

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCKThe meeting was called to order by Rep. Bill Fuller at  
Chairperson9:00 a.m. ~~pm~~ on February 28, 1983 in room 423-S of the Capitol.

All members were present except:

## Committee staff present:

Bruce Hurd, Revisor of Statutes Office  
Raney Gilliland, Legislative Research Department  
Kathleen Moss, Committee secretary

## Conferees appearing before the committee:

Rep. Lloyd Polson, sponsor of HB 2433  
Gerald Riley, Kansas Wheat Growers Association  
John Blythe, Kansas Farm Bureau  
Steve Graham, Kansas Wheat Commission  
Dennis Shirley, Kansas Wheat Commission  
Frank Mosier, ASCS  
Don Jacka, Board of Agriculture

Chairman Fuller opened hearings on HB 2433 - concerning application of the mill levy on grain under loan by the Commodity Credit Corporation.

Staff explained the bill and pointed out the changes proposed by the bill.

Rep. Lloyd Polson, primary sponsor of HB 2433 distributed his prepared statement, Attachment No. 1, and supporting material, Attachment No. 2.

Gerald Riley appeared as an opponent to HB 2433 for the Kansas Wheat Growers Association. They have no problem with the way the tax is collected now. He predicted if you don't collect on the first sale, you will have trouble on down the line. He suggested that there has to be a place to be collected and that is the first sale. Questions dealt with being taxed twice and having to provide a written request for a refund.

John Blythe, Kansas Farm Bureau appeared in opposition to HB 2433. They supported the Wheat Commission when it was formed, then the other three commissions, Corn, Grain Sorghum and Soybeans, when they were formed. The Grains Commissions are doing a good job, not only in promotion but in research. He mentioned the Farm Bureau's Resolution supporting the International Grain Program indicating the importance of that program to the marketing process. There is concern of grain put under government loan and then never redeemed. He would like to insure that the government will pay the mill levy when the grain is turned over to the government. He stated we don't want to tax anyone twice and that should not be done. The Farm Bureau wants to put their support with the grains commissions and feel that HB 2433 would disrupt their cash flow.

Steve Graham appeared for the Kansas Wheat Commission in opposition to HB 2433. He distributed a prepared statement which is marked Attachment No. 3. Mr. Graham was questioned on why would they not take a personal check in payment of the mill levy check-off?

Dennis Shirley with the Kansas Wheat Commission answered questions. He pointed out the difference of 60¢ to 70¢ from western to eastern Kansas on the price of a bushel of wheat and questioned how much mill levy would be needed. He did not feel it would make any difference if it could not be collected.

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.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND LIVESTOCK,  
room 423-S, Statehouse, at 9:00 a.m. ~~p.m.~~ on February 28, 1983

Frank Mosier, ASCS, appeared for technical information. He took no sides as proponent or opponent. He said there is not a federal law that says they should collect excise taxes. They are happy to cooperate but hate to be in a position to collect excise tax on forfeited grain.

Don Jacka, Assistant Secretary of Agriculture appeared for a few comments on HB 2433. He said the collections put in government reserve on CCC loan accounts for 35% on corn, 45% on grain sorghum and 10% on soybean collections. There could be cash flow problem as well as revenue balances from one year to the next. There is a provision for a refund upon request at this time.

Chairman Fuller stated that the committee will defer action on HB 2299.

The meeting was adjourned at 10:05 a.m.

The next meeting will be at 9:00 a.m. on Tuesday, March 1, 1983 in Room 423-S.



TO THE MEMBERS OF THE HOUSE AGRICULTURE AND LIVESTOCK COMMITTEE:

House Bill 2433 was introduced to change the time that the grain tax would be levied, from when the grain is mortgaged to when the actual grain is taken possession of by the Commodity Credit Corporation, in lieu of repayment.

Grains stored on the farm are often redeemed and then fed on the farm. No tax is owed on farm-fed grain. Grains are often redeemed and later resold and the tax is re-levied by the buyer. It appears that nearly all soybeans until recently have been redeemed and resold. In most cases the producer does not remember or know that he does not owe the tax again. Certainly he can request and be reimbursed if he wishes to do so. However very few do, under any circumstances. The records show that a very small percent request repayment so it adds credence to the probability of double tax especially in regards to farm-stored grains.

