



Kansas Grain Sorghum Commission

2013 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 states, "Grain Sorghum has become the topic of conversation among Kansas producers with the ongoing drought. Farmers are excited about the water conserving crop helping them through the challenging weather conditions of the past two years. Farmers continue to demand yield improvement, better herbicide choices, stronger crop growth and maturity traits. There is a lot happening with Grain Sorghum, and the Commission is aggressively funding research and other projects that are helping in production and marketing of the crop for the Kansas farmer."

Kansas Passback Dollars

The United Sorghum Checkoff Program (USCP) distributes national checkoff dollars based on a percentage of production to those states that have been approved by USDA as qualified state organizations. These states use the funds for additional research, market development and education and will work in conjunction with USCP to benefit the local producer. Kansas is the largest state in collections at 51%; USCP passed back 25% of the collections for FY2012 for a total of \$863,052 to the KGSC. FY 2011-25% for a total of \$1,110,049.67, FY 2010 - 25% for a total of \$855,655.59 and 18% of the collections in FY2009 for a total of \$557,104. This means that Kansas collections as a percentage of the total collections for FY2012 = 51 percent, FY2011 = 52 percent, FY2010 = 54 percent and FY2009 = 43 percent. We did see a decrease in collections due to a decrease in bushels.

The KGSC approved research funding of \$576,429.00, market promotion of \$45,500 and education funds of \$9,589. (See full list of projects funded on page 3.) Research contracts follow the commission's fiscal year, starting on October 1, 2012 and will be completed on September 30, 2013. The commission will hold funds in reserve for the upcoming year due to drought concerns; they wanted to make sure there is funding available to continue some of the research projects even if the passback dollars decline in the upcoming year.

The commission continues to fund research with the Kansas sorghum producer in mind. Kansas State University researchers continue to work on increasing yields as well as weed and grass control along with drought and cold tolerant traits.

Kansas continues to rank first in grain sorghum production in the United States with over 50 percent of the market. Kansas production totaled 81.9 million bushels in 2012, 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.

Kansas Grain Sorghum Commission – 795 22nd Rd, Lebo, KS 66856, (785) 341-6433, www.ksgrainsorghum.org.

Leadership Sorghum The National Sorghum Checkoff (USCP) launched a new program in 2012 to develop the next generation of leaders for the sorghum industry. Leadership Sorghum is a program created to expose sorghum farmer participants to various aspects of the sorghum industry through hands-on and classroom style education. Participants will gain a better understanding of how sorghum moves through the value chain, how checkoffs and interest organizations interact on behalf of the industry, and what the future holds for the crops. The Leadership Sorghum Class is a 16 month, five session program. It began in September of 2012 and runs through December 2013. Kansas is proud to have a very strong first class. Class I Kansas participants are Tanner Ehmke, Healy; Stephen Bigge, Stockton; Josh Levin, Kensington; Pat Damman, Clifton; Matt Splitter, Lyons; Martin Kerschen, Garden Plain; and Shayne Suppes, Dighton.



Referendum

The USDA Sorghum Promotion, Research and Information order requires that a referendum be conducted no later than three years after the beginning 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 2011 whether or not to continue the United Sorghum Checkoff Program. In Kansas 57 percent voted in favor of the checkoff program. In total 76 percent of United States sorghum farmers voted to continue the USCP. The next referendum will be in 2015.

United Sorghum Checkoff Program (USCP) The USCP board is comprised of 13 sorghum producers. Five of those board members are from Kansas. Two USCP board members are also KGSC board members; Jeff Casten, Quenemo, KS and Bill Greving, Prairie View, KS. Greg Shelor, Minneola, KS and Earl Roemer from Healy, KS serve on the Kansas Grain Sorghum Producers Association board. Adam Baldwin is from McPherson, KS also represents Kansas on the USCP Board. Kansas is fortunate to have our leaders involved at the national level. USCP has one staff member in Kansas, Bradley Goering, Regional Field Services Director. Bradley works very closely with the commission in promoting and marketing sorghum in the state.

We are also very lucky to have Kansas representation on the three committees that USCP formed last year.

- Crop Improvement Committee – Kraig Roozeboom, KS, Manhattan; Martin Kerschen, Garden Plains
- Renewables Committee – Matt Durler, Conestoga Energy Partners, LLC, Liberal
- High Value Committee – Jay O’Neil, IGP KSU, Manhattan

Learn more about the USCP at www.sorghumcheckoff.com.

