



Kansas
2020 AGGROWTH
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SOYBEANS & OTHER OILSEEDS

The Kansas oilseed sector of the Kansas agricultural industry includes the production of soybeans, sunflower, canola and industrial hemp in addition to the first purchaser users of these oilseeds, like crushers, refiners and biodiesel manufacturers along with industrial hemp extractors. The oil produced from these seeds goes into a variety of products from vegetable oil to other food products and even biodiesel. The by-products from the production of this oil are also an important part of the oilseed sector, as soybean meal is a major ingredient in the livestock feeding business. Oilseeds are a successful crop in dryland and irrigated regions of Kansas, and advancements through genetics and crop management continue to make them even more efficient. Demand is strong for oilseed products both domestically and internationally, and production would grow even more if Kansas had additional processing options in the state.

In the spring of 2019, the Kansas Department of Agriculture issued licenses for the inaugural industrial hemp research program which became effective in February 2019 to allow for licensing for the 2019 growing season. Regulations to allow for commercial industrial hemp production will be finalized in 2020.



Although great potential exists in the oilseed sector, a number of challenges still present barriers to growth. The lack of additional processing plants means oilseeds are shipped out of state for further processing, leading to lower prices at the farm level. Declining water in some regions of the state is a threat to growers, and advancements which aim to make soybean production more water efficient have fallen prey to negative consumer perceptions of biotechnology.

Efforts to recruit new businesses, especially first purchasers and processing plants, would benefit current and future growers. Collaboration with industry organizations and agricultural researchers could contribute to technological advancements and public outreach, which will need to work together.

STATUS

The oilseed sector of the Kansas economy is composed of primarily soybean, sunflower, canola and industrial hemp production as well as the first purchaser uses of the oilseeds such as crushers, refiners and biodiesel manufacturers and the feed stream users. Industrial hemp is a newly emerging crop in the oilseed sector.

Kansas ranks 10th in soybean production with 204.5 million bushels, 5th in sunflower production with over 663,000 hundredweights in 2018, and 6th in canola production in with 62.0 million pounds in 2017. The state has two soybean crush facilities and one canola/sunflower crush facility. The oil goes into familiar products such as vegetable oil for all manner of food products and oil for biodiesel. In its first year of production in Kansas industrial hemp producers planted approximately 2,400 acres and harvested just over 1,800 acres.

According to estimates prepared by the Kansas Department of Agriculture and based on the IMPLAN economic data model, the soybean and other oilseed industry in Kansas has a direct output of nearly \$1.8 billion and creates 1,835 jobs in the state. Through indirect and induced impacts, the industry supports a total of 8,168 jobs and creates a total economic contribution of approximately \$2.7 billion.

In this sector of Kansas agriculture, the by-products can be just as important as the oil. Soybean meal is a major ingredient in the livestock feeding business, and Kansas has more than 2.45 million cattle on feed, 1.89 million hogs on feed and a growing poultry industry. Canola oil for cooking and biodiesel production have been the largest consumers of Kansas-produced canola. Sunflower and canola feed streams are also marketed to specialty markets such as food and bird seed. Canola meal is a popular feedstuff for dairies.

Two key challenges for oilseed production in Kansas have been suitability of the growing conditions and adoption by Kansas farmers. Soybeans are widely grown in the United States and are a key part of the crop rotation in the eastern part of Kansas. Soybeans are also highly sensitive to drought and high temperature/low humidity growing conditions that make them less suitable for the central and western parts of Kansas. Sunflowers and canola are grown extensively in the northern plains of the U.S. The industry in that region benefits from well-established infrastructure, such as crop consulting, input suppliers, extension services, storage facilities and processors. The infrastructure to support sunflowers and canola is more limited in Kansas. Farmers are unfamiliar with the establishing, managing and harvesting methods for sunflower and canola, which are different than practices used in wheat, corn, sorghum and soybeans. Industrial hemp production was new to Kansas in 2019. Producers entered into an unfamiliar environment and learned many lessons as they moved forward in 2020.

The pro-business climate makes Kansas a prime location for oilseed processing to expand in Kansas. The climate would be improved by an increase in the resources available to farmers to help support the production of alternative oilseeds such as sunflowers, canola and industrial hemp. The genetic technology to make more acres in Kansas suitable for soybean production would also benefit this sector. Increased biodiesel production and consumption with efforts similar to those employed for ethanol production would increase demand for this product as well.

