

Approved

Fred A. Kerr 1/19/83
Date

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

10:00 a.m./p.m. on Tuesday, January 18, 1983, 19__ in room 423-S of the Capitol.

All members were present except: Senator Dan Thiessen (Excused)
Senator Ross Doyen (Excused)

Committee staff present: Lorraine Cobb, secretary
Raney Gilliland, Research Department
Henry Avila, Research Department
Bruce Hurd, Revisor of Statutes

Conferees appearing before the committee: Raney Gilliland, Research Department

Senator Kerr called the meeting to order and introduced the 1983 committee staff.

Senator Gannon moved, seconded by Senator Warren, that the minutes of the two committee meetings held on January 12, 1983, be approved. Motion carried.

Senator Kerr announced Marvin Webb, Director of the Kansas Grain Inspection Department, will appear before the committee on Wednesday, January 19, and that the committee will hear from Harland Priddle, Secretary of Agriculture, on Thursday, January 20. On Tuesday, Wednesday and Thursday of next week--January 25, 26 and 27, testimony on Senate Bills 1 through 6 will be heard.

Senator Kerr then called on Raney Gilliland who gave a background of condensed information leading up to the drafting of Senate Bills 1 through 6 which were a result of the recommendations of the Interim Agriculture Committee. He stated the grain warehousing problems had been addressed a number of times during the last several years and that last year four bills were considered but action was curtailed on one particular bill due to lack of the federal government passing legislation. At the end of the 1982 session, a Senate Resolution asked that an interim committee be appointed to study the grain warehouse problems and a request was made for an audit of the Grain Warehouse Department.

Mr. Gilliland referred to background information presented to the Interim Committee (Note Attachments 1, 2 and 3) and stated the committee heard from the staff of the Kansas Grain Inspection Department, representatives of insurance and bonding companies, the insurance commissioner's office, the director of economic services for National Grain and Feed Dealers, the Attorney General's office regarding crimes and penalties pertaining to the Kansas Criminal Code and Kansas Grain Warehouse laws, and several individuals regarding hedging and speculation by management of the storage facilities, Task Force committee members established by the KSGID, grain producers, and representatives of the Kansas Cooperative Council, the American Agriculture Movement, the Kansas Farm Bureau, the Kansas Livestock Association, and the Kansas Association of Wheat Growers, plus other conferees.

It was pointed out a firm in Iowa had drawn up policies to help insure farmers against bankruptcy.

SENATE BILL 1 - relates to requirements for licensure of certain warehouses and enhances financial information required.

SENATE BILL 2 - provides for annual statements to depositors of grain stored in public warehouses.

(MORE)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

room 423-S, Statehouse, at 10:00 a.m./~~p.m.~~ on Tuesday, January 18, 1983, 19 .

SENATE BILL 3 - concerns the taking of control of certain warehouses by the director of the state grain inspection department and the appointment of a temporary receiver.

SENATE BILL 4 - concerns certain crimes and penalties under the Kansas Criminal Code and Kansas Grain Warehouse laws, and includes the crime of grain embezzlement.

SENATE BILL 5 - concerns certain crimes committed by grain warehousemen and relates to prosecution by the Attorney General. It addresses the issue of who actually prosecutes in regard to criminal violations.

SENATE BILL 6 - would permit the governor to appoint a director of KGID to serve at his pleasure with confirmation by the Senate.

Answering a question by Senator Reilly as to whether the present KGID has people who could carry out the financial requirements under S.B. 1, Mr. Gilliland stated 600 of the 650 state licensed warehouses will now comply with the similar Commodity Credit Corporation storage agreement requirements. The department will need to emphasize financial evaluation more closely. It has been the tendency of the department to rely to a great extent upon the insurance or bonding company who write the bonds to screen out undesirable applicants.

Answering Senator Warren's question, the maximum fine under S.B. 4 Class D felony is \$10,000; it had been \$5,000.

Relative to the Governor's recommendation in his Budget message requiring two grain warehouse inspections annually, the question was raised as to where the additional money would come from.