It would appear also that by assessing the levy at the time that the loan is made, allows the grain commission the privilege of obtaining the tax to use at least nine months early and possibly as long as three years early in the case of the grain reserve. This money is deducted from the loan. Therefore the producer is paying interest on the money the grain commission receives.

The following comments are from elevator operators that I have contacted recently:

Delmar Schotte, Herkimer Co-op: Never has been presented a storage note and security agreement to prevent reassessment of

*Atch. 1*

grain tax. He believes he has bought grain which came out from under storage and reassessed it. He has no way of knowing it has been taxed.

Joe Warders, Blue Rapids Co-op: Does not reassess terminal or locally stored grain if it comes out of loan and is sold there. Other than that, he taxes anything that is sold to his elevator. No one ever has presented him proof of the tax being paid on farm-stored grain.

Clarence Wullschleger, Graham Grain, Axtell, Kansas: Regularly assesses all grain sold to his elevator. He never has had anyone tell him that the tax was paid on grain he bought but was aware some was stored on the farm under loan and redeemed and sold. He says he has no recourse but to levy the tax.

Regis Schmitz, Nemaha County Co-op Elevator: Does not reassess taxes where he knows about it. He has never had anyone tell him tax was paid but he knows that grain taken out from under loan has been bought by his elevator. He brought up the question of why should he assess grain-bank grain, when it goes back out to be fed on the farm.

I contacted Bruce Bachman of the First National Bank of Centralia, Kansas and asked if they had ever levied the tax on grains they had loaned money on and used as collateral. They never heard of it. They are a lending institution.

This resume points up some of the problems.

The merits of the commission and their programs are not questioned by this bill. Hopefully they are doing a credible job. I simply feel we need to address what appears to be a questionable way to obtain revenues.

## KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Room 545-N - Statehouse

Phone 296-3181

Date February 9, 1983

TO: REPRESENTATIVE LLOYD POLSON Office No. 170-W

RE: GROSS COLLECTIONS FOR COMMODITY COMMISSIONS AND REFUNDS TO FARMERS FOR  
MILL LEVY ASSESSMENT

The following table indicates the total gross collections which the Wheat, Corn, Grain Sorghum, and Soybean Commissions received during Fiscal Years 1981 and 1982. These totals do not take into account refunds to producers or payments to the State General Fund as authorized by law.

<u>Commission</u>	<u>FY 81</u>	<u>FY 82</u>
Wheat	\$1,210,106	\$1,064,010
Corn	168,526	212,671
Grain Sorghum	244,896	393,095
Soybean	140,531	237,753

In earlier information provided to you the amount of collections each of the commissions received from commodities placed under loan with the federal government was outlined. Information indicating the refunds requested from this collection was not available from the Wheat Commission, but such data was available from the Corn, Grain Sorghum, and Soybean Commission. Percentage refunds for the Wheat Commission was 3.9 percent in FY 1981 and 3.76 percent for FY 1982. The table below indicates the collections and refunds from the Corn, Grain Sorghum, and Soybean Commissions which were obtained by commodities placed under loan with the federal government. Also contained in the table below is the collection the Wheat Commission has received from commodities under loan with the overall refund rate applied.

<u>Commission</u>	<u>FY 81 Collections</u> <u>From Commodities</u> <u>Placed Under Loan</u>	<u>FY 81 Refunds</u>	<u>FY 82 Collections</u> <u>From Commodities</u> <u>Placed Under Loan</u>	<u>FY 82 Refunds</u>
		<u>From Collections</u> <u>On Grain Placed</u> <u>Under Loan</u>		<u>From Collections</u> <u>On Grain Placed</u> <u>Under Loan</u>
Corn	\$ 20,119.38	\$2,729.25	\$ 64,149.90	\$5,510.09
Grain				
Sorghum	20,430.38	1,970.16	177,258.28	6,389.85
Soybean	7,608.19	499.96	23,652.09	1,657.69
Wheat	217,422.16	8,479.46*	127,420.40	4,791.01**

\*This figure was obtained by multiplying the FY 1981 collections from wheat placed under loans by the FY 1981 overall refund rate of 3.9 percent.