OPPORTUNITIES

In order to develop a strategic growth plan for the soybeans and other oilseeds sector, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

| Factor | Implications for Growth and Development Opportunities |
|---------------------|---|
| Big Data Use | As more and more data become available related to cropping systems, there are more opportunities to use the data to improve profit margins for soybean and other oilseed farmers, thereby increasing the economic impact and the number of farmers interested in growing these crops. Kansas is home to leaders in the agricultural technology industry, further developing technology solutions to improve the efficiency of oilseed production. |

| Factor | Implications for Growth and Development Opportunities |
|---------------------------------|--|
| Domestic Consumption | <p>A strong consumer base for canola oil already exists in the U.S. Nearly 80 percent of all canola utilized in the U.S. is imported from Canada. Great demand exists for U.S.-grown product in this sector.</p> <p>Consumer awareness and demand for industrial hemp derived products continues to increase in the U.S. The market for these products will continue to increase.</p> |
| Double Crop | <p>Soybean and sunflower double crop acres could increase if producers plant shorter season wheat varieties and harvest the crop at a higher moisture content. Many wheat millers prefer to control the drying process themselves. Canola is typically harvested earlier than winter wheat, and the residue left behind provides an optimal seedbed for double cropping soybean or sorghum into.</p> |
| Export Markets | <p>Kansas soybeans have a relatively higher protein content than those produced in the corn belt. There is a large opportunity to increase demand for Kansas-grown soybeans with our top five exporting partners: Mexico, Indonesia, China, Malaysia and Taiwan.</p> |
| Genetic Advancements | <p>Advancements in soybean and canola genetics in recent years make oilseeds a viable crop on more acres of dryland and limited irrigation in Kansas than ever before.</p> |
| Human Capital | <p>Kansas is home to strong leadership in the oilseed industry, creating additional investment opportunities.</p> <p>The Kansas State University agronomy department is a recognized leader in oilseed production and breeding.</p> <p>K-State's grain science department is recognized as the top program in the nation. Researchers across the K-State College of Agriculture are improving oilseed processing and finding more and efficient uses for oilseeds and products</p> |
| Industrial Hemp Research | <p>Governor Jeff Colyer signed Senate Bill 263 in April 2018, enacting the Alternative Crop Research Act allowing KDA to oversee the cultivation of industrial hemp in a research program. KDA developed regulations to guide the Industrial Hemp Research Program, which became effective in February 2019. Applications were then made available to acquire licenses for the 2019 growing season. A Commercial Industrial Hemp Program will be available upon approval of the regulations.</p> <p>The opportunity to grow a new specialty oilseed crop in Kansas offers potential for diversification for Kansas farmers looking for an alternative crop, or for new farming enterprises interested in cultivating industrial hemp. The research generated by participants of this new industrial hemp program will be valuable data in identifying the growth potential offered in this sector.</p> <p>The department of horticulture and natural resources, along with the department of agronomy, at the K-State College of Agriculture lead the efforts on industrial hemp research in the state. Researchers are part of a multi-state research project and are diligently working to identify varieties of industrial hemp which grow well across the state.</p> |

| Factor | Implications for Growth and Development Opportunities |
|----------------------------------|--|
| Land Availability | Kansas has the second most farm land of any state, roughly 90 percent devoted to agriculture. |
| Livestock Feeding | <p>Kansas is a top 3 state in cattle production and top 10 in hogs. Kansas is also among the fastest growing dairy states. Livestock feed is the largest consumer of Kansas soybeans. Any advancement in the livestock industry will have a positive impact on the soybean industry.</p> <p>Canola by-products are a desirable feed stream for the dairy industry.</p> |
| Processing | <p>Additional processing such as crush plants, soy beverage and other processing, extracting and packaging facilities will increase demand and improve local prices.</p> <p>A facility in Goodland crushes virtually all canola and sunflower produced in Kansas.</p> |
| Supporting Infrastructure | <p>Kansas is home to some of the world's leading crop genetics companies and research facilities, which could lead to the production of seed suitable to the Kansas climate.</p> <p>Existing intermodal, transload, rail and shipping container facilities provide a solid export infrastructure for oilseeds and value-added products with additional improvements planned.</p> |