MEAT INSPECTION DEPARTMENT ABOLISHMENT - Questions were raised as to the procedure for this result. It was pointed out by Mr. Gilliland this had previously been proposed by Governor Bennett in 1976. The Meat Inspection Act would have to be repealed. The 81 some full-time meat inspection department's employees would in all probability be taken over by the Federal government.

Senator Kerr pointed out the federal building requirements are more stringent and many small businesses feel they will go out of business. Even though, as Senator Reilly pointed out, Mr. Muchmore stated there would be three years to comply with the requirements, Mr. Gilliland pointed out the applicant would have 18 months to submit building plans and another 18 months to complete them. It was mentioned other than the building requirements, the state's requirements in other areas are equal to or better than the federal requirements--they may fall short on structural requirements and maybe certain equipment requirements.

Since Don Jacka will be appearing before the House Agriculture Committee on Thursday, January 20, Senator Kerr stated it may be possible for him to appear before the committee in conjunction with Secretary Harland Priddle to discuss this matter.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

10:00 a.m., Room 423-S

Tuesday, Jan. 18, 1983
Date

NAME	ADDRESS	ORGANIZATION
Michael Francis	Topeka	Am Ins Ass'n
John Wambach	Topeka	DAR
John Blythe	Manhattan	Ks Farm Bureau
Becky Crenshaw	Topeka	CKFO
Nancy Mantola	Topeka	Ks Co-op Council
Mike Beam	Topeka	KLA
Tom Ingham	Hutchinson	Ks Grain & Feed Ass'n
Leland Riley	Hutchinson	Ks Ass of Wintermen

Attachment 1, 1/18/83

MEMORANDUM

July 26, 1982

TO: Special Committee on Agriculture and Livestock
FROM: Kansas Legislative Research Department
RE: Kansas State Grain Inspection Department

Background

The Kansas State Grain Inspection Department (KSGID) was established in 1897 at the request of the grain industry (K.S.A. 34-101 et seq. and K.S.A. 75-1701 et seq.). The Kansas Legislature has conferred upon the Department exclusive control of the official sampling, inspections, grading, weighing, protein analysis, and certification of grades, weights, protein content of all grain at all places where inspection stations are established. As far as inspections are concerned, the Department operates within the United States Grain Standards Act as a basis for the services it performs. Further, the Department is responsible for the supervision and regulation of all warehouses operated under the Kansas Public Warehouse Laws (KPWL). A more detailed description of the Department's duties in this regard will follow.

U.S. Grain Standards Act

The United States Grain Standards Act was enacted by Congress on August 11, 1916, in order that grain could be marketed in a timely and equitable manner. It provided for establishment of standards for the grading and certification of grain.

Prior to the time of its enactment, grain was described and represented by a myriad of terms, descriptions and individual standards. Each trade organization had its own set of standards, at times conceived to favor their own interest. The system, as it existed, did nothing to instill confidence and integrity in the United States grain industry. Buyers, millers and exporters hesitated in making contracts and accepting deliveries of grain marketed under these conditions. Grain organizations tried to implement a single set of standards, but lacked the authority and capability for administering them. A study was conducted by the United States Department of Agriculture in 1901 into the existing sets of standards and their application. As a result, in 1913 permissive federal standards were established, and although adopted by many grain inspection departments, a serious lack of uniform application existed. The United States Grain Standards Act resulted from the failure of the permissive standards concept.

In 1976 the Act was amended as a result of the grain scandal at gulf locations, bringing about the creation of the Federal Grain Inspection Service. The purpose was to provide United States standards for grain and a national inspection and weighing system for grain. The Act was to demonstrate to all concerned parties that the United States is determined that all segments of the grain marketing system, both domestic and foreign, will be equally protected, thereby assuring all parties that they could operate within the system with confidence.

Atch. 1

The KSGID is monitored by the Federal Grain Inspection Service. In order to obtain official designation, the department must meet criteria established by the Federal Grain Inspection Service. All inspectors, samplers, technicians and weighers must be examined and licensed by the Federal Grain Inspection Service, which operates under the U.S. Grain Standards Act.