\*\*This figure was obtained by multiplying the FY 1982 collections from wheat placed under loans by the FY 1982 overall refund rate of 3.76 percent.

*Raney Gilliland*  
Raney Gilliland  
Research Analyst

Atch. 2

the examination of which said sample was taken.

**History:** L. 1955, ch. 9, § 5; July 1.

**2-2506. Penalties.** (a) Any person who violates any of the provisions this act shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than one hundred dollars (\$100), nor more than one thousand dollars (\$1,000), or by imprisonment in the county jail for not more than six (6) months, or by both such imprisonment and fine. (b) The district courts of Kansas shall have jurisdiction to enjoin violations of this act by injunction without the institution of criminal proceedings.

**History:** L. 1955, ch. 9, § 6; July 1.

**Cross References to Related Sections:**

Marketing act, see 74-538.

Labeling act, see 2-2305.

**Research and Practice Aids:**

Food—16.

C.J.S. Food §§ 30 et seq.

**2-2507. Inspection fee; increase or decrease in amount of fees; stamps; quarterly payment; reports and records; disposition of moneys received; egg fee fund.** For the purpose of financing the administration and enforcement of this act, there is hereby levied an inspection fee on all eggs sold, offered or exposed for sale to food purveyors or consumers at the rate of three and one-half (3.5) mills for each dozen eggs. Said fees shall be paid quarterly, but in no event shall the remittance for any quarter be less than fifteen dollars (\$15). If the board finds that the above fees are providing more funds than necessary for the administration of this act, it may reduce the above-mentioned fee by regulation, and in like manner may increase said fee when necessary, but not to exceed the rate specified above. The secretary shall provide inspection fee stamps for sale to persons desiring them. The price of such stamps shall include the printing and mailing costs thereof. Such inspection fee stamps shall also serve as a label indicating size and quality in boldface type letters not less than three-eighths ( $\frac{3}{8}$ ) inch in height. Persons desiring to report and pay the inspection fee quarterly, in lieu of using inspection fee stamps, may make application to the secretary for a permit to pay the inspection fee quarterly.

The secretary may grant the permit if the

applicant agrees to keep such records as may be necessary to indicate accurately the quantity of eggs sold on which the inspection fee is due, and if the applicant agrees to grant the secretary or a duly authorized representative of the secretary permission to verify the statement of quantity of eggs sold. The report shall be filed in the office of the secretary, and shall be due and payable on the first day of October, January, April, and July for the previous three months. If the report is not filed and the inspection fee paid within thirty (30) days after the due date, or if the report of quantity be false, the secretary may revoke the permit. In addition to the inspection fee there shall be assessed against the permit holder a penalty of one dollar (\$1) per day for each day the inspection fee remains unpaid after the thirty (30) day period. Such records of quantity sold shall be held for a period of three years. The secretary shall remit all moneys received by or for the secretary under article 25 of chapter 2 of Kansas Statutes Annotated and amendments thereto to the state treasurer at least monthly. Upon receipt of any such remittance the state treasurer shall deposit the entire amount thereof in the state treasury and the same shall be credited to the egg fee fund. All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of the state board of agriculture or by a person or persons designated by the secretary.

**History:** L. 1955, ch. 9, § 7; L. 1971, ch. 7, § 2; L. 1973, ch. 2, § 10; L. 1979, ch. 10, § 1; July 1.

**2-2508. Registration of certain persons, fee; exemption of person selling from own flock production.** Any person registering his or her place of business for the purpose of qualifying to grade eggs as required under subsection (i) of K.S.A. 2-2503 shall file an application for such registration on a form supplied by the secretary and shall pay an annual registration fee of five dollars (\$5). Each registration shall expire on December 31 of the year in which issued. A producer of eggs when selling only eggs of his or her own flock production is exempted from the provisions of this act.

