

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK

Held in Room 423-S, at the Statehouse at 9:00 a. m./~~p.m.~~, on March 30, 1981.

All members were present except:

The next meeting of the Committee will be held at 9:00 a. m./~~p.m.~~, on March 31, 1981.

These minutes of the meeting held on March 30, 1981 were considered, corrected and approved.


Chairman

The conferees appearing before the Committee were:

Rep. Sandy Duncan
John Crofoot - Kansas Association of Wheat Growers
Paul Freeman - Courtland, Kansas
Harold Veteto - Courtland, Kansas
John Blythe - Kansas Farm Bureau
John Miller - Committee of Kansas Farm Organizations
Sam Reda - Kansas Grain Inspection Department
Freeman Biery - Director, Weed and Pesticide Division

Chairman Beezley called the meeting to order.

HCR 5015 - Rejecting regulation of the board of agriculture, marking pesticide aircraft.

Rep. Duncan, Chairman of the Rules and Regulations Committee, explained why the committee wanted to reject the regulation by the board of agriculture. He said that we are in effect hassling the pesticide applicators. The decals on the planes are not needed because the end number of the plane can be taken down as it can be seen as good as, if not better than the decal. Members of the industry have told Rep. Duncan that they do not want the decal. After answering questions from several Committee members, Rep. Duncan ended his presentation by saying that some people think that the idea is to visualize at a distance, but this is not a distance enforcement.

SB 286 - An Act concerning stored grain; relating to the owner's interest therein.

John Crofoot, Kansas Association of Wheat Growers gave his organization's support of this bill. After a few comments from Mr. Crofoot, Paul Freeman, Courtland, Kansas told of his experience, as well as that of his son, from an elevator going into receivership that contained the grain that they had harvested. (See Attachment I). Mr. Freeman finished his testimony and introduced Harold Veteto, Courtland, Kansas, who also had grain in this elevator. Mr. Veteto passed out a list of recommendations for better protection of farmers grain deposits. (See Attachment II).

Mr. John Blythe, Kansas Farm Bureau stated that their policy is that of more security for the grain farmer and that his organization is supportive of this bill and any other measures that would enhance the security of the farmer with regard to his stored grain.

John Miller, Committee of Kansas Farm Organizations, expressed this organization's support of the bill, citing a need to protect the people who have grain in elevators.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Sam Reda, Kansas Grain Inspection Department, told the Committee that Kansas has one of the highest bonding rates in the country; what would the point be in going to a higher bond. Federal bond is twenty cents per bushel; State bond is fifty-four cents per bushel.

Rep. Johnson moved that SB 286 be passed favorably. Rep. Fuller gave a second to the motion. The motion carried.

Rep. Apt moved that HCR 5015 be reported unfavorable for passage. Rep. Leach gave a second to the motion. After discussion, HCR 5015 was voted unfavorable for passage.

Rep. Teagarden moved the minutes of the two previous meetings be approved. Rep. Fuller gave a second to the motion. The motion carried. The meeting was adjourned.

Name	Town	Representing
John D. Miller	Topeka	KAWA - KCB
Gerald Vetch	Courtland	Self
Karl Freeman	Courland	Self
John D. Miller	Topeka	Committee of K. Farm Organization
Freeman Berry	Topeka	State Bd of Agri
Jim Rietz	Lawrence ety	13 AFA
John Blythe	Manhattan	K. F. B.
Karen Bergstrom	Courland	
Elden L. Beyley	Courland	Self
Lynn E. Johnson	Courland	Farmer
Wren M. Sweet	Jamestown	Farmers
Chas. Sundblade	Courland	FARMERS
Al Kush	Topeka	KCFGH
Sam Reda	Topeka	KSGP
W. J. ...	"	Ko Seed ...
W. J. ...	"	Ks Grain Inspect Dept
Ken Caches	Topeka	KACI
Paul Ampler	Lawrence	KANA
Charles B. Johnson	Concordia	
Karl Morgan	Scandia	"
Gerald Lundberg	Courland	
Blairwood Lundberg	Courland	farmer
Bill ...	Topeka	KWA
Madal ...	Topeka	Kansas Railroad Association

Name	Town	Representing
Bill Nutzen	Ipke	Ecology
Bernie Hansen	Abma	KWPA
Dave Bennett	Tosora	CCS
Chris Walker	Mayetta	National Farmers Org.
Scott Galtz	Tosora	Thies Cos.
Cliff Lamm	Jopka	Ks Seed Dept.
David Martig	Jopka	(General)
Doyle Talkington	Manhattan	Ks Pork Producers Council
Fred Seaman	Dwight	K " " "
Vyl Fogel	Chanute	Ks Pork Producers Council
John O'Miller	Jopka	Committee of Ks Farm Organizations
Norman Hager	Healy Hills	A.A.M.
Jim Pyle	Jopka	Ks Dept. Health & Environ.
Best Dale	Tosora	AF

Mr. chairman & committee members-----

My name is Paul Freeman, of Courtland, Republic county, Kansas.