KSGID Budget

The KSGID had a FY 1981 budget of approximately \$4.3 million, with approximately 230 full-time positions. The 1982 Legislature authorized approximately \$5.1 million, financing 228 F.T.E. staff positions. Of this approximately \$561,000 is allocated to the supervision of the state-licensed public warehouses. Seventeen staff positions are financed from this amount with 11 field examiners. The Department intends to add two additional field examiners during FY 1983.

The Department is wholly supported by fees charged to the grain and warehousing industries of Kansas for the services performed. The 1982 Kansas Legislature, upon approval of S.B. 584, established maximum charges for the service charges of the Department. Table I outlines these maximum charges. Actual charges will be outlined in the Department's rules and regulations. Table II indicates new actual charges which are and will continue to be subject to review by the Legislature through the rules and regulations process. As directed by statute, 20 percent or a maximum of \$200,000 of the gross revenues of the Department is credited to the state for administrative costs. The maximum amount (\$200,000) has been credited to the State General Fund for a number of years. The remainder is deposited in the Grain Inspection Fee Fund.

The Kansas Attorney General is the ex officio attorney for the KSGID. The Attorney General is required to render to the Department counsel, advice, and assist in instigating and prosecuting. However, according to K.S.A. 34-111 it is the duty of the county attorney to prosecute all criminal cases against a warehouseman for a violation of the KPWL.

Grain Advisory Commission

The KSGID has an advisory commission, which was established by statute in 1953. The Grain Advisory Commission (GAC), which is required to meet at least quarterly, is composed of five members appointed by the Governor. By statute (K.S.A. 34-121) the GAC is composed of one farmer, one banker, one operator of a public terminal grain warehouse, one operator of a local public grain warehouse, and one person who is a stockholder in a farmers cooperative enterprise. Members of the GAC serve three year terms. The GAC advises and counsels the Director on matters such as the administration of the Department. The GAC may also bring to the attention of the Director any complaints relating to the operations of the Department and the grain trade. The Grain Advisory Commission may also inform the Director as to any alleged abuses or violations of the provisions of the KPWL or rules and regulations of the Department. The GAC also is authorized (1982 S.B. 575) to make recommendations to the Director for adoption of rules and regulations as are necessary to carry out the KPWL.

Basic Functions

The KSGID has four basic functions. These include: general administration, grain inspection, scale inspection, and warehouse regulation functions. By far the largest of those four functions in terms of manpower and budget authorization is the inspection function. This function involves nearly 85 percent of the Department's budget.

The Kansas State Grain Inspection Department operates protein laboratories and inspection stations at Kansas City, Hutchinson, Wichita, Dodge City, Salina, Topeka, Atchison, and Colby. Services are also provided in ~~Coffeyville and~~ Newton where the cost of services is guaranteed by the grain industry. Inspection stations were located recently at Belleville and Fredonia, but have been closed because of lack of business. Employees of the inspection station at Atchison, as authorized by K.S.A. 34-101d, are permitted to enter the state of Missouri for the taking of samples and weighing of grain from railroad cars being held immediately east of Atchison. This may take place only after the Director has entered into a contract with the state of Missouri for these services. The contract must be approved by both the GAC and the Governor. Further, K.S.A. 1981 Supp. 75-1711 authorizes the KSGID to contract for official sampling of grain at points beyond official inspection stations.

As a part of its inspection functions, the KSGID maintains a scale inspection service. In this area the Department is responsible for inspecting and approving all track and hopper scales in the state over which official certifications are issued. According to the Department, inspections for accuracy of approximately 115 official hopper scales occur twice a year. It is noteworthy that other scales in the state are inspected for accuracy by the Weights and Measures Division of the Kansas State Board of Agriculture.

Criminal penalties are provided for employed inspectors of the KSGID if found guilty of neglect of duty or acceptance of money for neglect of duty and for persons besides those duly authorized to officially inspect, sample, or weigh grain in Kansas.

