(5,000)
Public issues - Trade policy issues	600	2,000	1,400
Research contracts	1,099,675	1,009,351	(90,324)
Administrative expense	8,228	10,000	1,772
Domestic marketing			
First purchasers/Domestic buyer			
Annual report	-	2,500	2,500
Grain grading schools	900	900	-
Sponsorships	6,550	9,775	3,225
Wheat Quality Council	6,000	6,000	-
Consumers			
Regional and national meetings	-	6,000	6,000
Urban wheat field	21,672	30,000	8,328
Anniversary tour	4,783	-	(4,783)
Sponsorships	3,500	3,000	(500)
Agriculture in the Classroom	20,000	20,000	-
Education and promotion	20,830	77,400	56,570
Spokesperson program	5,483	12,000	6,517
Festival of Breads	10,763	10,000	(763)
Membership contracts	163,037	120,321	(42,716)
Wheat producers			
Increase in wheat yields	8,147	5,000	(3,147)
Wheat conferences	8,934	5,000	(3,934)
Kansas Wheat Alliance	2,500	2,000	(500)
Sponsorships	6,831	11,000	4,169
Newsletters	25,518	32,500	6,982
Annual report	24,139	27,000	2,861
Harvest campaign	34,657	25,000	(9,657)

(continued)

KANSAS WHEAT COMMISSION
 Manhattan, Kansas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (CONTINUED)
 For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (CONTINUED)			
Domestic marketing (continued)			
Wheat producers (continued)			
Direct mailings	26,000	30,000	4,000
Website	5,659	7,000	1,341
Other promotions	21,925	7,500	(14,425)
Trade shows and booth rentals	4,160	8,500	4,340
Membership contracts	220,282	220,283	1
Promotional items	1,942	2,500	558
Other domestic travel	6,308	10,000	3,692
Hospitality	223	500	277
International marketing			
Flour mill purchases	32,032	32,000	(32)
Crop quality survey	32,607	50,000	17,393
Hospitality	912	2,000	1,088
Trade teams	11,141	10,000	(1,141)
Travel	9,264	31,500	22,236
Membership contracts	1,053,360	1,024,903	(28,457)
Facility support			
Trademarking	-	500	500
Tuition reimbursement	11,843	7,500	(4,343)
Capital outlay	29,017	25,000	(4,017)
Advanced plant design	55,706	400,000	344,294
Hospitality	132	500	368
Bank service charges	2,414	1,500	(914)
Professional fees	5,800	5,500	(300)
Building expenses	3,250	4,500	1,250
Meeting expenses	3,009	500	(2,509)
Telephone	12,044	15,000	2,956
Equipment rental	9,221	12,000	2,779
Postage and delivery	6,638	8,000	1,362
Office supplies	10,545	10,000	(545)
Advertising	1,398	250	(1,148)
Rent	42,350	42,000	(350)
Computer expense	7,653	27,500	19,847
Fees	5,257	8,500	3,243
Board expenses	31,075	38,000	6,925
Automobile expense	6,273	8,300	2,027
Utilities	7,672	6,500	(1,172)
Building insurance	2,314	2,500	186
Advance Plant Design	7,228	-	(7,228)
Miscellaneous	10,939	2,500	(8,439)

(continued)

Financial Statements

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KANSAS WHEAT COMMISSION
Manhattan, Kansas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET (CONTINUED)
For the Year Ended June 30, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (CONTINUED)			
Payroll expenses			
Wages	496,686	520,038	23,352
Payroll tax expense	37,564	45,000	7,436
Disability insurance	1,529	2,500	971
Health insurance	26,127	35,000	8,873
Retirement benefits matching	25,978	25,402	(576)
Worker's compensation insurance	1,638	1,634	(4)
Other payroll expense	5,759	150	(5,609)
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	\$ 3,793,121	\$ 4,132,207	\$ 339,086
	<u> </u>	<u> </u>	<u> </u>
REVENUE IN EXCESS OF EXPENDITURES/ (EXPENDITURES IN EXCESS OF RECEIPTS)	\$ 1,501,770	\$ 368,704	\$ 1,133,066
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - BEGINNING OF YEAR	3,452,799	3,452,799	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - END OF YEAR	\$ 4,954,569	\$ 3,821,503	\$ 1,133,066
	<u> </u>	<u> </u>	<u> </u>

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Kansas Soybean Commission
March 16, 2011
Report to the Kansas House

Chairman Powell and members of the Kansas House Standing Committee on Agriculture and Natural Resources: I am Bob Haselwood from Berryton, chairman of the Kansas Soybean Commission (KSC).

Kansas Statute 2-3002 authorized the soybean commission and continues to guide its operations. Likewise, Congress passed the Soybean Promotion, Research and Consumer Information Act as part of the 1990 farm bill, and the act authorized the U.S. Department of Agriculture to create the United Soybean Board (USB). That board has designated the KSC as a qualified state soybean board. Through KSC and USB, the soybean checkoff provides soybean farmers with an effective, efficient, self-directed program for research and development on both the state and national levels.

First purchasers – typically grain elevators – assist us by collecting one-half of 1 percent of the net market value of the soybeans when farmers sell their crop in Kansas. We send one-half of our collections to USB for national and international projects. USB's 69 farmer-directors – including three Kansans – allocate our remittance and those of 25 other soybean-producing states to international market development, production and utilization research, consumer information and producer communications projects.

At the state level, nine soybean farmers volunteer their time to serve on the soybean commission, and they oversee the investment of the remaining checkoff funds in similar projects to benefit their industry.

The handouts include a copy of our latest marketing plan, which summarizes this fiscal year's program, including some information about the project areas we fund.

A summary of our research – primarily production research – also is in the handouts. We fund soybean breeding, production and environmental research programs that focus on the most economical, efficient and environmentally friendly cropping systems. Our research priorities include best management practices, crop protection and pest management. We also fund a limited amount of research into new uses for soybeans and their derivatives. Developing eco-conscious products to create new markets for soybeans is important to us.

Our international marketing efforts, which complement USB's extensive program, primarily are enacted through the International Grains Program at Kansas State University. For example, hosting trade delegations to promote Kansas-grown soybeans to overseas customers expands our foreign markets for value-added products. We also have been working with the agricultural marketing staff within the Kansas Department of Commerce to sell containerized Kansas soybeans to a food and feed provider in Kansas' sister state, the Henan province and other locations in China.

Our international activities also include humanitarian projects, such as our collaborations with the World Initiative for Soy in Human Health to improve people's nutrition and access to much-needed protein. Our most recent efforts have focused on using soy protein to combat the hunger, malnutrition and dietary deficiencies that are having devastating effects on children in Central and South America.

Our consumer-education program not only includes educating school children and the general public about convenient, healthful soyfoods, but it also promotes industrial soybean products like biodiesel and soy-based paints, stains, sealers and insulation.

Developed by the soybean checkoff and creating 4.5 times more energy than used to produce it, soy biodiesel helps drive demand for U.S. soybeans. Biodiesel plays a constructive role in the nation's overall energy strategy. Kansas biodiesel usage climbed steadily from 2004 through 2009 until the federal biodiesel tax credit was allowed to expire in 2010. Now that the tax incentive has been reinstated we are working hard with Kansas petroleum marketers to regain lost market share. Tax incentives make soy biodiesel more affordable and they are an integral part of sound public policy, promoted by our sister organization the Kansas Soybean Association. We have included our latest survey of Kansas petroleum marketers showing the decline in biodiesel sales. We lost nearly one-half of our bulk and retail outlets in 2010.

Another domestic market priority is our serious commitment to protecting animal agriculture, which consumes about 98 percent of all soybean meal produced in the United States. We are working closely with Kansas animal, commodity and general farm organizations to educate Kansans about the social and economic importance of animal agriculture in our state and nationwide. According to a checkoff-funded study, U.S. animal agriculture normally employs more than 1.8 million Americans and contributes

more than \$16 billion in income- and property-tax revenue per year. In concert with the Kansas Soybean Association, we will take every step necessary to safeguard animal agriculture, including the formation of an Animal Agriculture working group in Kansas.

Our communications program disseminates information to farmers and our industry partners. Radio and TV programs, newsletters, trade-show displays and meeting participation all are included in the program. We strive to get the latest, most relevant information to our farmers. A copy of our *Soy Notes* newsletter, which is in the handouts, illustrates some of that information. We have been a major supporter of the new "AG am in Kansas" TV program aired daily throughout the state.

Our administrative budget includes the cost of collections, audits, elections and other commission expenses. An outside, accredited accounting firm audits KSC's financial records each year, ensuring checkoff dollars are spent according to acceptable, efficient business practices. Our complete FY 2010 audit is available to you if you wish to have a copy; and the handouts include our statements of net assets, statements of activities, statements of cash flows and schedules of program expenses from the last two audits. In addition, USB audits us every three years for compliance with the national soybean-checkoff regulations.

About this time last year, we moved into our new office building in Topeka. It is on SW Red Oaks Place – just east of where SW Urish Road intersects SW 10th Street. While providing state-of-the-art facilities for hosting international trade delegations, industry meetings and other visitors, it also showcases many of the construction applications of soybean products. You are welcome to stop by for a tour anytime.

It has been my pleasure to share this brief synopsis of our program with you. Additional information, program details and project specifics are available at your request. Please accept the gratitude of the entire Kansas Soybean Commission and our state's soybean farmers – who generated nearly \$1.5 billion in farm receipts from the 2010 crop – for your continued support of our soybean checkoff because, as our slogan goes, it works for everyone.

