

## 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 the some 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

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

Financial Statements

10-5

**KANSAS GRAIN SORGHUM COMMISSION**

Lebo, Kansas

**STATEMENTS OF ACTIVITIES**

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

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
| <b>CHANGES IN NET ASSETS</b>  |                   |                   |
| <b>REVENUE</b>  |                   |                   |
| United Sorghum Check-off Program  | \$ 445,683        | \$ 28,122         |
| Contract with United Sorghum Check-off Program for<br>Research, Promotion & Marketing | 110,000           | 110,000           |
| Interest income   | 129               | 1,031             |
| <b>Total Revenues</b>   | <u>\$ 555,812</u> | <u>\$ 139,153</u> |
| <b>EXPENSES</b>   |                   |                   |
| 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             |
| <b>Total Expenses</b>   | <u>\$ 373,134</u> | <u>\$ 648,220</u> |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>  | \$ 182,678        | \$ (509,067)      |
| <b>NET ASSETS - BEGINNING OF FISCAL YEAR</b>  | <u>120,637</u>    | <u>629,704</u>    |
| <b>NET ASSETS - END OF FISCAL YEAR</b>  | <u>\$ 303,315</u> | <u>\$ 120,637</u> |

*Financial Statements*

10-6

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

*Financial Statements*

**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**

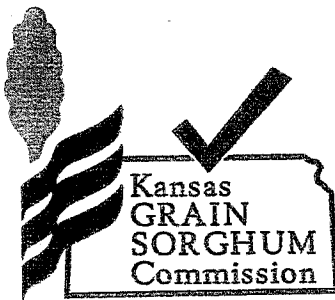
At September 30, 2010, the carrying amount of the Commission's cash accounts was \$303,315 and the bank balance was \$306,213. The difference is outstanding checks. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC).

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, 2<sup>nd</sup> 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](http://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.

| <b>Kansas Grain Sorghum Commission</b>  |              |                      |
|---|--------------|----------------------|
| <b>July 2010 to June 2011 Projects Funded</b>   |              |                      |
| <b>Research Project Title</b>   | <b>PI</b>    | <b>Total \$</b>      |
| 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          |
| <b>Research Total</b>   |              | <b>\$ 408,600.00</b> |
| <b>Market Promotion</b>   |              |                      |
| US Grain Council  |              | \$ 16,000.00         |
| International Grain Program   |              | \$ 20,000.00         |
| <b>Market Promotion Total</b>   |              | <b>\$ 36,000.00</b>  |
| <b>TOTAL for July 2010 to June 2011</b>   |              | <b>\$ 444,600.00</b> |
| <b>March to September 2011 Projects Funded</b>  |              |                      |
| <b>Research Project Title</b>   | <b>PI</b>    | <b>Total \$</b>      |
| 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         |
|   |              | <b>\$ 528,353.00</b> |
| <b>Market Promotion / Education</b>   |              |                      |
| 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         |
| <b>Total Market Promotion / Education</b>   |              | <b>\$ 39,900.00</b>  |
| <b>TOTAL for March 2011 to September 2011</b>   |              | <b>\$ 568,253.00</b> |

### ***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 22<sup>nd</sup> Rd NW, Lebo, KS 66856

(785) 341-6433, [Jill@ksgrainsorghum.org](mailto:Jill@ksgrainsorghum.org)

[www.ksgrainsorghum.org](http://www.ksgrainsorghum.org)