Kansas Public Warehouse Law

The Kansas State Grain Inspection Department also regulates the portion of the Kansas Public Warehouse Law which deals with the grain warehouse regulation function. The KSGID is responsible for administering the KPWL to protect depositors of grain stored in public grain warehouses. However, the KSGID is responsible for only those warehouses which operate under state licensure. K.S.A. 34-2,101 permits federally licensed and supervised warehouses to operate in Kansas. In both the 1981 and 1982 Legislative Sessions bills were introduced which would have repealed this particular section, and effectively placed all public grain warehouses under state supervision. These two bills were 1981 H.B. 2514 and 1982 S.B. 756. Neither bill received approval.

In order to protect depositors of grain the KPWL requires that state supervised public grain warehouses be licensed before transacting any business. The license to operate a public grain warehouse is issued after a series of procedures are

completed. The first procedure a potential operator must complete is the submission of a written application. If the operator owns more than one facility, then they may all be incorporated under one license. As a part of the application procedure, a form containing the names and addresses of the principals in the operation of the warehouse plus a "complete certified financial statement of recent date" (K.S.A. 34-228) must be completed. Other information may be required as the Director deems necessary. An application fee is charged for handling the application based upon capacity of the facility. These fees are the same as those for a renewal of a license, which is required annually. See Table III. 1982 S.B. 584 also established maximum license renewal fees for warehouses based upon capacity.

The applicant for a public warehouse license also must obtain a bond (K.S.A. 34-229) in an amount computed as follows:

Capacity of the warehouse times the closing cash grain price per bushel of No. 2 hard ordinary wheat in Kansas City on the first Monday in April of each year, less 25 cents per bushel times 15 percent up to a sum of \$200,000, and above \$200,000 add the amount obtained by multiplying the cash grain price per bushel less 25 cents times 1 percent times capacity in excess of that capacity used to compute the first \$200,000 of the amount of the bond.

Bonds must be in an amount of at least \$10,000 and in favor of the state of Kansas. The KSGID is also required to inspect the facilities and receive a schedule of the charges to be made by the warehouse proposed to be operated as a state licensed public grain warehouse in Kansas. Kansas statutes also require that grain stored in public warehouses be covered for full market value with insurance for loss from fire, internal explosion, lightning, and tornado before a license is issued. Insurance reports are sent to the Director of the KSGID at least twice a year.

By its rule and regulatory authority, the Kansas State Grain Inspection Department requires that every warehouseman operating a public grain warehouse have a net worth equal to at least ten cents per bushel of the warehouse's storage capacity. Deficiencies in net worth may be supplied by an increase in the amount of bond purchased by the warehouseman and required by statute. These net worth requirements are contained in K.A.R. 25-1-1.

Once a license has been issued, it may be cancelled, revoked, or suspended if the Director determines that any provisions of the KPWL have been violated. Appeals from the order of the Director are subject to an appeal process through the district court of the county in which the warehouse is located. Conviction of conducting business at a public grain warehouse without a license results in a fine of not less than \$100 or not more than \$500 for each day business is carried on.

Public grain warehouses are also subject to inspection and examination at any time during regular business hours. K.S.A. 34-251 authorizes the Chief Inspector or his agent to examine property, books, records, accounts, papers, and proceedings kept at the warehouse. The KSGID indicates that it makes approximately 1.3 inspections yearly of the state licensed public warehouses. However, K.S.A. 34-228 mandates that the Department complete only one inspection per year.