Bob Haselwood
Berryton, Kansas

Kansas Soybean Commission
1000 SW Red Oaks Place
Topeka, KS 66615-1241

Kansas Soybean Commission FY2011 Marketing Plan

The mission of the Kansas Soybean Commission is improving the profitability of Kansas's soybean producers. The Commissioners have identified the following priorities to work toward that mission:

1. Breeding/Production/Environmental Programs focusing on the most economical/efficient cropping systems with minimal impact on the environment including best management practices and crop protection/pest management; replacement of existing controls/seed treatments.
2. Animal/Human Nutrition studies that will increase the utilization of soybeans in the livestock feeding industry and new and innovative uses of soybeans as vital components in human nutrition.
3. Value-Added Projects developing and commercializing competitive industrial uses for soybeans including private entity cooperation.
4. Marketing Extension Program including extensive educational training of soybean pricing, crop disappearance/market share, crop insurance options, yield protection, farm program considerations and options in marketing available to Kansas soybean producers.
5. International market development with a focus on utilizing Kansas's soybeans.

In addition the Soybean Commission through its own work and through a contract with the Kansas Soybean Association promotes the nutritional benefits of using soybean products to consumers and because of its benefits to the environment, energy security and the farm economy, promotes the use of soy biodiesel as an alternative to diesel fuel. It also informs Kansas' soybean producers of their activities through producer communications efforts and participates in Industry Relations programs both state and nationally.

The Commission directly funds the following programs to reach their mission:

1. Kansas State University research and outreach:
 - Extension and Applied Research Programs for Kansas Soybean Production
 - Development of Soybean Host Plant Resistance and Other Management Options for the Soybean Stem Borer
 - Trait and Production Efficiency Enhancement in Soybean
 - Use of Seed and Foliar Fungicides at Two Planting Dates for Soybean Production in Kansas
 - Correction of Potassium Deficiency in Soybean Production in Kansas
 - Influence of soils, nutrition, and water relations upon charcoal rot disease processes in Kansas
 - Iron deficiency chlorosis in soybean: Effect of soil properties and iron fertilizer application
 - Managing Marestalk in No-Till Soybean Systems
 - Evaluation of Common Soybean Varieties in Southeast KS
 - Enhancement of Soybean through Genetic Engineering
 - Soy oil latex for pressure sensitive adhesives
 - Premium Texturized Soybean Protein by Extrusion Processing – Product Quality from Different Formulations and Processing Parameters
 - Nutritional enhancement of soybean carbohydrates and hulls for animal feed using microbial cultures
 - Development of Farm Management Data Systems for Kansas Farmers
 - Keeping the Family Farming, Succession Planning Workshops for Kansas Farmers
 - Kansas Soybean Cyst Nematode Survey

2. Pittsburg State University research on:
Hyperbranched Polyols for Flexible Foams from Soybean Oil Fatty Acids
3. The University of Kansas research on:
KU Biodiesel Initiative: A model for distributed production of biodiesel for rural communities
Biodiesel Glycerin Based Hydrogen Rich Fuel Gas Production for Electrical Generation from an
Internal Combustion Engine
Emission Studies of Biodiesel and Biodiesel Blends in a Light Duty Truck
4. Wichita State University
Understanding charcoal rot disease using a genetics approach
5. North Central Soybean Research Program
6. Ag in the Classroom, School Education Programs and state and county fairs
7. Youth Education Program
8. FFA program support
9. FACS education program
10. Biodiesel – Industrial Uses Advertising
Kansas State University Football Network
WIBW – Kansas University Sports
Others as approved by the commission
11. National Biodiesel Board
Membership
State Regulatory Project
Pipeline distribution
12. Producer Radio, TV and Print Outreach
WIBW radio, Topeka
KRVN radio, Lexington, NE
KKOW radio, Pittsburg, KS
KFEQ radio, St. Joseph, MO
KFRM radio, Clay Center, KS
KBUF radio, Garden City, KS
AG am in Kansas on three TV stations in Kansas

Possible spot ads and other sponsorships:
KFRM radio, Clay Center, KS
Eagle Broadcasting Network
Kansas Agricultural Network
Mid-America Ag Network
Agri-Talk Program at NBB Conference

Print Ads for specific promotions. Advertise to educate producers of soybean checkoff
program sponsored by the KSC, *Straight Rows*. Work on earned media with *Kansas
Farmer*, *High Plains Journal*, *Farm Talk*, *Midwest Producer* and *Grass and Grain*.
13. *Soy Notes* Newsletter

14. Kansas Soybean Expo
15. No-till education including No-till On the Plains organization
16. Field Days, Farm/ Trade Shows, Crop Tours
17. International Market Development work
 - Kansas State University
 - International Grains Program
 - Karl Zhao, Kansas Department of Commerce, Chinese Consultant
 - WISHH Program
 - USSEC Latin American, Chinese and Taiwanese Program work
 - AGP, Inc., Gray's Harbor Export Program
18. Collection, meeting, administration and audit procedures
19. Program and administrative work by the Kansas Soybean Association
(Attached projects including budgets for contracted and direct spending)
20. Leadership development and program management
21. First Purchaser Relations
 - Grain Grading Workshops
 - KGFA Annual meeting and trade show
 - KGFA meetings and golf outings
22. Soybean Production Yield Contest
23. USB Funded Cooperative Projects
24. Consumer Awareness Media Program

FY2011 Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath (Secretary) 420 Elm Avenue Oakley, KS 67748 (785) 672-3750	District IV	Steve Clanton 721 Kiowa Minneapolis, KS 67467 (785) 392-2527
District V	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601 (785) 625-6488	District VI	Jerry Wyse 8403 Mayfield Rd. Haven, KS 67543-8093 (620) 465-2245
District VII	Jim Zwonitzer 10789 Cheyenne Road Horton, KS 66439 (785) 872-3165	District VIII	Bob Haselwood (Chair) 2130 SE 61 st Street Berryton, KS 66409 (785) 862-1048
District IX	Mike Bellar 1411 Killdeer Howard, KS 67349 (620) 374-2197	At-Large	Ron Ohlde (Treasurer) 1579 4th Road Palmer, KS 66962 (785) 692-4322
At-Large	Jerry Jeschke (Vice-Chairman) 1584 Willow Road Robinson, KS 66532 (785) 765-3623	United Soybean Board Representatives:	John Wray, Ottawa Bob Haselwood, Berryton Ron Ohlde, Palmer

Kenlon Johannes, Administrator
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Soybean Checkoff Research Database: Projects Being Funded on October 1, 2010

Kansas Soybean Commission

Correction of Potassium (K) Deficiency in Soybean Production in Kansas; *David B. Mengel, Dorivar Ruiz Diaz (Agronomy Department, Kansas State University); (\$30,990)*

The objectives are to: 1) Determine the impact of K deficiencies on soybeans yields in Kansas. 2) Determine if broadcast applications of K will correct the observed deficiencies when soil test K levels are below the current critical level and if so, the amount of K required to correct deficiencies at a given soil test level. 3) Determine if surface banding of K will correct the K deficiency in soybeans more efficiently than broadcast applications.

Trait and Production Efficiency Enhancement in Soybean; *Bill Schapaugh, Tim Todd, Harold Trick, Jim Long, (Agronomy Department, Plant Pathology Department, Southeast Research Center, Kansas State University); (\$276,449)*

The objectives are to: 1) Improve the genetic potential and enhance the genetic diversity of soybean germplasm for the following traits: Seed yield: under dryland and irrigated production; seed composition: high oil, high protein, low phytate, low linolenic, mid-oleic, low saturated fats and disease and insect resistance: Soybean Cyst Nematode (SCN), Soybean Sudden Death Syndrome (SDS), Soybean Aphid, Soybean Rust. 2) Incorporate transgenic events into elite breeding lines. 3) Map resistance genes for the soybean aphid. 4) Characterize the virulence diversity in Kansas populations of soybean cyst nematode. 5) Investigate the interaction between SDS and SCN. 6) Develop best management practices in Southeast KS for disease control in soybean, with special consideration for season-long charcoal rot control, early and mid season leaf disease control, and late foliar, pod, and stem disease control. 7) Identify and assess biological methods to control diseases, including seed treatments and foliar treatments.

Use of Seed and Foliar Fungicides at Two Planting Dates for Soybean Production in Kansas; *Barney Gordon, Doug Jardine, Kraig Roozeboom, Stu Duncan (Department of Agronomy, Department of Plant Pathology, Northeast Area Extension, Kansas State University); (\$8,500)*

The objective of this research will be to investigate response of soybeans to both seed and foliar applied fungicides at a normal and a late planting date under irrigated and dryland conditions. An additional objective will be to assess the role of fungicides in improving quality of soybean seed for planting.

Iron Deficiency Chlorosis in Soybean: Effect of Soil Properties and Iron Fertilizer Application; *Dorivar Ruiz Diaz, David Mengel (Department of Agronomy, Kansas State University); (\$33,656)*

The objectives are: 1) Evaluate the effect of different iron fertilizer applications strategies on soybean yield on iron deficiency chlorosis potential soils. 2) Determine interactions between soil properties and iron fertilizer applications on soybean yield. 3) Evaluate economic returns to iron fertilizer applications and varietal resistance selection.

Understand Charcoal Rot Disease Using a Genetics Approach; *Bin Shuai (Department of Biological Sciences, Wichita State University); (\$28,745)*

The research objective is to identify genes that are involved in the charcoal rot disease using Medicago as the model.