Sorghum Market Distribution

The U.S. sorghum industry is comprised of a variety of markets: Ethanol has increased to 45%; feed has decreased from 28% to 25%. Exports decreased to 24%. The balance of the market has shown an increase in food aid to 4% and seed production to 2%.

Research Project Title	PI	Amounts
Evaluate Advanced Breeding Lines and Germplasm to Develop New Parental Lines for Cold Tolerance in Sorghum	Aiken, Co -Perumal, Co -Little	\$ 30,000.00
Screening Exotic Sorghum Germplasm to Identify New Sources of Stalk Rot Resistance	Little, Co -Tesso & Perumal	\$ 39,759.00
Improving Yield Potential of Grain Sorghum through Drought and Heat Tolerance	Prasad, Co - Tesso & Perumal	\$ 52,000.00
Development of Sorghum Parental (A/B and R) lines with Enhanced Drought Tolerance and Higher Grain Yield	Perumal	\$ 77,000.00
Breeding Sorghum for Improved Production and Utilization	Tesso	\$ 83,200.00
Development and Utilization of Sorghum as Feedstock for Biofuel Production	Wang, Tesso	\$ 25,000.00
Genetic Analysis of Drought Tolerance in Grain Sorghum	Yu, Prasad, Tesso	\$ 57,250.00
Maximizing Sorghum Yield and Profitability through Efficient N Fertilization	Mengel	\$ 31,302.00
Sorghum Hybrid and Wheat Variety Traits for Planting Wheat after Sorghum in No-till	Roozeboom, Co-Jennings	\$ 18,835.00
Effect of Manure, Iron, and Zinc Application Methods on Grain Sorghum	Ruiz Diaz, Co PI - Holman	\$ 21,250.00
Evaluation of Palmer amaranth and Waterhemp Resistances top Multiple Herbicides in Grain Sorghum	Jugulum, Stahlman	\$ 28,000.00
Managing Difficult Broadleaf and Grass Weeds Season Long in Grain Sorghum	Thompson, Peterson, Schlegel	\$ 9,000.00
Expansion and Validation of an Automated Trapping System for Monitoring Sorghum Headworm	McCornack	\$ 10,000.00
Effect of Chinch Bug Feeding and Drought on Sorghum Stand Establishment and Yield	Smith, McCornack, Whitworth	\$ 22,333.00
K-State Center for Sorghum Improvement		\$ 50,000.00
Development of Long Term USDA-ARS-PSGD Sorghum Breeding Presence in Kansas	Hayes - USDA ARS	\$ 21,500.00
Total Research		\$ 576,429.00
Market Promotion		
US Grain Council		\$ 20,000.00
Market Development Grant - IGP		\$ 20,000.00
KARL Program		\$ 2,500.00
Kansas FFA Foundation		\$ 3,000.00
Total Market Promotion		\$ 45,500.00
Education		
Sorghum Production Schools for Kansas	Roozeboom, Thompson	\$ 7,089.00
Kansas Foundation for Ag in Classroom	Musick	\$ 2,500.00
Total Education		\$ 9,589.00

International Grain Program (IGP)

The IGP mission 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. KGSC continues to support IGP in its activities. In 2012, IGP hosted the Japanese Sorghum course sponsored by ASA-IM USGC for six participants. IGP also hosted 25 participants in two sorghum-related workshops, which offered basic and advanced sections. Those included Grain Purchasing and Risk Management where there were participants from Barbados, Colombia, El Salvador, Korea, Dominican Republic, South Africa, United States, Zambia, Japan and Switzerland. In addition, IGP hosted several courses in partnership with the U.S. Grains Council, of which KGSC is a member.