**History:** L. 1955, ch. 9, § 8; L. 1971, ch. 7, § 3; July 1.

## Article 26.—KANSAS WHEAT ACT

**2-2601. Title; citation.** This act shall be known and cited as the "Kansas wheat act."

**History:** L. 1957, ch. 10, § 1; April 6.

**2-2602. Definitions.** For the purpose of this act and unless otherwise required by context:

(1) "Commission" means the Kansas wheat commission.

(2) "Grower" means any natural person engaged in growing wheat, whether as landlord or tenant.

(3) "First purchaser" is any person, public or private corporation, association or partnership buying or otherwise acquiring after harvest the property in or to wheat from a grower. A mortgagee, pledgee, lienor or other person, public or private, having a claim against the grower under a nonrecourse loan made against such wheat after harvest thereof shall be deemed a purchaser hereunder, provided, the term "first purchaser" shall not include a harvesting or threshing lienee.

(4) "Commercial channels" is the sale of wheat for use as food, feed, seed or any industrial or chemurgic use, when sold to any commercial buyer, dealer, processor, co-operative, or to any person, public or private, who resells any wheat or product produced from wheat.

(5) "Sale" includes any pledge or mortgage of wheat, after harvest, to any person, public or private.

**History:** L. 1957, ch. 10, § 2; April 6.

**Research and Practice Aids:**

Agriculture—2.

C.J.S. Agriculture § 6.

**2-2603. Membership of commission, vacancies; terms; districts; ex officio members.** There is hereby created the Kansas wheat commission. The commission shall consist of seven (7) members to be appointed by the governor. Vacancies which may occur shall be filled for unexpired terms in the same manner from among the growers of the state. Each commissioner shall be appointed for a term of two (2) years. One (1) commissioner shall be appointed for each of the six (6) districts designated as follows, except that for the first appointment the commissioner for districts I, III and V shall be appointed for a term of two (2) years, and the commissioner for districts II, IV and VI shall be appointed for a term of one (1) year.



**2-2909. Penalties for violations; jurisdiction.** Any person convicted of violating any provision of this act or any rules and regulations promulgated thereunder shall be deemed guilty of a misdemeanor and upon conviction shall be fined not more than one hundred dollars (\$100) for the first violation and not less than one hundred dollars (\$100) nor more than five hundred dollars (\$500) for each subsequent violation. Nothing in this act shall be construed as requiring the secretary or his or her authorized agents to report violations of this act for prosecution or for the institution of seizure proceedings when he or she believes that the public interest will best be served by a suitable written warning.

The district courts of this state shall have jurisdiction to restrain violations of this act by injunction without any criminal proceeding being first initiated.

**History:** L. 1976, ch. 3, § 9; July 1.

**2-2910. Rules and regulations.** The secretary is hereby authorized to promulgate and adopt rules and regulations for the administration of the provisions of this act.

**History:** L. 1976, ch. 3, § 10; July 1.

**2-2911. Disposition of moneys; agricultural liming materials fee fund.** The secretary shall remit all moneys received by or for him or her under this act to the state treasurer at least monthly. Upon receipt of any such remittance the state treasurer shall deposit the entire amount thereof in the state treasury and the same shall be credited to the agricultural liming materials fee fund, which fund is hereby created. All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of the state board of agriculture or by a person or persons designated by him or her.

**History:** L. 1976, ch. 3, § 11; July 1.

**Article 30.—GRAIN COMMODITY COMMISSIONS**

**2-3001. Definitions.** As used in this act, unless the context clearly requires otherwise, the following words and phrases shall have the meanings ascribed to them herein:

(a) "grower" means any person engaged in the growing of corn, grain sorghum or soybeans, whether as landlord or tenant.