Enhancement of Soybean through Genetic Engineering; *Harold Trick, William Schapaugh and Tim Todd (Departments of Plant Pathology and Agronomy, Kansas State University); (\$75,092).*

This project will continue to produce and evaluate genetically engineered soybeans for increased fungal resistance. Use gene silencing (RNAi) to enhance Soybean Cyst Nematode (SCN) resistance in transgenic soybean. Produce phenylalanine-free corn protein in transgenic soybean to produce a nutraceutical (value-added) trait that may open new markets for Kansas' soybeans.

Development of Genetic and Chemical Tactics for Management of the *Decetes* Stem Borer in Soybean; *Lawrent Buschman, C. Michael Smith, Phillip E. Sloderbeck, William Schapaugh and Harold Trick (Entomology, Agronomy and Plant Pathology Departments, Southwest Area Extension Office, SW Research/Extension Center, KSU Extension Offices, Kansas State University); (\$26,156).*

The researchers will: 1) continue screening soybean germplasm accessions for resistance to soybean stem borer; 2) evaluate the yield response of different soybean varieties to soybean stem borer feeding using systemic insecticides; 3) conduct a survey of the occurrence of soybean stem borer across the High Plains and Midwest to determine if the problem is widespread enough to encourage registration of insecticides against this pest; and 4) expand web pages and other educational materials associated with soybean insect pests.

Understanding soybean seed, seedling, and root pathogens in Kansas; *Christopher R. Little, Timothy C. Todd (Plant Pathology Department, Kansas State University) (\$35,115)*

This study will help determine the intensity of soil and seed borne *Fusarium* spp. in Kansas soybeans. In addition, it will evaluate the pathogenicity of *Fusarium* spp. upon those varieties of soybeans that are commonly grown. As well as determine the sensitivity and resistance of *Fusarium* pathogens to biological and compare those results with commercial seed treatment fungicides. To conclude the study will examine the interactions between seedlings and root pathogens in three-way tests.

Kansas Soybean Cyst Nematode Survey; *Douglas J. Jardine, Tim C. Todd, Stewart R. Duncan, Douglas Shoup (Plant Pathology and Agronomy Departments, Kansas State University) (\$9,320)*

This project will conduct a statewide soil survey for soybean cyst nematode, to determine the severity of the pest. It will determine the HG type of those fields testing positive. Results will be delivered through a large variety of outlets which include local, regional, and statewide meetings, newsletters, Extension publications, and the internet.

Managing Marestail in No-Till Soybean Systems; *Dallas Peterson, Doug Shoup (Department of Agronomy and Southeast Area Extension, Kansas State University) (\$5,244)*

Researchers will identify options for herbicide to control marestail in no-till systems. Once those options have been identified, they will evaluate fall and spring application timings to optimize the control of marestail. Education will take place with producers on best management practices for chemical control of marestail through extension meetings and field demonstrations.

Soy Oil Latex for Pressure Sensitive Adhesives; *Xiuzhi Susan Sun, Donghai Wang (Department of Grain Science and Industry, Department of Bio & Ag Engineering, Kansas State University); (\$50,700)*

The goal of this proposal is to convert soybean oil into latex for pressure sensitive adhesive applications. Specific objectives include; 1) Technology will be developed that soybean oil will be used as a major material for latex production. 2) The soy oil latex will be evaluated for pressure sensitive adhesives applications. 3) Aging of pressure sensitive adhesives will be characterized and stabilized.

Nutritional Enhancement of Soybean Carbohydrates and Hulls For Animal Feed Using Microbial Cultures; *Praveen Vadlani, Ron Madl, Dan O'Brien (Department of Grain Science and Industry, Department of Extension Agricultural Economics NW Research Extension Center, Kansas State University); (\$38,742)*

The objective of the research is: 1) To achieve bioconversion of soluble carbohydrates (raffinose, sucrose

and stachyose) and residual starch from soybean hulls to microbial protein, 2) Co-culture fermentation of sugars derived from soybean carbohydrates and hull to single-cell-protein, and characterize the fiber utilization and nutritional enhancement, 3) Assess the economics of nutritionally enhanced soybean hulls compared with current use value and vs. distiller's grain from the ethanol process.

Novel Soy-Based Savory Snacks Using Extrusion Processing; *Sajid Alavi, Koushik Adhikari, Xiaozhi Tang (Kansas State University) (\$36,950)*

The overall objective is to develop a novel, high protein, soy-based savory snack product for the U.S. market, which uses extrusion processing. Ideally, this product will have the potential for marketing internationally as a cheaper alternative to lentils, which is a protein source for many people in many countries. The specific objectives are: 1.) Utilize extrusion processing to produce a precooked snack with a mixture of soy and wheat flour. 2.) To compare and study the production of the soy-wheat pellets using a single screw extruder and a twin extruder. 3.) To prepare the snacks mentioned above by soaking, frying and seasoning, and characterize properties of the product, such as water holding capacity, oil uptake, and texture. 4.) To evaluate the consumer acceptability and nutrition of the savory snacks.

Biodiesel Glycerin Based Hydrogen Production for Electrical Generation from a Hydrogen Internal Combustion Engine; *William Ayres (Renewable Solutions, LLC); (\$43,000).*

The objective of this project is to test hydrogen from glycerin from biodiesel production for hydrogen gas powered internal combustion engines by: 1) Glycerin Hydrogen Fuel Gas production at Biomass Energy Foundation (BEF); 2) Continue Testing of Plasma Reformer on Glycerin to Produce Hydrogen Rich Gas and operation of an engine generator set; 3) Integrate the Reformer and Operate an Engine on Biodiesel Glycerin Hydrogen Rich Gas.

KU Biodiesel Initiative: A model for distributed production of biodiesel for rural communities; *Susan M Stagg, Ilya Tabakh, Jeremy Viscomi (Civil, Environmental, and Architectural Engineering Department and Chemical and Petroleum Engineering, KU Energy Council, University of Kansas) (\$48,909)*

The purpose of this study is to convert used cooking oil from the KU campus into biodiesel for use at KU. It will establish a testing facility to train and monitor. This is to ensure fuel quality. It will also provide education and outreach to the people of Kansas. In addition, it will analyze energy consumption for the production and testing facility. It will also evaluate the environmental and economic benefits of biodiesel usage on campus.

Securing Biodiesel Blends in Multi Product Pipeline; *Dough Whitehead, Steve Howell (National Biodiesel Board) (\$40,000)*

This project's objective is to provide funding toward the efforts needed to allow commercial shipment of biodiesel blends in the US pipelines that carry current petroleum based fuels. It is expected that there will be significant economic impacts on the cost of biodiesel. This impact could save consumers when they purchase biodiesel at the pump.

Bioheat-Cooperative Support of Technical Barriers; *Doug Whitehead, Steve Howell, Paul Nazzaro (The National Biodiesel Board and Advanced Fuel Solutions) (\$40,000)*

This project will provide NBB funding to address the technical issues needed for the approval of B20 by the burner manufacturers.

Locally Led Core Conservation Practices to Protect Water Quality; *Roger Long, Brian Lindley (No-till on the Plains, Inc) (\$15,000)*

There are three objectives for this project. They are: 1) Identify up to ten different model operations that show best management practices and that are willing to share information about their operation. 3) Improve the data collection, analysis, and monitoring of runoff from ten farms in cooperation with Kansas State

University research partners as a baseline for a five year study. 3) Share model programs, new findings, and best management practices with 3,000 members of the agriculture community through an annual winter conference, publications on the website, and new white papers.

Extension and Applied Research Programs for Kansas Soybean Production; Kraig Roozeboom
(Department of Agronomy, Kansas State University); (\$4,814)

The objectives are: 1) Effectively educate producers, crop advisors, and other agri-business professionals about the latest developments in best management practices for soybean production and soybean cropping systems. 2) Maintain and expand personal soybean production and educational expertise.

Development of Farm Management Data Systems for Kansas Farmers; Bryan Schurle, Kevin Herbel, Michael Langemeier
(Department of Agricultural Economics, Kansas State University); (\$15,000)

The objective of this project is to develop new database systems for farm management data for Kansas farmers. Specifically, we intend to: 1) Develop a new data collection system that collects farm management data in a similar fashion to the system currently in place, but with vastly superior flexibility in data handling ability and report writing capacity. 2) Develop new report writing systems that improve readability by utilizing graphs and charts for comparison purposes. 3) Develop new and improved benchmarks for enterprises and whole farm analyses.

Evaluation of Common Soybean Varieties in Southeast Kansas; Doug Shoup, (SE Area Extension, Kansas State University); (\$1,000)

The goal of this project is to evaluate agronomic traits and yield of several soybean varieties not entered in the variety performance trial but commonly grown in southeast Kansas. Objectives are to: 1) Evaluate agronomic traits and yield of commonly grown soybean varieties in southeast Kansas. 2) Provide information on these varieties through publications and extension education meetings.

Hyperbranched Polyols For Flexible Foams from Soybean Oil Fatty Acids; Zoran Petrovic, (Pittsburg State University); (\$52,000)

Using a family of low viscosity hyperbranched polyols prepared using functionalized methyl esters of soybean oil (biodiesel) tested in flexible polyurethane foams, the project focuses on: 1) Improvement of cell structure and air flow; 2) Improvement of tear strength, tensile strength and elongation; 3) Variation of foam density/hardness; 4) Development foams for the specific applications.