U.S. Grain Council (USGC)

The growing global middle class continues to permeate business for the primary target opportunity for growth. As global economies improve, commodities like sorghum will prove to be a valuable resource. All over the world, people are switching from a plant starch based diet to an animal protein based diet. Sorghum producers of Kansas are uniquely positioned to capitalize on this rapidly growing trend. Once weather conditions normalize, record grain production will inundate rural elevators. However intense market education and trading sophistication is necessary to elevate new and old partners alike for them to take advantage on the US farmers' incredible productivity. To that end, the US Grains Council partnered with Kansas Grain Sorghum Producers, to escort a team of Japanese traders and importers through Kansas in order to educate them on the condition of the sorghum crop, as well as sorghum procurement strategies presented by IGP. "This team represented a terrific opportunity for sorghum producers to meet face to face with one of their largest end users. Japan typically represents the second largest export market for sorghum and their business is invaluable," remarked Kevin Roepke of the US Grains Council, based in Washington DC. "Participants got the opportunity to interview livestock feeders as to why they prefer to feed sorghum and producers, like Jeff Casten, as to why they prefer to grow sorghum. It was a premium experience from the beginning of the supply chain all the way to end, and one that will reap dividends once weather conditions normalize."



Field Staff in Western Kansas

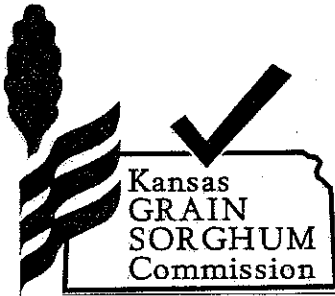
The commission hired Field Staff person, Dean Whitehill from Garden City, KS in January 2013. Dean's location will be a great asset to the commission. Dean will assist the commission by visiting with producers, attending meetings, working with researchers, and many other duties. We are very excited to have Dean on staff.

Kansas Commissioners

District 1 – Lonnie Wilson, Colby; **District 2** - Greg Graff, Marienthal; **District 3** - Boyd Funk, Garden City, Secretary / Treasurer; **District 4** - Bill Greving, Prairie View; **District 5** – Clayton Short, Assaria, Chairman; **District 6** - Dennis Siefkes, Hudson; **District 7** - Kurt Staggenborg, Marysville; **District 8** - Jeff Casten, Quenemo, Vice-chairperson; **District 9** - Gary Kilgore, Chanute.

Administrator - Jill Barnhardt, 795 22nd Rd, Lebo, KS 66856, (785) 341-6433, jill@ksgrainsorghum.org

Field Staff - Dean Whitehill, Garden City, KS, dean@ksgrainsorghum.org



2013 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:

- 2013 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 0.6 cents per farm gate value.
- The State checkoff was officially suspended on July 1, 2008.
- The Kansas Commission has received over \$3.3 million in passback dollars in 4 years of the USCP Program.
- USCP has paid over \$1.3 million to Kansas State University since the beginning of USCP.
- 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.
 - Sorghum producers had the opportunity to vote in the month of February 2011. In Kansas, 57 percent voted in favor of the checkoff program. In total 76 percent of United States sorghum farmers voted to continue the USCP.
 - Next referendum will be in 2015.
- United Sorghum Checkoff program has a 13 member board. Five members are from Kansas. (KGSC Members Jeff Casten & Bill Greving. Kansas Grain Sorghum Producers Association Members Earl Roemer & Greg Shelor and Adam Baldwin. Kansas has representation on all three committees... one person on the High Value Market Committee, Renewable Committee, and two people on the Crop Improvement Committee.

Kansas Research:

- The commission has funded over \$2.2 million dollars' worth of research with Kansas State University in 4 years.
- Some important areas to producers are:

- Increasing Yield
- Cold & Drought Tolerance
- Weed Control
- Sorghum in double cropping.
- Develop germplasm with drought tolerance.
- Planting dates, maturities, row spacing, and seeding rates.
- Sorghum breeding for high production.

Kansas Statistics:

- Kansas ranks 1st in the United States for sorghum production, producing over 50% of total sorghum.
- Kansas farmers produced 89.1 million bushels in 2012, 110 million bushels in 2011, down from 171 million in 2010 due to the drought in Kansas.

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.
 - Grain sorghum offers a water sipping alternative for water stressed regions such as the area overlying Ogallala Aquifer.
 - It takes only 6 inches of total water (soil, rainfall, irrigation) to produce the first bushel of grain sorghum.
- Grain sorghum serves as a rotational crop in areas facing roundup resistant weeds.
- Advanced biofuel status is important because it means potentially higher value for ethanol produced from grain sorghum. This could lead to increased demand for the crop.