My purpose of being before this committee this morning is to call attention to the fact of 2 grain elevators that have closed in receivership in Republic County in the last few years, the first one being Maher Grain, Inc. of Courtland that faced the problem in the early 1970's, and the most recent one being Collins grain, Incorporated of Kackley, Kansas on November 6, 1980. These elevators are within 6 miles of each other, and considering that only about 7 elevators have closed in this manner in Kansas in the last 10 years, you realize why this event is very real to me.

My son and I operate a farm between these towns, and last year we rented additional land, borrowed upwards of \$25,000. for additional machinery, and in spite of higher production costs, dry weather, chinch bugs and a long and steady irrigation season we finally reached harvest, and in haste to beat the fall rush, we hauled grain to the Collins Grain Co., in addition to using farm storage bins.

Had we barely finished our harvest until word came out that the Collins Grain Co. had went into receivership ! We had on open storage all of my Son's wheat, 90% of my milo, 60% of my soybeans, and about 25% of my Sons's corn tied up in this elevator.

The elevator manager had been playing the commodity futures game and as a result, these shortages ewere incurred.

Minus- Wheat

46,653.83 Bu. x \$4.30 bu. = -\$200,608.00
(Oct. 30 Price)

Corn

32,926 Bu. X \$3.22 = -\$106,022.00

Milo

5,882 Bu. X \$3.05 Bu. = -\$17,940.00

Plus Soybeans

+ 510 Bu. X \$8.20 =+\$4,182.00
(Oct. 30 Price)

Total Deficit=\$320,388.00

When you take \$320,000.00 out of a small community all businesses feel the pinch, and I have heard it said that a farm dollar multiplies 7 times during its use, and that would make the startling figure of about \$2,240,000.00

Our group represented here today hopes that we can convey to you some thoughts as to how we feel that you as legislators can make these warehouse laws more equitable to the producer and depositor of grain, and maybe future producers will not have to face what we are now experiencing.

Under the present warehouse laws, when a producer delivers his grain to an elevator, and the grain is dumped into the pit, this producer loses all control over that grain, as far as what will be done with it. The elevator company can use it for whatever purpose it chooses, and in the case of Collins Grain Co. he used it for purposes of speculation in the various commodity futures games, and when his ventures there went sour, he lost our crop, and we do not have any recourse, except through settlement in the Receivership Process. Why should we as producers lose control of our product, or means of livelihood, and not have ownership control when in the hands of the warehouse man?

This needs to be changed!

I feel that there should not be any storage charges against grain remaining in the warehouse after the date that a receivership or bankruptcy occurs. In the Collins case, about \$10,000.00 of the accounts receivable are storage & Handling charges.

The bond that State Licensed Warehouses are required to purchase are too low, in my estimation. The Collins bond was about \$113,000.00, only about 20¢ per bushel times the plants capacity. I have heard that the average bond per bushel in Kansas is about 54¢, and I don't feel even that is high enough, and also this figure gives no consideration for that grain that has been shipped to terminal storage. What protection ^{is there} ~~in these~~ for grain in transit, or for those cars being shipped to terminal elevators but may be sitting on the siding for some length of time before they are unloaded?

The State Grain Inspection Dept. had checked out the Collins Grain Co. in mid May of 1980, and reported it was ok, but by Nov. 6 it was about all cleaned out of grain, and insolvent. Should we have more frequent inspections, and more uniform bonding procedues? I wonder if people haven't been lulled into a complacent attitude by this agency, when instead they should be demanding more frequent service?

One other aspect that I want to mention is the lack of prosecution of the people involved in these elevator failures. It appears that if certain procedures are followed, there is no penalty accessed to the people who take our grain and use it to further their own financial gain or loss. To me, this is stealing, and I think the penalty of such activity should be severe enough to cause people in positions of trust in the grain handling business to have second thoughts before entering these shady deals.

Now, I wish to turn our presentation over to Mr. Harold Veteto, of Courtland, my neighbor and also an unwilling victim of Collins Grain, Inc.

Points to be considered for better protection of farmers grain deposits in public grain warehouses.

1. Farmers should have indisputable title to the grain that they deposit for storage in public warehouses.
2. Lawyers dealing with elevator failures stated that public grain warehouses should not be defined as merchants under the terms of the Uniform Commercial Code when considering ownership of grain stored in those warehouses by farmers.
3. Warehousemen should not be allowed to assume title to the stored grain in their warehouses as is allowed by KSA 84-2-403 (2).
4. Deposits of grain in public warehouses should be treated the same as deposits of money in commercial banks. Any unauthorized removal or sale of stored grain from a public warehouse should be a criminal offense.
5. Bonding requirements need to be increased to cover the total dollar value of the grain deposited with the warehouse or an indemnity program should be utilized to compliment a partial value bonding program.
6. Recommend passage of House Bill #2514.

Shortages @ Rackley

46600 bu of wheat

32900 bu of corn

5900 bu of milo

total dollar value of loss --- "320,000"