8-12

Kansas Biodiesel Fuel Usage Survey Results

Kansas Soybean Commission, 1000 SW Red Oaks Place, Topeka, KS 66615
785-271-1040 www.kansassoybeans.org

Blend	2004 B100 Equiv.		2005 B100 Equiv.		2006 B100 Equiv.		2007 B100 Equiv.	
	July 03 - June 04		July 04 - June 05		July 05 - June 06		July 06 - June 07	
B2	5,926,305	118,526	3,921,861	78,437	3,616,039	72,337	3,019,480	60,390
B5	141,248	7,562	2,109,619	105,481	3,661,836	183,092	2,097,300	104,865
B10			100,000	10,000	2,750,000	275,000	344,400	34,440
B20			18,000	3,600	24,000	4,800	215,167	43,033
B50							50,893	25,447
B100		110,005	378,524	378,524	295,900	295,900	213,164	213,164
Total B100		236,093		576,042		830,229		481,339
Surveys								
Sent out		137		175		170		170
Returned		55		50		49		26

Blend	2008 B100 Equiv.		2009 B100 Equiv.		2010 B100 Equiv.	
	July 07 - June 08		July 08 - June 09		July 09 - June 10	
B2	2,811,730	56,235	2,313,235	46,265	2,191,745	438,349
B5	682,590	34,130	389,249	19,462	424,891	21,245
B10	560,925	56,093	559,601	55,960	9,410	941
B20	740,216	148,043	1,408,977	281,795	43,739	8,748
B50					786	393
B100	219,556	219,556	251,818	251,818	48,878	48,878
Total B100		514,056		655,300		518,554
Surveys						
Sent out		170		170		170
Returned		30		31		18

updated 03/13/11

KANSAS SOYBEAN COMMISSION

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash	\$ 3,415,698	\$ 3,433,099
Accounts receivable	19,793	-
Accounts receivable - KSA	1,142	18,813
Total Current Assets	3,436,633	3,451,912
Noncurrent assets		
Capital assets, net of accumulated depreciation	1,685,961	382,707
Total Assets	5,122,594	3,834,619
LIABILITIES		
Current Liabilities		
Accounts payable	187,496	448,334
Accounts payable - KSA	-	1,912
Current portion of long-term obligation	2,600	2,600
Total Current Liabilities	190,096	452,846
Long-term Liabilities		
Payable to American Soybean Association	12,200	12,200
Total Liabilities	202,296	465,046
NET ASSETS		
Invested in capital assets, net of related debt	1,685,961	382,707
Unrestricted:		
Designated	830,438	1,796,246
Undesignated	2,403,900	1,190,620
Total Net Assets	\$ 4,920,298	\$ 3,369,573

KANSAS SOYBEAN COMMISSION

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2010 and 2009

	2010	2009
Program Revenues:		
Soybean assessments	\$ 7,546,696	\$ 5,776,941
Less:		
USB remittances	(3,664,444)	(2,804,273)
QSSB remittances	(210,834)	(162,261)
KDA collection fees	(3,846)	(3,342)
KDA first purchaser audits	(3,368)	(2,133)
Net assessments revenues	3,664,204	2,804,932
Program refunds	6,317	32,685
Interest income	10,238	20,488
Penalties	3,935	3,259
Grants	120,329	87,946
Miscellaneous income	-	1,923
Total Revenues	3,805,023	2,951,234
Program Expenses:		
Projects:		
Research	1,069,773	866,531
Other	943,132	854,919
Supportive Services:		
Administration	242,330	159,312
Total Program Expenses	2,255,235	1,880,762
Program Income	1,549,788	1,070,472
Nonprogram Expense:		
Other income	-	31
Gain on sale of fixed assets	937	-
Net Other Income (Expenses)	937	31
Change in Net Assets	1,550,725	1,070,503
Net Assets, beginning of year	3,369,573	2,299,070
Net Assets, end of year	\$ 4,920,298	\$ 3,369,573

KANSAS SOYBEAN COMMISSION

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Cash received from checkoff	\$ 7,546,696	\$ 5,776,941
Cash received from others	107,080	118,942
Cash payments to suppliers for goods and services	(6,319,334)	(4,534,913)
Interest received	10,238	20,488
Net Cash Provided by Operating Activities	1,344,680	1,381,458
Cash Flows from Capital and Related Financing Activities:		
Payments for capital acquisitions	(1,384,131)	(345,060)
Proceeds from sale of capital assets	22,050	-
Change in long-term obligation	-	(10,000)
Net Cash Used by Capital and Related Financing Activities	(1,362,081)	(355,060)
Net Change in Cash	(17,401)	1,026,398
Cash, beginning of year	3,433,099	2,406,701
Cash, end of year	\$ 3,415,698	\$ 3,433,099

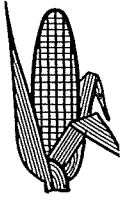
Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Change in Net Assets	\$ 1,550,725	\$ 1,070,503
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	58,827	73,142
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,123)	(6,902)
Increase (decrease) in accounts payable	(262,749)	244,715
Net Cash Provided by Operating Activities	\$ 1,344,680	\$ 1,381,458

KANSAS SOYBEAN COMMISSION
SCHEDULES OF PROGRAM EXPENSES

For the years ended June 30, 2010 and 2009

	2010	2009
Research Program Expenses:		
Kansas State University	\$ 649,256	\$ 549,554
Pittsburg State University	128,461	120,500
No Till on the Plains	15,000	10,000
WSU Research	28,745	-
North Central Soybean Research Program	100,000	80,000
Kansas University	69,814	43,915
Renewable Solutions, LLC	43,000	-
National Biodiesel Board	-	49,850
Refunded research funds	22,315	-
Miscellaneous research expenses	13,182	12,712
Total Research Program Expenses	<u>\$ 1,069,773</u>	<u>\$ 866,531</u>
Other Program Expenses:		
International market development	\$ 274,837	\$ 247,258
Consumer information	106,760	96,304
Youth education program	33,268	46,602
Consumer awareness	25,000	25,127
Biodiesel	127,748	114,052
Industrial uses market development	19,591	16,162
Industry information & relations	110,330	117,449
Producer communications	245,598	191,965
Total Other Program Expenses	<u>\$ 943,132</u>	<u>\$ 854,919</u>
Administrative Support Services:		
Kansas Soybean Association administrative contract fees	\$ 154,945	\$ 132,716
Contracted administration	628	2,556
Insurance	-	3,929
Meeting expenses	8,323	7,085
Travel	-	23
Depreciation	40,018	-
Election costs	1,133	631
Professional services - audits	9,075	8,625
Legal & professional services	4,246	1,595
Postage	1,026	975
Office supplies	22,936	1,177
Total Administrative Support Services	<u>\$ 242,330</u>	<u>\$ 159,312</u>



Kansas Corn Commission

Comments from Jere White, Executive Director Annual Report to the Legislature March 16, 2011

My name is Jere White, and I am the executive director of the Kansas Corn Commission. I am giving this report on behalf of our chairman Mike Brzon who farms near Courtland. He apologizes for not being here but a prior commitment prevented his being here today. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

In 2010, Kansas farmers produced 581.3 million bushels of corn, the second highest production on record, slightly behind the previous year's record of 598.3 million bushels. Valued at \$3.1 billion, the 2010 Kansas corn crop was the most valuable grain crop in the state's history. In fact, corn has been the state's highest value crop in three of the last five years.

A primary goal of the Kansas Corn Commission is to increase the profitability of growing corn for our growers, within the authorities granted to us. The commission has had a hand in building a strong ethanol industry going back over thirty years and 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 to build export markets for corn and Distillers Grains (a co-product of ethanol processing). One of our Kansas Corn Commissioners, Terry Vinduska, from Marion, is chairman of the Council. I also serve on the Grains Council Board of Directors.

We also work closely with the US Meat Export Federation to build exports of beef and pork. Last spring, the Commission funded a program to introduce a premium U.S. beef burger to high end Hilton restaurants throughout Europe. This was a very high profile media event and we are proud to report that the burger featured in the program's kickoff was Kansas beef sourced from the Creekstone Farms plant in Arkansas City. Kansas corn farmers, through their checkoff investments, have contributed almost 1.5 million dollars to promote US meat overseas. Another way to add value to Kansas corn and livestock.

One new initiative that we are very excited about is our role in the sponsorship of the American Ethanol program with NASCAR, which began using 15 percent ethanol fuel this year. NASCAR is easily one of the most prolific marketing businesses in the nation and gives us the opportunity reach millions of people with a pro-ethanol message. In fact, Emporia, Kansas native Clint Bowyer is the national spokesman for American Ethanol, and the new June NASCAR race at Kansas Speedway will be the marquee event for the American Ethanol effort. We will have a very large presence at the raceway for the weekend, and American Ethanol will be the primary sponsor for the Clint Bowyer #33 car at the race on June 5th.

Provided with my comments today, are copies of the commission's Fiscal Year 2010 financial audit, the FY 2010 Year-End Financial Report, the FY2011 Budget, and our annual report to producers, which was distributed through Kansas Farmer magazine as well as at grower meetings and farm shows. This report includes a description of current projects funded by the Kansas Corn Commission.

The corn checkoff rate remains at a half-cent per bushel, as it has for over twenty years. The corn checkoff is fully refundable within one year of assessment and we honor refund requests in a prompt and courteous manner. Refund vouchers are typically processed and checks mailed within five days of receipt at our office.

The FY 2010 checkoff refund percentage was 11.5 percent, down from 13.57 percent in FY 2009.

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.