TABLE I

MAXIMUM CHARGES FOR SERVICES PERFORMED BY THE KSGID

<u>Inspections</u>	<u>Not More Than</u>
Hopper car - in or out, direct transfer	\$ 20.00
Hopper car - reinspection	20.00
Extra sample secured at time of original at request of applicant	6.00
New sample secured after time of original at request of applicant	7.00
Boxcar - in or out, direct transfer	10.00
Boxcar - reinspection	10.00
Extra sample secured at time of original at request of applicant	5.00
New sample secured after time of original at request of applicant	6.00
All reinspections basis official file sample	7.00
Inspection of sample obtained by mechanical spout sampler at country points - (Outside the switching limits where the department has an official inspection station) white certificate (plus sampling fee and mileage paid to sampler attendant) . . . 5.00	10.00
Warehouse sample lot inspection - yellow certificate	10.00
Approving and check testing sampling equipment at country points and training and supervising elevator personnel - flat fee	60.00
Plus: Hourly rate	16.00
Review visits:	
Hourly rate	16.00

Stowage Examinations When Requested by Applicant

Hopper cars and boxcars	\$ 10.00
Barges	15.00
Check testing sampling equipment at terminal points:	
Hourly rate	16.00
Minimum charge	16.00
Truck inspection - in or out	10.00
Truck - reinspection	10.00
Extra truck sample at request of applicant	5.00
Bin inspection	7.00
Barges, in or out, per 1,000 bushels or fraction	5.00
Barge reinspection, per 1,000 bushels or fraction	5.00
Submitted sample inspection	7.00
Protein analysis per sample or reinspection basis official file sample	5.00
Factor analysis only, moisture	3.00
Each approved statement request by applicant	5.00
Duplicate certificates	3.00
DHV count	7.00

Weights

Hopper car or boxcar - in, out, or direct transfers	\$ 8.00
Barges, in or out, per 1,000 bushels or fraction	5.00
Truck or wagonload - (in only) each	8.00
House transfers per 1,000 bushels or fraction	5.00
Weigh-up, annual, per 1,000 bushels or fraction	3.00
In-weighing, sacked cars, per manhour	16.00
Out-weighing, sacked cars, with count, per manhour	16.00
Out-weighing, sacked cars, with count and weight each sack, per manhour	16.00
Hopper scale per test	150.00
Hopper scale per F.G.I.S. test, plus hourly charge on site	150.00
Hopper scale at unofficial points, plus mileage and per diem	150.00
Mileage charge for special trips by the hopper testing scale truck, portal to portal, per mile	1.25
Labor of scale inspector for repair work outside inspector's regular inspecting or adjusting of scale, per hour	16.00
Charge per hour for sampler or weigher by special arrangement, per man	16.00

TABLE II

CURRENT CHARGES FOR SERVICES PERFORMED BY THE KSGID

Inspections

Hopper car - in or out, direct transfer	\$ 11.00
Hopper car - reinspection	11.00
Extra sample secured at time of original at request of applicant	3.50
New sample secured after time of original at request of applicant	5.00
Boxcar - in or out, direct transfer	7.00
Boxcar - reinspection	7.00
Extra sample secured at time of original at request of applicant	2.00
New sample secured after time of original at request of applicant	3.00
All reinspections basis official file sample	4.00
Inspection of sample obtained by mechanical spout sampler at country points -- (Outside the switching limits where the department has an official inspection station) white certificate (Plus sampling fee and mileage paid to sampler attendant)	6.00
Warehouse sample lot inspection -- yellow certificate	6.00
Approving and check testing sampling equipment at country points and training and supervising elevator personnel - flat fee	40.00
Plus: Hourly rate	11.00
Mileage - portal to portal at the rate per mile determined by the secretary of administration pursuant to K.S.A. 75-4607 or amendments thereto;	
Report grade by telephone. . .Call Collect	
Review visits:	11.00
Hourly rate	
Mileage - portal to portal at the rate per mile determined by the secretary of administration pursuant to K.S.A. 75-4607 or amendments thereto;	
Check testing sampling equipment at terminal points:	11.00
Hourly rate	11.00
Minimum charge	5.50
Truck inspection - in our out	5.50
Truck - reinspection	2.00
Extra truck sample at request of applicant	5.00
Bin inspection	2.50
Barges, in or out, per 1,000 bushels or fraction	2.50
Barge reinspection, per 1,000 bushels or fraction	4.00
Submitted sample inspection	
Protein analysis per sample or reinspection basis official file sample	2.75
Factor analysis only, moisture	1.25
Each approved statement requested by applicant	2.25
Duplicate certificates	1.00
DHV count	3.00
Charge for sampling, weighing and other services performed by state grain personnel upon request by the grain industry -- overtime (over eight (8) hours per day) including Saturdays, Sundays, and holidays, a minimum of two (2) hours at \$11.00 per hour (pursuant to K.A.R. 1-5-25.) Employees of the Kansas Grain Inspection Department who are called in to work on a regular day off or called back to work after a regular work schedule shall be paid a minimum of two (2) hours pay at the appropriate rate. The industry that requests this service shall be charged a minimum of two (2) hours.	