CHALLENGES

While Kansas is poised for major expansion in the soybean and oilseed sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

| Challenge | Details of Challenge |
|--------------------------------|--|
| Consumer Perception | Negative consumer perception of biotechnology threatens future advancements that have made soybean and canola production possible in many areas of the state. Also, many crop protection products are under scrutiny because of negative perceptions founded on unscientific evidence of harm to the environment. |
| Critical Infrastructure | <p>Kansas has adequate grain and liquid rail infrastructure. However, a lack of rail access in the western portion of the state will require processors of specialty products to ship products across the state to be loaded onto the rail or use alternative transportation.</p> <p>As oilseed producers improve yields and efficiency, transportation becomes a larger issue. Aging infrastructure of highways, bridges, rail and barge also pose challenges. Investment in infrastructure could make the transportation system more reliable and cost-effective.</p> <p>A lack of in-state processing is further compounding the relatively high basis in northwest and northcentral Kansas. High basis is a limiting factor for canola production in Kansas. Industrial hemp producers also have a great need to in-state processors for contracts for their crop.</p> |

| Challenge | Details of Challenge |
|--------------------------------------|--|
| Industry Adapting to New Crop | As the state adapts to growing industrial hemp, several challenges face the hemp industry, including transparency, the sale of stable seed genetics, and obtaining specialized equipment especially for processing, extraction etc. Some refineries and processing plants used for other crops could be converted rather than building a new plant, but demand and expectations are still unknown. |
| International Trade | In 2018, approximately \$28 million in soybean exports were sent to China, down from \$46.5 million in 2017. Those products are now subject to a 25 percent tariff, which has increased basis as much as 100 percent in some parts of the state. |
| Policy | Though not unique to Kansas, there exist significant challenges due to federal laws and regulations, including reduced Renewable Fuel Standards mandates, Waters of the U.S., the Endangered Species Act, burdensome Occupational Safety and Health Administration regulations and more. |
| Water | Although not as water intensive as corn, water use in the production of soybean, sunflower and canola is greater than in crops such as sorghum, wheat and cotton, according to historical data. KSRE continues research efforts on water efficiency of industrial hemp compared to other Kansas crops. |
| Workforce Development | Growth in oilseed processing will require a skilled and a non-skilled workforce, which continues to be a significant challenge throughout the entire agricultural industry. |

SUCCESSSES

Key successes in the soybean and oilseed industry:

- Beginning in 2019, through partnership with the Kansas Soybean Commission, Victory Renewables in Garden City has the ability to blend biodiesel to customer specifications. Their primary customers are fuel retailers, as well as large fuel customers. This has not been available in southwest Kansas on a large scale until now.
- In 2019 Cargill opened a state-of-the-art biodiesel plant in Wichita, a \$90 million investment that produces 60 million gallons of biodiesel annually.
- The Kansas Soybean Commission backed the passing of HB 2280 in 2018 which requires research of the potential costs of proposed rules and regulations to businesses before they are submitted to the Legislature and consultation with regulated businesses, their associations, local government and affected members.
- The Kansas Soybean Commission participated in the Kansas Pet Food Forum to promote use of Kansas grains in pet food.
- The Industrial Hemp Research Program developed regulations to guide the program and began issuing licenses in February 2019 for the spring 2019 growing season. Nearly 5,600 acres of industrial hemp were licensed to be planted, and approximately 2,400 acres were actually planted in 2019. Just over 1,800 acres of industrial hemp were harvested, over 95% for floral material.
- In April 2019, SB 2167 established the Commercial Industrial Hemp Act, authorizing KDA to develop a program for commercial hemp production. KDA submitted a plan for a Commercial Industrial Hemp Program which was approved in April 2020. The program will begin when formal approval and adoption of the state's regulations is complete.
- Several action items from the industrial hemp outcome have been achieved: Over 3,700 individuals participated in face-to-face meetings across the states. A total of 197 Kansas grower licenses, 20 distributor licenses and 35 processor licenses were issued in 2019. KDA expanded to add two full-time and a contract employee to oversee and inspect the program for 2019.

Soybeans and Other Oilseeds

GROWTH OBJECTIVE:

Foster an environment that develops Kansas as a leader in production of high quality oilseeds, and support expanded research to advance the industry.

OUTCOMES & ACTION ITEMS

Leaders from throughout the Kansas soybean and oilseed industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016 and expanded to include action items, will be implemented by industry and key partners and updated annually at the Kansas Governor's Summit on Agricultural Growth. Following are the proposed action items to continue building on the achievement of the soybean and oilseed sector desired outcomes.

High Priority Outcomes

Increased demand for Kansas soy products across the nation and the world due to the high quality of Kansas-produced soy oil and meal, which contain higher protein content than soy products from Corn Belt states. Increased demand would lead to increased export opportunities for soybean and oilseed products.

