

MINUTES OF THE HOUSE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on March 7, 2005, in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Gordon Self, Revisor of Statutes Office
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Adrian Polansky, Secretary, Kansas Department of Agriculture
Jesse McCurry, Manager, Industrial Ag Program, Ag Marketing Division, Department of Commerce
John Neufeld, General Manager, U. S. Energy Partners, Russell
Greg Krissek, Director of Marketing and Government Affairs, United Bio Energy, Wichita
Brad Harrelson, State Policy Director, Governmental Relations, Kansas Farm Bureau
Jere White, Executive Director, Kansas Corn Growers Assn./Kansas Grain Sorghum Producers Assn.
Leslie Kaufman, Government Relations Director, Kansas Cooperative Council
Lee Allison, Chair, Kansas Energy Council
Kansas Agricultural Alliance (written only)
Curt Wright, Vice President, Taylor Oil, Inc., Wellsville (written only)
Ed Roitz, President, Fleming Corporation of Kansas, Pittsburg (written only)

Others attending:

See attached list.

Minutes of the February 21 meeting were distributed. Members were asked to notify the committee secretary of any corrections or additions prior to Wednesday, March 9, or the minutes will be considered approved as presented.

Hearing on SB 56 - Elimination of motor-vehicle fuel retail pump labeling requirement regarding ethyl alcohol or other alcohol

Chairman Johnson opened the hearing on **SB 56**. Raney Gilliland explained that this bill would remove the mandatory requirement that motor-vehicle fuel pumps in Kansas be clearly labeled when the fuel contains in excess of 1.0 percent ethyl alcohol.

Adrian Polansky, Secretary, Kansas Department of Agriculture, testified in support of **SB 56** to allow the department to develop necessary rules and regulations to make labeling of E10 fuel voluntary, rather than mandatory. He stated that removal of the labeling requirement does not conflict with any other state or federal law; in fact, federal law has no special requirement for labeling E10 ethanol, it is just considered one of the many ingredients of regular gasoline. If the labeling requirement is removed by the Legislature, he said the Department of Agriculture will continue to sample fuel to ensure that it meets the correct specifications for its grade and to ensure that the ethanol volume does not exceed 10 percent, the level warranted by automobile manufacturers. (Attachment 1)

Jesse McCurry, Manager, Industrial Ag Program, Ag Marketing Division, Kansas Department of Commerce, appeared in support of **SB 56**. He stated that whatever the state can do to promote the usage of bio fuels is not only smart—it is statutory. Under Kansas Law one of the obligations of the Agriculture Value Added Center at Commerce is to “act as a catalyst for the establishment of an industrial ag industry in Kansas.” Public policy of the State of Kansas is to encourage and assist the development and expansion of new uses of agricultural products, including ethanol. He reported that there are currently six ethanol plants in Kansas and that the Department of Commerce is seriously working with five new projects with at least a dozen projects in various stages of development throughout the state. He stated that other states that have enacted similar provisions on alcohol labeling are seeing dramatic increases in utilization. (Attachment 2)

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John Neufeld, General Manager, U. S. Energy Partners, and Chairman of the Kansas Association of Ethanol Processors, testified in support of **SB 56**. He explained that their plant in Russell is an unique combination of ethanol plant, custom feed production, and wheat gluten plant. They also partner with the City of Russell and have a combined heat and power plant. He believes the potential for ethanol growth is substantial, especially, since the world is recognizing that ethanol is a renewable liquid fuel that increases the nation's self-sufficiency and reduces the environmental impact of auto emissions. He urged support of this bill which will allow the retailer to decide if he wants to market the fuel as containing ethanol. ([Attachment 3](#))

Greg Krissek, Director of Marketing and Government Affairs, United Bio Energy, Wichita, a company offering professional management and marketing services to the ethanol fuel industry, appeared in support of **SB 56**. He stated that it is long-established public policy in Kansas to support development and use of ethanol fuels derived from agricultural products; that the current pump regulatory label stands out as an impediment to accomplishing this public policy; that engine and fuel technology has made this requirement obsolete. He acknowledged that not all gasoline stations will carry ethanol blends, but those who do should not be penalized with an extra regulatory burden. ([Attachment 4](#))