Kansas Corn Commission
Income & Expense Summary
July 2009 through June 2010

	<u>Jul '09 - Jun 10</u>
Income	
Checkoff Funds	
Assessments Received	2,649,641.13
Refunds to Producers	-304,769.81
Total Checkoff Funds	<u>2,344,871.32</u>
Interest Received	22,915.06
Unused Funds Ret	<u>252,127.31</u>
Total Income	2,619,913.69
Expense	
Communications	
Annual Report	4,530.00
Elections	1,049.38
Postage	2,065.36
Printing	1,973.69
Radio	53,004.50
Communications - Other	<u>4,480.07</u>
Total Communications	67,103.00
Ethanol Expansion Program	
BYO Blender Pump	50,000.00
E-10 Promotion	
Kansas State Fair	<u>558.26</u>
Total E-10 Promotion	558.26
E-85/Blender Pump Program	2,100.00
Ethanol Promotion	3,292.63
Vehicle, Additional Expenses	2,234.00
Ethanol Expansion Program - Other	<u>95,000.00</u>
Total Ethanol Expansion Program	153,184.89
Grants	15,592.28
Hospitality	2,331.80
Meeting Expense	4,028.32
Office Expenses	3,210.17
Professional Services	
Auditing Services	3,100.00
KCGA - Administration	80,000.00
KCGA - Programs	368,000.00
KDA - Audit and Collection Fees	9,315.67
Ks Found for Ag in the Class	15,000.00
KSU - International Grains	50,000.00
KSU - Research	154,079.00

Kansas Corn Commission
Income & Expense Summary
July 2009 through June 2010

	<u>Jul '09 - Jun 10</u>
National Corn Growers Assn.	
Core Funding	223,500.00
Portfolio - Biotech	20,000.00
Portfolio - Ethanol	60,000.00
Portfolio - Grower Services	10,000.00
Portfolio - Prod & Steward	30,000.00
Portfolio - Public Policy	40,000.00
Portfolio - Research & Develop	10,000.00
	<hr/>
Total National Corn Growers Assn.	393,500.00
No-Till On The Plains	5,000.00
ProExporter Network Grain Study	8,000.00
Project Restore	50,000.00
Undetermined Contracts	
Corn Farmers Coalition - NCGA	25,000.00
E15 Health Effects Test Support	55,000.00
Image and Activism Prog - NCGA	150,000.00
NCGA RBDAT Funding	10,000.00
USGC 50th Anniversary	5,000.00
USGC DDG Project	20,000.00
USMEF Hilton/Creekstone Promo	45,000.00
	<hr/>
Total Undetermined Contracts	310,000.00
US Grains Council	
Foreign Market Development	310,000.00
	<hr/>
Total US Grains Council	310,000.00
US Meat Export Federation	70,000.00
	<hr/>
Total Professional Services	1,825,994.67
Transfers Between Accounts	0.00
Travel	64,950.73
	<hr/>
Total Expense	2,136,395.86
	<hr/>
Net Income	<u><u>483,517.83</u></u>



December 21, 2010

Board of Commissioners
Kansas Corn Commission
P.O. Box 446
Garnett, Kansas

Dear Board of Directors:

We have audited the financial statements of Kansas Corn Commission (the Commission) for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010. Professional standards require we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 7, 2010, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. We noted no transactions entered into by the Commission during the audit period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management Judgments and Accounting Estimates

We evaluated the key factors and assumptions used to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

Unusual Transactions

During the course of our audit, we did not identify any significant or unusual transactions of material amounts which the accounting treatment was uncertain or in question.

Audit Adjustments

For the purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Commission's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments.

Fraud

We identified no fraud or illegal acts as we performed our procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Consultations with Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past audit period that were subject to the requirements of Statements of Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

Major Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each audit period prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. We appreciate all the assistance given to our audit team by personnel.

This information is intended solely for the use of the Board of Commissioners and management of Kansas Corn Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Michelle R. Crew, CPA

Varney & Associates, CPAs, LLC

Kansas Corn Commission

FY11 Budget

July 2010 through June 2011

	Jul '10 - Jun 11
Income	
Checkoff Funds	
Assessments Received	2,650,000.00
Refunds to Producers	-305,000.00
Total Checkoff Funds	2,345,000.00
Interest Received	25,000.00
Total Income	2,370,000.00
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	100,000.00
Ethanol Promotion	44,000.00
NASCAR Activation	100,000.00
Vehicle, Additional Expenses	4,500.00
Total Ethanol Expansion Program	248,500.00
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
KCGA - Administration	80,000.00
KCGA - Programs	381,000.00
KDA - Audit and Collection Fees	14,000.00
Ks Found for Ag in the Class	15,000.00
KSU - International Grains	50,000.00
KSU - Research	141,535.00
National Corn Growers Assn.	
Core Funding	239,700.00
Image and Activism Campaign	239,500.00
Portfolio - Biotech	20,000.00
Portfolio - Ethanol	60,000.00
Portfolio - Grower Services	13,750.00
Portfolio - NASCAR	200,000.00
Portfolio - Prod & Steward	33,750.00
Portfolio - Public Policy	40,000.00
Portfolio - Research & Develop	20,000.00
Total National Corn Growers Assn.	866,700.00
No-Till On The Plains	5,000.00
ProExporter Network Grain Study	8,000.00
Undetermined Contracts	500,000.00
US Grains Council	
USGC Office Relocation	50,000.00
USGC Programs	350,000.00
Total US Grains Council	400,000.00
US Meat Export Federation	
USMEF Core Funding	80,000.00
Total US Meat Export Federation	80,000.00
Total Professional Services	2,544,435.00
Travel	100,000.00
Total Expense	3,013,935.00

J AM
03/14/11
Cash Basis

Kansas Corn Commission
FY11 Budget
July 2010 through June 2011

	Jul '10 - Jun 11
Net Income	<u><u>-643,935.00</u></u>



The Kansas Corn Commission

Putting checkoff dollars to work for growers

The half-cent corn checkoff amounts to about two kernels per ear of corn you produce. An ear produces about 800 kernels. The Kansas Corn Commission uses those kernels to fund research, market development, education and promotion efforts to increase markets and the profitability of corn. The commission *administers* the state checkoff program, *identifies* and *invests* in market development and research activities, *evaluates* the impact each investment generates, and *cooperates* with major commodity organizations on state, national and international market development efforts.

Your two kernels add up!

Livestock Industry

The livestock industry is the #1 customer for Kansas corn producers. The Kansas Corn Commission continues to invest in livestock-related efforts, working side by side with the livestock industry. The Kansas Corn Commission has been an active member of the US Meat Export Federation for more than 30 years. USMEF is working to build meat exports and to regain valuable export markets for our beef that were lost when BSE was found in the U.S. in late 2003.

Ethanol

The Kansas Corn Commission has funded ethanol promotion and research projects on the state and national level. In the late 1970s when corn checkoffs were beginning, the ethanol industry used 35 million bushels of corn per year nationwide. Since its creation in 1977, the Kansas Corn Commission has worked to increase the use and production of ethanol in our state. Those efforts are paying off. The twelve operating ethanol plants in Kansas use about 160 million bushels of grain per year. One-third of the grain used to make ethanol re-enters the feeding stream as distillers grains, a high nutrient feed valued by livestock feeders.

Export Markets

The Kansas Corn Commission continues to support efforts to keep corn exports strong by supporting the efforts of the International Grains Program at Kansas State University, as well as the US Grains Council. Kansas Corn Commissioner Terry Vinduska, Marion, is serving as Chairman of the US Grains Council, and KCC Executive Director Jere White is on the USGC board.

Production and Stewardship

Research in production and environmental stewardship allows us to grow our corn more efficiently, more cost effectively, and with less impact on our environment. Best management practices developed by checkoff-funded research are helping us keep our pesticides working on the field and out of the rivers that flow through our farms. Corn commission-funded irrigation research has led to advances allowing more efficient use of groundwater.

Call Us

Do you have a question or suggestion for the Kansas Corn Commission? See the directory on the back of this page to contact the corn producer who represents your district on the Kansas Corn Commission. Or call the Kansas Corn Commission office at 785-448-2626. Or visit www.ksgrains.com.



KANSAS CORN COMMISSION DIRECTORY

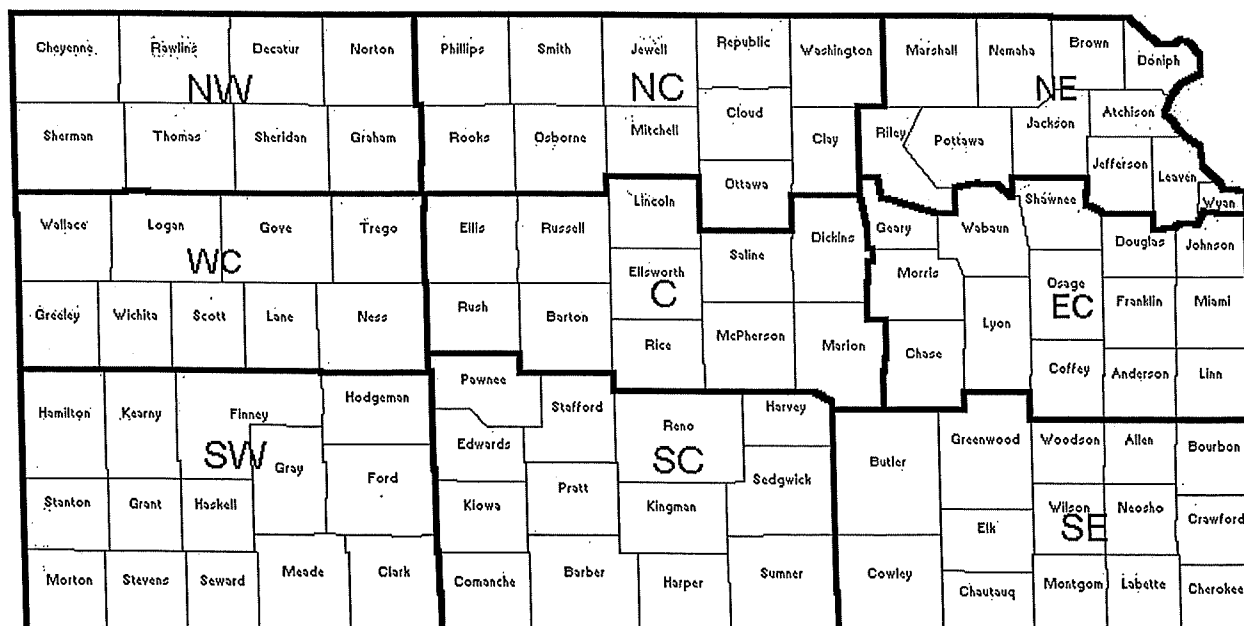
Dist. 1 (NW)	Brian Baalman.....	Menlo	785-855-2268
Dist. 2 (WC)	Harvey Heier, Secretary	Grainfield	785-673-4638
Dist. 3 (SW)	Greg Stone.....	Garden City	620-356-2273
Dist. 4 (NC)	Mike Brzon, Chairman.....	Courtland.....	785-335-2524
Dist. 5 (C)	Terry Vinduska.....	Marion	620-924-5499
Dist. 6 (SC)	Kent Moore, Vice Chair	Iuka.....	620-546-2520
Dist. 7 (NE)	Ken McCauley.....	White Cloud	785-595-3318
Dist. 8 (EC)	Pat Ross, Treasurer.....	Lawrence	785-842-4360
Dist. 9 (SE)	Bob Timmons.....	Fredonia.....	620-378-3642

