



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

Jul '09 - Jun 10

Income	
Checkoff Funds	
Assessments Received	2,649,641.13
Refunds to Producers	-304,769.81
Total Checkoff Funds	2,344,871.32
Interest Received	22,915.06
Unused Funds Ret	252,127.31
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	4,480.07
Total Communications	67,103.00
Ethanol Expansion Program	
BYO Blender Pump	50,000.00
E-10 Promotion	
Kansas State Fair	558.26
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	95,000.00
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

	Jul '09 - Jun 10
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
	393,500.00
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
	310,000.00
Total Undetermined Contracts	310,000.00
US Grains Council	
Foreign Market Development	310,000.00
	310,000.00
Total US Grains Council	310,000.00
US Meat Export Federation	70,000.00
	70,000.00
Total Professional Services	1,825,994.67
Transfers Between Accounts	0.00
Travel	64,950.73
	64,950.73
Total Expense	2,136,395.86
Net Income	483,517.83



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**

	<u>Jul '10 - Jun 11</u>
Income	
Checkoff Funds	
Assessments Received	2,650,000.00
Refunds to Producers	<u>-305,000.00</u>
Total Checkoff Funds	2,345,000.00
Interest Received	<u>25,000.00</u>
Total Income	<u>2,370,000.00</u>
Expense	
Communications	
Annual Report	6,000.00
Elections	2,000.00
Postage	2,500.00
Printing	5,000.00
Radio	<u>70,000.00</u>
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	<u>4,500.00</u>
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	<u>20,000.00</u>
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	<u>350,000.00</u>
Total US Grains Council	400,000.00
US Meat Export Federation	
USMEF Core Funding	<u>80,000.00</u>
Total US Meat Export Federation	80,000.00
Total Professional Services	2,544,435.00
Travel	<u>100,000.00</u>
Total Expense	<u>3,013,935.00</u>

JAM
03/14/11
Cash Basis

Kansas Corn Commission
FY11 Budget
July 2010 through June 2011

	<u>Jul '10 - Jun 11</u>
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