(b) "first purchaser" means any person, public or private corporation, association, partnership buying or otherwise acquiring after harvest, the property in or to corn, grain sorghum or soybeans from a grower, mortgagee, pledgee, lienor or other person, public or private, having a claim against the grower under a nonrecourse loan made against such corn, grain sorghum or soybeans after harvest thereof shall be deemed purchaser hereunder. The term "first purchaser" shall not include a harvesting, threshing lienor;

(c) "commercial channels" means the sale of corn, grain sorghum or soybeans for use as food, feed, seed or any industrial or chemurgic use, when sold to any commercial buyer, dealer, processor, cooperative, to any person, public or private, who resells any corn, grain sorghum or soybeans or product produced from corn, grain sorghum or soybeans;

(d) "sale" means and includes a pledge or mortgage of corn, grain sorghum or soybeans, after harvest, to any person, public or private;

(e) "division" means the division of markets of the state board of agriculture and the director thereof;

(f) "secretary" means the secretary of the state board of agriculture or his or her authorized representative.

**History:** L. 1977, ch. 4, § 1; July 1.

**2-3002. Membership of commissions; attachment of same to state board of agriculture; terms; vacancies; ex officio members; districts.** (a) There are hereby created three (3) separate and distinct commissions, which shall be known as the Kansas corn commission, the Kansas grain sorghum commission and the Kansas soybean commission. Such commissions shall be attached to and be a part of the division of markets of the state board of agriculture. The membership of each said commission shall be appointed by the governor in the manner prescribed by this section. One member shall be appointed to the Kansas corn commission and the Kansas grain sorghum commission from each district as denoted by subsection (b). One member

subsection (c). For each commission the members shall serve for a term of four (4) years, except that the members first appointed to the Kansas corn commission and the Kansas grain sorghum commission from districts I, II and III shall serve for four (4) years, the members first appointed from districts IV, V and VI shall serve for three (3) years and the members first appointed from districts VII, VIII and IX shall serve for two (2) years, and except that the members first appointed to the Kansas soybean commission from districts I, II and III shall serve for four (4) years, the members first appointed from districts IV, V and VI shall serve for three (3) years and members first appointed from district VII shall serve for two (2) years. Vacancies which may occur shall be filled for unexpired terms in the same manner. The vice president for agriculture of Kansas state university shall be an ex officio member, without the right to vote, of each said commission.

(b) District I shall consist of the following counties: Cheyenne, Decatur, Graham, Norton, Rawlins, Sheridan, Sherman and Thomas.

District II shall consist of the following counties: Gove, Greeley, Lane, Logan, Ness, Scott, Trego, Wallace and Wichita.

District III shall consist of the following counties: Clark, Finney, Ford, Grant, Gray, Hamilton, Haskell, Hodgeman, Kearny, Meade, Morton, Seward, Stanton and Stevens.

District IV shall consist of the following counties: Clay, Cloud, Jewell, Mitchell, Osborne, Ottawa, Phillips, Republic, Rooks, Smith and Washington.

District V shall consist of the following counties: Barton, Dickinson, Ellis, Ellsworth, Lincoln, McPherson, Marion, Rice, Rush, Russell and Saline.

District VI shall consist of the following counties: Barber, Comanche, Edwards, Harper, Harvey, Kingman, Kiowa, Pawnee, Pratt, Reno, Sedgwick, Stafford and Sumner.

District VII shall consist of the following counties: Atchison, Brown, Doniphan, Jackson, Jefferson, Leavenworth, Marshall, Nemaha, Pottawatomie, Riley and Wyandotte.

District VIII shall consist of the following counties: Anderson, Chase, Coffey, Douglas, Franklin, Geary, Johnson, Linn, Lyon,

D. cou  
qua,  
Gree  
Wils  
(c  
ing  
Jack  
and  
D  
cou  
Osa  
D  
cou  
Alle  
D  
cou  
gon  
D  
cou  
Mar  
taw  
Gee  
Mo:  
D  
cou  
Staf  
Pra  
Sur  
I  
cou  
ton  
She  
lace  
Gre  
Bar  
mar  
Ha:  
ver  
ma:  
F  
2  
sati  
mis  
sha  
bee  
gra:  
in t  
diat  
No  
me:  
the  
suc

KANSAS WHEAT COMMISSION TESTIMONY  
ON  
HB 2433

If HB 2433 is implemented, wheat will enter the CCC loan or reserve program without the wheat levy or "check-off". Not until that same wheat is redeemed from the government program and sold into marketing channels would the Kansas Wheat Commission (KWC) and the state of Kansas have access to the wheat promotion mill levy. Currently 4/1000ths of a dollar (4 mills) is deducted from the grower's loan settlement. With implementation of HB 2433 it would be checked-off at the end of the loan and reserve process. This would affect the Kansas Wheat Commission and State General Fund income in several ways and would leave more questions unanswered about future income for wheat promotion.