KCC Executive Director: Jere White, PO Box 446, Garnett, KS 66032

Phone 785-448-2626 e-mail: jwhite@ksgrains.com

Kansas Corn Commission Web Site: <http://www.ksgrains.com/kcc>

District Map



Kansas Grain Sorghum Commission

2011 Legislative Report

Introductions

- Clayton Short
 - Chairman of the Kansas Grain Sorghum Commission (KGSC)
 - From Assaria, KS, Saline County, District 5, Central Kansas
- Jill Barnhardt
 - Kansas Grain Sorghum Commission, Administrator
 - Lebo, KS

Today's KGSC report includes copies of:

- 2011 Commission Annual Report
- Current Independent Audit report from Varney & Associates of Manhattan, KS.

Checkoff Program:

- Kansas sorghum is currently participating in the National Sorghum Checkoff Program.
- Current rate is .6% of farm gate value.
- The State checkoff was officially suspended on July 1, 2008.
- The Kansas Commission received a 25% passback from the national program in 2010.
- Kansas has received over \$1.4 million in funds.
- The State of Kansas has received over 37% of the total nationwide collections through the passback and the national investment.
- Examples of some of the great things that have come from the national program are
 - Larger pool of dollars for larger projects.
 - Unified voice in sorghum promotion.
 - Elimination of state duplication in sorghum research.
 - Most importantly, KGSC works together with USCP to put resources towards sorghum research.
- After three years of the national checkoff it is required to hold a referendum. The referendum is an opportunity for sorghum growers to decide if the checkoff should continue or not.
 - The voting period was the month of February and counting phase is in March, with an announcement expected in April.
- United Sorghum Checkoff program has a 13 member board. Five members are from Kansas. (Three of them are on the Kansas Commission and two of them are on the Kansas Grain Sorghum Producers Association board.)

Kansas Research:

- KGSC has been able to put \$936,000.00 into research in the last 18 months.

- Some important areas to producers are:
 - Cold Tolerance
 - Increasing yield and profit through fertilizer efficiency.
 - Sorghum in double cropping.
 - Develop germplasm with drought tolerance.
 - Planting dates, maturities, row spacing, and seeding rates.
 - Sorghum breeding for increased yield.

Kansas Statistics:

- Kansas farmers produced 171 million bushels in 2010, down from 224 million in 2009.
- Kansas produced 54% of the total United States Sorghum in 2010.
- Kansas Grain Sorghum goes to 1/3 export, 1/3 feed, ¼ ethanol and remainder to seed, industry and food aid.

US Grain Council (USGC)

- KGSC is a member of the USGC.
- USGC brings sorghum buyers from other countries to International Grains Program (IGP) to learn how to buy and use sorghum.

Future of Grain Sorghum in Kansas:

- Increase in yields and gain in acres.
- Capturing acres that have limited irrigation or water restricted areas-sorghum is the water sipping crop.
- Many CRP contracts will expire in the near future. Much of this land is not irrigated and has marginal soils. The sorghum industry has an opportunity to gain acres by providing hybrids and herbicides that will enable producers to utilize this land and make it profitable.

Conclusion:

- The Kansas Grain Sorghum Commission plays a vital role in the future of grain sorghum production in Kansas by providing the sorghum producer with information and education. The commission also provides the seed and chemical industry with vital traits and technology that will be made available to the sorghum growers. Farmers need to have the confidence that the grain sorghum they plant will be both productive and profitable on their farms.

Questions:

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

September 30, 2010 and June 30, 2009



November 29, 2010

To the Commissioners
Kansas Grain Sorghum Commission
Lebo, Kansas

Independent Auditors' Report

We have audited the accompanying statements of net assets of Kansas Grain Sorghum Commission (the Commission), a quasi municipal entity, as of September 30, 2010 and June 30, 2009, and the related statements of activities and cash flows for the fifteen months and year 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Kansas Grain Sorghum Commission as of September 30, 2010 and June 30, 2009, and the changes in its net assets and cash flows for the fifteen months and year then ended in conformity with accounting principles generally accepted in the United States of America.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

KANSAS GRAIN SORGHUM COMMISSION
 Lebo, Kansas
STATEMENTS OF NET ASSETS
 September 30, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash in checking	\$ 303,315	\$ 239,203
TOTAL ASSETS	<u>\$ 303,315</u>	<u>\$ 239,203</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ -	\$ 118,566
Net Assets	<u>303,315</u>	<u>120,637</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 303,315</u>	<u>\$ 239,203</u>

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

STATEMENTS OF ACTIVITIES

For the Fifteen Months and Year Ended September 30, 2010 and June 30, 2009

	2010	2009
CHANGES IN NET ASSETS		
REVENUE		
United Sorghum Check-off Program	\$ 445,683	\$ 28,122
Contract with United Sorghum Check-off Program for Research, Promotion & Marketing	110,000	110,000
Interest income	129	1,031
Total Revenues	<u>\$ 555,812</u>	<u>\$ 139,153</u>
EXPENSES		
Refunds of check-off collections	\$ -	\$ 4,686
Programs Investment		
Foreign market development	26,000	6,000
KSU research	229,819	467,770
NGSP	-	129,000
KSU Sorghum Improvement Center	50,000	-
Production research	6,000	-
Administrative Expenses		
Promotion	4,250	3,401
Special projects	10,466	5,227
Administration	19,700	15,900
Commissioner travel	18,312	8,459
Contractor travel	1,659	2,079
Legal and accounting fees	2,600	2,900
Meeting expense	1,599	259
Postage and delivery	1,485	1,425
Bank fees	1,244	1,114
Total Expenses	<u>\$ 373,134</u>	<u>\$ 648,220</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 182,678	\$ (509,067)
NET ASSETS - BEGINNING OF FISCAL YEAR	<u>120,637</u>	<u>629,704</u>
NET ASSETS - END OF FISCAL YEAR	<u>\$ 303,315</u>	<u>\$ 120,637</u>

Financial Statements

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KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas

STATEMENTS OF CASH FLOWS

For the Fifteen Months and Year Ended September 30, 2010 and June 30, 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 182,678	\$ (509,067)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Increase (decrease) in accounts payable	\$ (118,566)	\$ 113,304
Total Adjustments	<u>\$ (118,566)</u>	<u>\$ 113,304</u>
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 64,112</u>	<u>\$ (395,763)</u>
NET INCREASE (DECREASE) IN CASH	\$ 64,112	\$ (395,763)
CASH BALANCE - BEGINNING OF FISCAL YEAR	<u>239,203</u>	<u>634,966</u>
CASH BALANCE - END OF FISCAL YEAR	<u><u>\$ 303,315</u></u>	<u><u>\$ 239,203</u></u>

Financial Statements

10-7

KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and June 30, 2009

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Grain Sorghum Commission (the Commission) is organized as an instrumentality of the state to conduct a campaign of grain sorghum promotion and market development through research, education and information. The Commission receives a passback from the United Sorghum Check-off Program (USCP). The passback accounted for 80% of the Commission's income for the year period ended September 30, 2010. In 2010, the Commission changed from a June 30 year-end to a September 30 year-end.

Method of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

Cash and Cash Equivalents

For the statement of cash flows, the Commission considers all short-term investments with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through November 29, 2010, which is the date the financial statements were available to be issued.

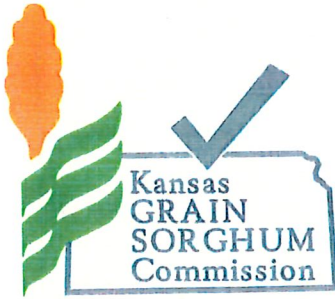
Note 2: Cash

At September 30, 2010, the carrying amount of the Commission's cash accounts was \$303,315 and the bank balance was \$306,213. The difference is outstanding checks. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2009, the carrying amount of the Commission's cash accounts was \$239,203 and the bank balance was \$239,203. The difference is outstanding checks. Of the bank balance, \$250,000 was covered by FDIC.

Note 3: Contracts

Although the Commission changed their fiscal year-end to September 30, contracts remain written for the period July 1 thru June 30 with the first payment due in October. As no services were performed as of September 30, 2010, the contracts have not been recorded as a payable.