Brad Harrelson, State Policy Director, Governmental Relations, Kansas Farm Bureau, testified in support of **SB 56**. He stated that ethanol is unquestionably one of the most notable success stories in agriculture today. Consumption of this high-octane, low-emission fuel not only reduces our dependence on foreign oil, it enhances market demand for corn and other grains, which is good for Kansas producers and the rural Kansas economy. He felt many consumers may perceive ethanol labeling as a "warning" of inferior or adulterated product, negatively impacting demand. Repeal of mandatory ethanol labeling, KFB believes, would ease unwarranted consumer confusion and further stimulate demand. He noted that several states have already repealed mandatory labeling requirements and ethanol sales increased dramatically. ([Attachment 5](#))

Jere White, Executive Director, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association, testified in support of **SB 56**. He believes state government can play a significant role in expanding the use of ethanol blends by eliminating the often assumed to be "warning label" on the pump. He noted that eleven states have already eliminated this requirement and experienced increased ethanol sales. He provided Materials Safety Data Sheets for Chevron Regular Unleaded Gasoline, noting that ethanol was the only ingredient in gasoline that Kansas requires to be labeled. He said that it is time for the mandatory warning label to be removed to support the growing Kansas ethanol industry and Kansas farmers. ([Attachment 6](#))

Leslie Kaufman, Government Relations Director, Kansas Cooperative Council, appeared in support of **SB 56**. The KCC member owners understand the importance of adding value to the commodities they grow and appreciate the contribution bio-based fuels make in reducing reliance on non-renewable fuel sources. She stated that too often a regulatory label causes consumers to react as if reading a warning label; rather than fearing today's ethanol blended fuels, any labeling needs to be seen as a marketing tool. ([Attachment 7](#))

Lee Allison, Chair, Kansas Energy Council, testified in support of **SB 56** to remove mandatory labeling for 10 percent ethanol mixtures at the gas pump. He stated that eliminating the mandatory requirement still allows marketers to voluntarily display the label, does not reduce consumer safety, and is likely to lead to increased use of ethanol, an environmentally friendly, Kansas-produced fuel. ([Attachment 8](#))

The Kansas Agricultural Alliance submitted written testimony in support of **SB 56**. It was noted that KAA, a group of eighteen organizations representing agricultural, agribusiness and rural interests, only takes positions on specific legislation when its members are unanimous in their support of or opposition to a bill. ([Attachment 9](#))

Curt Wright, Vice President, Taylor Oil, Inc., Wellsville, submitted written testimony in opposition to **SB 56**. He stated that he is not an opponent of ethanol, that ethanol is and will be an important part of the energy equation for the United States and Kansas. As an alternative, he believes the state should take a positive approach and promote the label, helping find ways to increase the use of ethanol. ([Attachment 10](#))

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Ed Roitz, President, Fleming Corporation of Kansas, Pittsburg, provided written testimony in opposition to **SB 56**. He believes those in the fuel marketing business should run to, and not hide from, this quality product that can offer many benefits to Kansans. He recommends a "Made in Kansas" campaign to tout Kansas domestic ethanol, to certify to the Kansas fuel consumer where the product comes from, that it is being offered from a reputable Kansas business, and that it is a good, high-quality product. (Attachment 11)

As there were no other conferees, the hearing on **SB 56** was closed.

Discussion and action on SB 113 - Raises the registration fees for soil amendment products

Chairman Johnson opened the floor for discussion on **SB 113**. Raney Gilliland reviewed the bill for the committee explaining that **SB 113** would increase the maximum registration fee to register a soil amendment product with the Kansas Department of Agriculture from \$60 to \$100 per product, and delete the sunset provision in current law which would have expired on June 30, 2010. The bill would also repeal a section of law which permits the Kansas Department of Agriculture to charge an inspection fee based on the tonnage of soil amendment products sold in the state and requires that registrants report to the agency tonnage distributed by county.

Gordon Self, Revisor of Statutes, explained technical amendments to **SB 113** to remove from statute all references to the tonnage report or the inspection fee on soil amendment products sold in Kansas. (Attachment 12) Representative Freeborn moved to adopt the necessary technical amendments to **SB 113**. Seconded by Representative Feuerborn, the motion carried.

Representative Freeborn moved to recommend **SB 113**, as amended, favorable for passage. Seconded by Representative Dahl, the motion carried.

The meeting adjourned at 4:30 p.m. The next meeting is scheduled for March 9, 2005.