Since the KWC doesn't accrue any interest on capital funds, it would be the State General Fund that would lose interest income on such funds while the wheat is in regular loan or reserve status. As of January 31st, 1983 there was 184.5 million bushels of Kansas wheat in loan or reserve programs, some of which have been in the reserve program and "rolled over" since 1976. This is a very significant part of Kansas wheat production that is involved. If this entire amount were withheld or delayed at one time instead of over a seven or eight year period, it would force the curtailment of many Kansas Wheat Commission market development programs because it would completely eliminate unencumbered KWC funds. However, since HB 2433 takes place as new wheat enters the loan and reserve, history in the last three years shows that not more than \$217,420.40 in wheat levy income has come from ASCS loan programs in any one year. Since future federal government programs are unknown, it is clearly a risk that if federal stockpiling of grain were to expand and direct sales of Kansas wheat were to decline, then despite what would be an apparent need for market development, KWC funds for promotion would conceivably be tied up in wheat waiting to be sold out of the government reserve.

As it is now, all wheat going into loan is checked-off in Kansas regardless of whether it is eventually redeemed or forfeited to the government. However, under HB 2433, from the Minnesota experience, only the wheat that is redeemed would ever be subject to a check-off. Any wheat that is forfeited to the government would never bear a check-off. This has not been a significant amount of wheat in Kansas over the past several years (only 366,000 bushels in 1981), however, depending on the loan rate in relation to the farm market price, this forfeiture amount could vary widely. For example, if the loan rate were to exceed the market price for any extended period of time, then any wheat eligible to come out of reserve would naturally gravitate toward forfeiture and subsequent loss of revenue to the KWC.

Implementation of HB 2433 would require a several year change over from the present system because there are many crop years of wheat in reserve. There will always be a question during this interim change over time of whether or not the wheat coming out of reserve has been assessed the mill levy.

Because of marketing channels, Kansas reserve wheat could be stored in terminal locations in, for example, Kansas City, Missouri or Enid, Oklahoma. When wheat in these locations is redeemed from reserve or loan it would likely never move back into Kansas and therefore would be marketed out of state for a resulting additional loss in KWC funds.

Future projections for Kansas Wheat Commission budget purposes would be as uncertain as future government programs relating to the loan and reserve. This is significant because Kansas is the largest contributing state to U.S. Wheat Associates who in turn is the wheat promotion agency which receives matching funds from the U.S. Foreign Agricultural Service. They make market development decisions well in advance and with certainty of farmer check-off funding, in order to secure the matching funds of the federal government for overseas programs. Consequently, a collapse of funding from Kansas could have far reaching impact on U.S. wheat marketing efforts overseas.

There are five key points for consideration on how HB 2433 will affect the Kansas Wheat Commission and state of Kansas budgets.

1. Loss of interest income to the State General Fund.
2. Forfeiture of CCC loan or reserve and inability to collect on out of state wheat in the reserve program.
3. Confusion in the implementation of such a change to long-standing policy.
4. Possibility of future KWC loss of income.
5. Uncertainty of projecting the KWC budget and those implications.