Kansas Grain Sorghum Commission

2011 Annual Report

Vision: The Kansas Grain Sorghum Commission is focused on increasing grain sorghum profitability and being recognized as a valuable asset by the Kansas grain sorghum producer.

Mission: The Kansas Grain Sorghum Commission directs the investment of funds generated by the grain sorghum check-off to enhance the profitability of the Kansas grain sorghum producer.

From the Chairman of the Kansas Grain Sorghum Commission...Clayton Short, 2nd generation sorghum producer from Assaria, KS. Clayton says he sees three things in the future of Kansas grain sorghum. "1) Increase in yields and gain in acres. 2) Capturing acres that have limited irrigation or water restricted areas- sorghum is the water sipping crop. 3) Many CRP contracts will expire in the near future. Much of this land is not irrigated and has marginal soils. The sorghum industry has an opportunity to gain acres by providing hybrids and herbicides that will enable producers to utilize this land and make it profitable."

Kansas Passback Dollars

Many changes have occurred over the last few years in the sorghum industry. In July 2008, the national sorghum checkoff went into effect. The checkoff rate is 0.6 percent of the harvested net market value of grain sorghum.

The United Sorghum Checkoff Program (USCP) distributes the national checkoff dollars based on percent of production, to those states with an existing sorghum checkoff program, like Kansas. The Kansas Grain Sorghum Checkoff was suspended (not collected) in lieu of USCP. USCP pass backed 18% of the collections in FY2009 for a total of \$557,104.00 and 25% in FY2010 for a total of \$855,655.59 to Kansas. This means that Kansas collections as a percentage of the total collections for FY2009 = 43% and FY 2010 = 54%.

The FY 2009 (first) payment funded research and market promotion from July 2010 to June 2011. Over \$400,000 went to research and \$36,000 to market promotion. With the FY2010 (second) payment the commission was able to increase all the research by almost \$120,000. KGSC funded \$528,000 in research that began on March 1, 2011 and will be completed on Sept 30, 2011. We were also able to contribute \$29,000 to market promotion and \$10,000 to education. (See full list of projects funded on page 3.)

The commission has funded research with the Kansas sorghum producer in mind. Kansas State University researchers continue to work on post-emergent weed and grass control, increasing yields, improving standability, and developing drought and cold tolerant traits. The checkoff has also made strides in expanding markets to find new uses and markets for Kansas sorghum. Whether they are funding research to improve yields or building new and existing markets, the Kansas Grain Sorghum Commission is putting your sorghum checkoff dollars to work for you.

*Kansas continues to rank 1st in grain sorghum production in the United States with 54% of the market.
Kansas production totaled 171 million bushels in 2010, a decrease from last year.
The Kansas Grain Sorghum Commission continues to work with research groups to find ways to increase sorghum production in Kansas as it is a vital part of the Kansas economy.*

Referendum

The Sorghum Promotion, Research and Information order requires that a referendum be conducted no later than three years after the start of assessments. The order requires a simple majority vote in favor of the program for it to continue. Sorghum producers had the opportunity to vote in the month of February whether or not to continue the United Sorghum Checkoff Program. The results of the referendum will be announced early this spring.

United Sorghum Checkoff Program

The USCP board is comprised of 13 sorghum producers. Five of those board members are from Kansas (3 members serving on the Kansas Grain Sorghum Commission and 2 members serving on the Kansas Grain Sorghum Producers Association). Kansas is fortunate to have our leaders involved at the national level.

The Sorghum Checkoff was established to improve the profitability of the sorghum industry through research, promotion and education. With your checkoff dollars, the Sorghum Checkoff is moving sorghum forward through:

- Yield and Profitability – Working with DuPont to bring post-emergent grass and weed control to your field. Kansas Commission helped fund the initial research on the new technology.
- Grain Sorghum Production handbooks – Kansas Commission attended several industry events and meetings to get these handbooks out to the farmers.
- Growing International Markets – Mexico, Morocco, Israel and Japan account for 96% of the export market. New marketplaces including Korea, the Philippines, Taiwan and Vietnam have committed to or have received sorghum exports from the U.S.

Checkout the USCP at www.sorghumcheckoff.com.

Sorghum Market Distribution

The U.S. sorghum industry is comprised of a variety of markets: Exports 32.7%, ethanol 24.9%, livestock feed 31.5%, food aid 9.6%, seed reserves .5% and other industries make up .8 %. Potential new markets such as the food and baking industry, birdseed and aquaculture could change markets in the future.

Great Plains Center for Sorghum Improvement and Utilization

The KGSC assisted in getting the Great Plains Center for Sorghum Improvement and Utilization up and going. KGSC continues to fund the center supporting sorghum research activities. The Centers objectives are as follows:

- Improve the yield potential, production efficiency, and food, feed and bioenergy value of sorghum, through plant breeding and genetics.
- Develop new uses for sorghum in food and non-food applications, emphasizing the grain's desirable characteristics, such as the absence of gluten and low glycemic index.
- Identify more efficient production strategies that will enhance water and nutrient use, particularly N, and provide new options for the control of weeds and pests, to increase sorghum yield and profits.
- Expand research on sorghum as a bioenergy crop uniquely adapted to drier regions of the US.
- Provide market and policy analysis and develop educational programs for different sorghum based products and production systems to increase profitability of all segments of the U.S. sorghum industry.

Kansas Grain Sorghum Commission		
July 2010 to June 2011 Projects Funded		
Research Project Title	PI	Total \$
Development of Sorghum Germplasm With Enhanced Drought Tolerance & Higher Grain Yield	Perumal	\$ 50,000.00
Effect of Decortication on Feed Quality of Sorghum DDGS	Drouillard	\$ 20,000.00
Hays Greenhouse		\$ 10,000.00
Improving Grain Sorghum Yields with Starter, Foliar, & Iron Nutrients	Martin-Ruiz	\$ 13,800.00
Improving Sorghum Yield and Profitability Through Efficient Nitrogen Use	Mengel	\$ 20,000.00
Screening Sorghum Germplasm for Abiotic Stress Tolerance and Biofuel Production	Prasad	\$ 52,000.00
Breeding Grain Sorghum for Improved Dryland Production	Tesso	\$ 69,800.00
Managing Difficult Weeds With A Potential New Herbicide: Huskie	Thompson	\$ 20,000.00
Development & Utilization of Sorghum as Feedstock for Biofuel Production	Wang	\$ 25,000.00
Genetic Analysis of Drought Tolerance in Grain Sorghum Programs	Yu	\$ 60,000.00
Center for Sorghum Improvement		\$ 50,000.00
Purchase & Modification of Sorghum Forage Harvester	Staggenborg	\$ 10,000.00
Interaction of Grain Sorghum Planting Dates & Hybrid Maturities	Roozeboom	\$ 8,000.00
Research Total		\$ 408,600.00
Market Promotion		
US Grain Council		\$ 16,000.00
International Grain Program		\$ 20,000.00
Market Promotion Total		\$ 36,000.00
TOTAL for July 2010 to June 2011		\$ 444,600.00
March to September 2011 Projects Funded		
Research Project Title	PI	Total \$
Evaluating Advanced Breeding Lines & New Sources for Cold Tolerance in Sorghum	Aiken	\$ 12,215.00
Novel Sorghum Based Food Products for Infant, Young Children and Adult Nutrition	Alavi	\$ 37,140.00
Screening Exotic Sorghum Germplasm to Identify New Sources of Stalk Rot Resistance	Little	\$ 16,390.00
Increasing Sorghum Yield and Profitability through Efficient Nitrogen Use	Mengel	\$ 15,517.00
Sorghum Flour Processing and Development of Sorghum-based Gluten-Free Baked Products	Miller	\$ 25,000.00
Harvest and Residue Management of Sorghum to Facilitate Double-Cropped Wheat	Nelson	\$ 9,123.00
Development of Sorghum Germplasm with Enhanced Drought Tolerance & Higher Grain Yield	Perumal	\$ 50,000.00
Screening Sorghum Genotypes for Abiotic Stress Tolerance and Biofuel Production	Prasad	\$ 52,000.00
Interaction of Grain Sorghum Planting Date, Hybrid Maturity, Row Spacing, and Seeding Rate in KS Environments	Roozeboom	\$ 11,783.00
Developing Sorghum Flours with Increased Resistant Starch Content for Health Benefits	Shi	\$ 27,167.00
Managing Glyphosate-Resistant Kochia Preplant & Postplanting in No-till Grain Sorghum	Stahlman	\$ 10,726.00
Breeding Sorghum for Improved Production and Utilization	Tesso	\$ 81,200.00
Perspectives	Araujo	\$ 32,728.00
Development & Utilization of Sorghum as Feedstock for Biofuel Production	Wang	\$ 25,000.00
Genetic Analysis of Drought Tolerance in Grain Sorghum	Yu	\$ 60,000.00
Effect of starch content on functional quality of sorghum	Wilson, Bean	\$ 12,364.00
Great Plain Center for Sorghum Improvement and Utilization		\$ 50,000.00
		\$ 528,353.00
Market Promotion / Education		
US Grain Council		\$ 6,000.00
Market Development Grant - International Grains Program		\$ 20,000.00
KARL Program		\$ 2,500.00
Kansas FFA Foundation		\$ 500.00
Kansas Grain and Feed Association		\$ 900.00
Kansas Foundation for Ag in the Classroom		\$ 10,000.00
Total Market Promotion / Education		\$ 39,900.00
TOTAL for March 2011 to September 2011		\$ 568,253.00

International Grain Program (IGP)

KGSC continues to support IGP in their activities. The Mission of IGP is....To provide innovative and relevant education and technical programs to enhance the market preference, consumption and utilization of U.S. cereal grains, oilseeds and their value-added products for the global grain industry. IGP hosted 5 sorghum specific workshops in 2010; Sorghum usage, sorghum buyers short course, purchasing sorghum, risk management and milling & baking of sorghum. Participants were from Egypt, Morocco, Mexico, Europe, Taiwan and other countries. Some of these workshops were held with the U.S. Grain Council, which KGSC is a member. In general, IGP had 477 course participants and 43 countries represented. It is critical that KGSC support IGP to continue educating other countries about the commodities in Kansas. IGP is also working on a Sorghum Quality report using the information gathered from samples supplied by elevators.