ACTION ITEMS:

- Analyze the costs/benefits of identity preserved grain handling systems.
- Meet with site consultants to ensure Kansas is on the list for additional processing and value-added facilities.
- Support bilateral and multilateral trade pacts that expand export potential for oilseed products.
- Conduct thorough review of countries that currently import oilseeds and products. Identify those that have already done business with Kansas and those that have not. Develop list of potential new customers based on that review.
- Support research and development of new products to increase demand for soybeans and canola.
- Increase education about GMO facts and science-based information.
- Work to increase market access and reduction of trade barriers in a collaborative effort between Kansas Soybean Association, Kansas Soybean Commission, Great Plains Canola Association, local economic development officials, and state and national government.
- Work to maintain relationships with past buyers for future sales.

Faster regulatory approvals for inputs imperative to oilseed production.

ACTION ITEMS:

- Provide factual information and education on new soybean products approved by EPA.
- Advocate for EPA approval of new products for weed resistance (KDA, Kansas soybean industry groups).
- Continue to support research to develop new options for weed control.

Increased research funding to Kansas State University for sunflowers and canola. Benefits of oilseeds are not well known to farmers or to consumers.

ACTION ITEMS:

- Endorse increased funding to K-State Research and Extension for sunflower and canola research and outreach.
- Promote the economics and agronomic benefits of sunflower and canola production.
- Identify and support public/private partnerships to fund research.
- Increase biodiesel research and usage.

Clear, factual information about genetic engineering or genetically modified organisms easily available to consumers, particularly relating to the efficiency of resources offered by GMOs.

ACTION ITEMS:

- Include GMO information in the Soybean Commission's education effort.
- Ensure messaging is clear in Kansas Foundation for Agriculture in the Classroom materials.
- Hit the highlights during Kansas Ag Month, harvest releases, speaking engagements, etc.
- Increase focus on college-age consumers.
- Improve communication of benefits (environmental, economic, etc.).
- Utilize social media to communicate with consumers.

Reduced basis by promoting the expansion of in-state oilseed processing. Increased processing facilities would add value to all types of oilseeds within the state.

ACTION ITEMS:

- Develop a design to modernize existing processing plants to serve multiple purposes.
- Organize investors to construct a modern processing plant in the center of the state.
- Develop an "ag friendly communities" designation.
- Explore new markets and encourage processing with rising demand for oilseeds including hemp for food, industrial products, hygiene consumables, and dietary supplements.
- Expand marketing efforts by producers/manufacturers of value-added products to include information that the product is made from Kansas-grown crops.
- Work to ensure that Kansas is a state open for business for value-added products. Work closely with local, state and federal personnel on opening new businesses or expanding current operations.

Growth in the pork, poultry, beef and dairy sectors in Kansas through participation in each sector's growth strategy. Kansas livestock industries are the largest market outlet for oilseeds.

ACTION ITEMS:

- Partner in executing the growth strategies for animal agriculture sectors.
- Continue to encourage soybean industry involvement in livestock-focused inbound tours and discussions to promote the value of soybeans as a feedstuff.
- Utilize local chambers of commerce and technical schools to collaborate toward assisting in incubator models for small businesses. Through these partnerships, incorporate and support hemp and other oilseeds into animal health research and development within the KC Animal Health Corridor.

Interested growers, distributors and processors fully participating in an Industrial Hemp Research Program (and, when approved, a Commercial Industrial Hemp Program) in Kansas.

ACTION ITEMS:

- Identify distributors and processors to provide opportunities for growers to sell product.
- Continue executing a plan to evaluate research reports following the growing seasons.
- Work with industry to develop additional markets for industrial hemp products, to include value-added opportunities in Kansas.
- Once established, distribute education and outreach information across the state on the Commercial Industrial Hemp Program regulations.
- Establish a registry for processors.

Medium Priority Outcomes

Increased double cropping of oilseeds after wheat and row crops after canola. Expansion of double crop insurance by the U.S. Department of Agriculture Risk Management Agency would benefit farmers who choose this option, as well as increased promotion by K-State Research and Extension.

ACTION ITEMS:

- Engage USDA-RMA on expanding double crop insurance after wheat to additional counties.
- Promote the economics and agronomic benefits of double cropped rotations.
- Engage with flour milling industry to communicate their desire to accept high moisture wheat to better control the drying process.

Policies in this document are a reflection of industry discussion and not a representation of state government.