The Kansas Wheat Commission is not allowed the advantage of accumulating interest income from wheat check-off dollars. Although the following information is related to a reduction or a delay in incoming funds for the KWC, the actual loss of any interest income would be to the State General Fund. As of January 31st, 1983 there was 184.5 million bushels of wheat in reserve that has been checked-off in Kansas. Some of that 184.5 million bushels entered the government loan and reserve when the Kansas mill levy was 2 mills per bushel (i.e. any wheat that went in between 1976 and June of 1979). Some of it was checked-off at 3 mills per bushel (that from June 1979 to June 1982). Wheat placed under loan or reserve since then has been checked-off at 4 mills per bushel. In fiscal 1982, the KWC received \$127,420.40 from ASCS offices and the Commodity Credit Corporation. Fiscal 1981 yielded \$217,422.16 from ASCS and Commodity Credit, and the year before \$147,258.22 was collected by the ASCS and CCC for the Kansas Wheat Commission fund. Since some of the wheat now in reserve has been there since 1976, it is conceivable with the enactment of HB 2433, that seven or eight years hence the General Fund could be without the use of interest income from many crop years at the same time.

The other side of this is that under HB 2433, the producer would receive the full loan rate at the time of entering the program not minus the wheat mill levy. Therefore, the producer would be able to benefit from the interest income of money he now pays to the wheat mill levy. For example, a 10,000 bushel producer entry into the government program currently results in a loan of around \$35,500.00 of which \$40.00 is deducted and sent to the KWC for wheat promotion. Consequently, the farmer is not allowed the income he could earn from the interest on that \$40.00 while his wheat is in the loan or reserve program.

Currently ASCS and CCC offices cooperate in collecting the wheat promotion levy when the loan is initiated. Under the proposed legislation, the ASCS would be taken out of the collection process and only grain that enters marketing channels would be subject to the wheat promotion levy. This would hurt the Kansas Wheat Commission fund in two ways. First, wheat that is stored in reserve at an out of state location such as in Kansas City, Missouri or Enid, Oklahoma would not travel back into Kansas (a direction away from traditional market flow) and would, therefore, be marketed out of state when redeemed by the producer, resulting in loss of revenue to the Kansas Wheat

Commission. Secondly, wheat that is forfeited to the federal government through non-payment of the loan would never be checked-off. This is verified by the Minnesota Wheat Council which currently operates as HB 2433 suggests. They have not been able to collect on forfeited grain. In 1981, only 366,000 bushels were forfeited, representing a loss of \$1,098.00 to the KWC working fund. However, this forfeiture level could vary greatly depending on market situations. If, for example, the loan rate were made more attractive to farmers or the market value of wheat fell (causing loan to be above the market price for an extended period of time), forfeiture rates would be dramatically higher.

There is bound to be confusion during the transition period to the new system, with the possibility of double-deduction and even non-payment. The question will always arise during this time as to whether wheat that is coming out of reserve has had a check-off or not. In Minnesota, they changed over to a similar system as HB 2433 and it has so far not caused significant modification of their funding for market development programs. According to the Minnesota Wheat Council office it hasn't resulted in very much of a monetary difference. However, he admits the change over caused more problems than now that the program is in place. He still fears a number of double deductions when reserve wheat comes out that was previously checked off upon entry to the reserve. In order for an elevator to avoid the possibility of double deduction there could also be the possibility that collection of the wheat promotion levy would not be made at all.

Essentially, HB 2433 could be a cash flow nightmare for the KWC. It puts a great deal of dependence on the future of government loan and reserve programs in so far as how these future programs will affect the income to the Kansas Wheat Commission and State General Fund. We mentioned that Minnesota has a similar collection system to HB 2433 and have not experienced a great deal of difference in their budget. The problem comes if the loan rate exceeds the market price for a significant length of time or if the government reserve program forces more wheat storage both inside Kansas and out of state. Such possibilities loom over any budget planning or determination of how to best promote the use and sale of Kansas wheat and would introduce a difficult element in planning the budget for wheat promotion not only in Kansas but through U.S. Wheat Associates to the rest of the world.

As far as any additional work load in implementing HB 2433, the KWC would, of course, notify the ASCS offices, CCC offices and the more than 1,200 elevators in Kansas. This would require the usual expenses for notification of any change. Implementation of the change by elevator operators may cause confusion and additional information may need to be sent by mail or over the telephone. However, there would not be justification for hiring additional staff.