Fiscal year end changes

Previous fiscal year was July 1 to June 30. The new fiscal year will be October 1 to September 30. In order for KGSC to align with the fiscal year of the national sorghum checkoff we had to have a 15 month year from July 1, 2009 to September 30, 2010. We began the new fiscal year on October 1, 2010.

New Administrator

Jill Barnhardt was hired as the Administrator for the commission on August 1, 2010. She will work part – time (20 hours a week). Barnhardt will be responsible for coordinating Commission's projects, which are designed to strengthen, expand and develop new foreign and domestic markets for sorghum.

District 1 - Richard Calliham - Colby, (785)462-2459

District 2 - Greg Graff - Marienthal (620)379-4677

District 3 - Boyd Funk - Garden City (620)521-2463, Secretary / Treasurer

District 4 - Bill Greving - Prairie View (785)973-2224

District 5 – Clayton Short - Assaria (785) 667-3833, Chairman

District 6 - Dennis Siefkes - Hudson (620)458-5222

District 7 - Kurt Staggenborg – Marysville (785)562-3275

District 8 - Jeff Casten – Quenemo (785)759-3520, Vice-chairperson

District 9 - Gary Kilgore - Chanute (620)431-0636

Administrator - Jill Barnhardt

795 22nd Rd NW, Lebo, KS 66856

(785) 341-6433, Jill@ksgrainsorghum.org

www.ksgrainsorghum.org



March 16, 2011

**Legislative Report of the Kansas Sunflower Commission
To the House Committee on Agriculture and Natural Resources**

Chairman Powell and members of the Committee, my name is Karl Esping; I am from Lindsborg, Kansas and currently serve as the Chairman of the Kansas Sunflower Commission. Thank you for the opportunity to share some thoughts about the sunflower industry in Kansas and the Commission's use of check-off dollars authorized by the Legislature.

In fiscal year 2010 (10/1/2009 to 09/30/2010) the Kansas Sunflower Commission collected \$81,044.20 in check-off dollars from Kansas sunflower growers. That is approximately a 9 percent decrease from the previous year's collection. During the year we received refund requests for \$1,873.04 (2.3%) which means we received gross check-off dollars of \$79,171.16. The net decrease in check-off dollars this year is a reflection of increased commodity prices for other crops and the number of sunflower acres planted. The increase in the percent of check-off dollars refunded is likely a reflection of the overall economic situation in the State.

As of March 15, 2010, the Commission has assets totaling \$140,509.04. Nearly \$66,000 of that balance are being held in a money market account as investment funds to ensure operations and investments in research can continue during a year when assessment dollars are low. As required by KSA 2-3005(k), attached to my testimony you will find our annual audit report. Again this year there were no irregularities found in KSC financial statements.

Under the agreement the KSC has used since its inception in 2002, one-half of the check-off dollars collected in Kansas are sent to the National Sunflower Association in Mandan, North Dakota for funding of research specific to sunflowers. This year we sent \$40,522.10 to NSA for research. The Commission also funded the second year of three-year study in Kansas for work on Sunflower planting dates in various parts of Kansas. This funding was provided to a K-State Extension specialist in southeast Kansas, but test plots were spread out across the State. The intention of this study is to provide evidence to the Risk Management Association to push the last planting date for sunflowers back 7-14 days. Accomplishing this has been one to the goals of the Commission since its inception.

KSC has agreed to partially fund a study, in cooperation with the National Sunflower Association, examining alternative chemicals for broadleaf weed control in sunflowers. This work will be performed using facilities and staff at the K-State research station in

*Supporter of the Kansas Sunflower Industry through
www.kssunflower.com*

House Ag & Natural Resources
March 16, 2011
Attachment 11

Hays. This will be a multi-year study and should provide additional tools for producers. My point in sharing these efforts with you is to demonstrate that the Commission is using check-off dollars to directly benefit Kansas sunflower growers.

I would also like to share that the NSA and others sources within the industry have allocated \$271,392 funding 6 projects that will have a direct effect on sunflower production in Kansas. This includes the above mentioned broadleaf weed project. This is an unprecedented amount of money dedicated to research in Kansas.

One other noteworthy item for the committee is the change the Commission implemented beginning on September 1, 2010. At that point, the check-off amount was changed from 3 cents per hundred weight of sunflowers to 5 cents per hundred. The check-off amount had remained at 3 cents since the inception of the Commission in 2002. As specified in K.S.A. 2-3007, the Kansas Sunflower Commission is authorized to assess up to 6 cents per hundred weight. However, the Commission chose to raise the assessment only to 5 cents at this time.

Raising the assessment was not an easy decision for the Commission and several hours of discussion and financial analysis took place before the decision was reached. The research I described above was the motivation for raising the assessment. Sunflower growers need additional tools and information in order to be competitive with the other commodities. This can only come through research, and more importantly, Kansas specific research. The agronomic and pest issues for growers in Kansas are far different than they are for growers in the northern plains where sunflower is a more prominent crop. I assure you this Commission will use the additional funds to benefit Kansas growers.

Last week I traveled with the NSA Executive Committee to Washington, DC, we visited with 18 members of the House and Senate the Deputy Administrator, the Budget Director and the National Program Leader of Oil Seeds, within the Agriculture Research Service. Our message to these officials was that although budget times are tough, we still need to carry forward with some crop research to advance productivity and resistivity in sunflowers. We also shared with them that between Kansas, NSA, and the other state affiliates, \$900,000 is contributed annually to the ARS centers throughout the Midwest.

Mr. Chairman the Kansas Sunflower Commission continues to look for opportunities to promote the sunflower, increase acres planted in our State and provide valuable crop research. We want to thank the Legislature for its continued support of our efforts and thanks for your time today. I would be happy to answer any questions you may have at the appropriate time.

KANSAS SUNFLOWER COMMISSION

Rossville, Kansas

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

August 31, 2010 and 2009



January 12, 2011

Board of Directors
Kansas Sunflower Commission
Rossville, Kansas

Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Kansas Sunflower Commission (the Commission), a quasi-municipal entity, as of August 31, 2010 and 2009, 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 audit.

We conducted our audit 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 in the first paragraph present fairly, in all material respects, the assets, liabilities and net assets of Kansas Sunflower Commission as of August 31, 2010 and 2009, and its revenues, expenses and changes in net assets for the years then ended on the basis of accounting described in Note 1.

Varney & Associates

Certified Public Accountants
Manhattan, Kansas

KANSAS SUNFLOWER COMMISSION
 Rossville, Kansas
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
 August 31,

Financial Statements

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash in checking	\$ 113,134	\$ 57,720
Noncurrent Assets		
Investments	-	63,000
TOTAL ASSETS	<u>\$ 113,134</u>	<u>\$ 120,720</u>
NET ASSETS		
Net Assets	<u>\$ 113,134</u>	<u>\$ 120,720</u>
TOTAL NET ASSETS	<u>\$ 113,134</u>	<u>\$ 120,720</u>

KANSAS SUNFLOWER COMMISSION
 Rossville, Kansas
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS
 For the Years Ended August 31,

Financial Statements

	<u>2010</u>	<u>2009</u>
REVENUE		
Check-off collections	\$ 81,425	\$ 89,827
Interest	2,707	2,775
Refunds	(1,873)	(677)
Reimbursements	1,125	-
Total Revenue	<u>\$ 83,384</u>	<u>\$ 91,925</u>
EXPENSES		
Administrative		
Dues	\$ 45,454	\$ 41,393
Commissioner travel	4,488	6,753
Contract labor	18,760	15,784
Office expense	1,399	1,368
Audit fees	5,545	3,917
Marketing position support	10,527	16,872
Miscellaneous	147	89
Program		
National Sunflower Association	-	4,500
Sponsorships	4,650	600
Total Expenses	<u>\$ 90,970</u>	<u>\$ 91,276</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (7,586)	\$ 649
NET ASSETS - BEGINNING	<u>120,720</u>	<u>120,071</u>
NET ASSETS - ENDING	<u><u>\$ 113,134</u></u>	<u><u>\$ 120,720</u></u>

KANSAS SUNFLOWER COMMISSION
Rossville, Kansas
NOTES TO FINANCIAL STATEMENTS
August 31, 2010 and 2009

Notes To Financial Statements

Note 1: Summary of Significant Accounting Policies

Organization

The Kansas Sunflower Commission (the Commission) is organized as an instrumentality of the state to conduct a campaign of sunflower promotion and market development through research, education and information. The Commission receives an assessment that is levied on sunflowers marketed through commercial channels in the State of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include all cash and investments with an original maturity of three months or less.

Investments

Investments consist of certificates of deposit whose fair value is equal to the cost and have an original maturity of more than three months.

Note 2: Cash and investments

At August 31, 2010, the carrying amount of the Commission's deposits was \$113,134. The bank balance was \$113,134 and was held by two different banks. All \$113,134 was secured by FDIC insurance.

At August 31, 2009, the carrying amount of the Commission's deposits was \$120,720. The bank balance was \$120,970 and was held by two different banks. All \$120,970 was secured by FDIC insurance.