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 AUDITOR'S REPORT

September 30, 2012 and 2011



January 9, 2013

To the Commissioners
Kansas Grain Sorghum Commission
Lebo, Kansas

Independent Auditor's 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, 2012 and 2011, and the related statements of activities and cash flows 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 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, 2012 and 2011, and the changes in its net assets and cash flows for the years 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,

	2012	2011
ASSETS		
Current Assets		
Cash in checking	\$ 592,202	\$ 241,597
TOTAL ASSETS	\$ 592,202	\$ 241,597
LIABILITIES AND NET ASSETS		
Current Liabilities	\$ -	\$ -
Unrestricted Net Assets	\$ 592,202	\$ 241,597
TOTAL LIABILITIES AND NET ASSETS	\$ 592,202	\$ 241,597

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
 Lebo, Kansas
STATEMENTS OF ACTIVITIES
 For the Years Ended September 30,

	2012	2011
CHANGES IN NET ASSETS		
REVENUE		
United Sorghum Check-off Program	\$ 1,059,171	\$ 795,945
Contract with United Sorghum Check-off Program for research, promotion and marketing	-	849
Interest income	55	35
Total Revenues	\$ 1,059,226	\$ 796,829
EXPENSES		
Programs Investment		
Foreign market development	\$ 72,194	\$ 31,000
KSU research	486,924	692,092
KSU Sorghum Improvement Center	50,000	50,000
Education	4,625	7,500
USDA	3,091	9,273
Administrative Expenses		
Promotion	35,427	8,781
Special projects	179	579
Administration	35,305	36,022
Commissioner travel	3,811	6,531
Contractor travel	5,634	7,811
Legal and accounting fees	2,900	2,900
Meeting expense	2,908	3,466
Postage and delivery	3,233	1,251
Bank fees	2,390	1,341
Total Expenses	\$ 708,621	\$ 858,547
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 350,605	\$ (61,718)
NET ASSETS - BEGINNING OF FISCAL YEAR	241,597	303,315
NET ASSETS - END OF FISCAL YEAR	\$ 592,202	\$ 241,597

Financial Statements

KANSAS GRAIN SORGHUM COMMISSION

Lebo, Kansas

STATEMENTS OF CASH FLOWS

For the Years Ended September 30,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 350,605	\$ (61,718)
NET INCREASE (DECREASE) IN CASH	\$ 350,605	\$ (61,718)
CASH BALANCE - BEGINNING OF FISCAL YEAR	<u>241,597</u>	<u>303,315</u>
CASH BALANCE - END OF FISCAL YEAR	<u>\$ 592,202</u>	<u>\$ 241,597</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

Financial Statements

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KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

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 all but \$55 and \$35 of the Commission's income for the years ended September 30, 2012 and 2011, respectively.

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 statements 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.

Advertising

The Commission's advertising costs are expensed as incurred. Advertising expense was \$35,427 and \$8,781 for the years ended September 30, 2012 and 2011, respectively.

Subsequent Events

Subsequent events were evaluated through January 9, 2013, which is the date the financial statements were available to be issued.

Note 2: Cash

At September 30, 2012, the carrying amount of the Commission's cash account was \$592,202 and the bank balance was \$631,730. Of the bank balance, \$730 was secured by FDIC insurance and the remaining \$631,000 was invested overnight in a repurchase agreement with the bank.

At September 30, 2011, the carrying amount of the Commission's cash account was \$241,957 and the bank balance was \$247,153. Of the bank balance, \$153 was secured by FDIC insurance and the remaining \$247,000 was invested overnight in a repurchase agreement with the bank.

Financial Statements

Notes to Financial Statements

KANSAS GRAIN SORGHUM COMMISSION
Lebo, Kansas
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
September 30, 2012 and 2011

Note 3: Research Contracts

The Commission contracts with Kansas State University (KSU) for research activities each fiscal year. The final payment on these contracts is due upon the Commission's receipt of KSU's final activity report and final expenditure report. Because these reports had not been received as of September 30, 2012 and 2011, no liabilities have been accrued as of September 30, 2012 and 2011, respectively.

On November 30, 2012, the Commission paid \$129,508 as final payment for open research contracts related to fiscal year 2012.

On November 14, 2011, the Commission paid \$101,197 as final payment for open research contracts related to fiscal year 2011.

Note 4: Commitments

During 2012, the Commission approved a \$45,000 appropriation for renovation of the multi-purpose room at the KSU International Grains Program.

As of September 30, 2012, the Commission has paid \$32,194 towards this project leaving an outstanding commitment of \$12,606.