Stowage Examinations When Requested by Applicant

Hopper cars and boxcars	2.25
Barges	5.50

Weights

Hopper car or boxcar - in, out, or direct transfers	\$ 6.00
Barges, in our out, per 1,000 bushels or fraction	2.25
Truck or wagonload — (in only) each	6.00
House transfers per 1,000 bushels or fraction	1.50
Weigh-up, annual, per 1,000 bushels or fraction	1.00
In-weighing, sacked cars, per manhour	11.00
Out-weighing, sacked cars, with count, per manhour	11.00
Out-weighing, sacked cars, with count and weight each sack, per manhour	11.00
Hopper scale per test	75.00
Hopper scale per F.G.I.S. test, plus hourly charge on site	75.00
Hopper scale at unofficial points, plus mileage and per diem	75.00
Mileage charge for special trips by the hopper testing scale truck, portal to portal, per mile	.45
Labor of scale inspector for repair work outside his regular inspecting or adjusting of scale, per hour	11.00
Charge per hour for sampler or weigher by special arrangement, per each man	11.00
Warehouse examiners for special or requested examination of warehouse, each examiner, per diem expense plus, per hour	11.00
Mileage - portal to portal at the rate per mile determined by the secretary of administration pursuant to K.S.A. 75-4607 or amendments thereto;	
Charge for amending warehouse license	25.00

Edible Bean Inspection Service

Edible bean inspection (official car sample) per certificate	15.00
Edible bean inspection (official truck sample) per certificate	10.00
Edible bean inspection (submitted sample) per certificate	7.00
Edible bean inspection sampling fee, check weighing, or checkloading per hour	11.00

TABLE III

APPLICATION AND ANNUAL LICENSE RENEWAL FEES

<u>Capacity in Bushels</u>	<u>Annual Fee</u>
1 to 100,000	\$ 250.00
100,001 to 150,000	275.00
150,001 to 250,000	300.00
250,001 to 300,000	325.00
300,001 to 350,000	350.00
350,001 to 400,000	375.00
400,001 to 450,000	400.00
450,001 to 500,000	425.00
500,001 to 600,000	450.00
600,001 to 700,000	475.00
700,001 to 800,000	500.00
800,001 to 900,000	525.00
900,001 to 1,000,000	550.00
1,000,001 to 1,750,000	725.00
1,750,001 to 2,500,000	850.00
2,500,001 to 5,000,000	1,100.00
5,000,001 to 7,500,000	1,350.00
7,500,001 to 10,000,000	1,550.00
10,000,001 to 12,500,000	1,700.00
12,500,001 to 15,000,000	1,850.00
15,000,001 to 17,500,000	2,000.00
17,500,001 to 20,000,000	2,150.00
Over 20,000,000 bushels add \$150 for each 2,500,000 bushels or fraction thereof	

Attachment 2 1/18/83

MEMORANDUM

April 6, 1982
Updated April 9, 1982
Updated September 16, 1982

FROM: Kansas Legislative Research Department

RE: Recent Grain Warehouse Problems in Southwest Kansas

Marvin Webb, Director of the Kansas State Grain Inspection Department, announced on Friday, April 2, 1982, that two elevators in southwest Kansas were under suspension, due to a shortage of both wheat and milo, "in considerable quantities." The two elevator facilities are Plains Grain, Inc. of Plains and Pittman Feed Company of Hayne. Both facilities are owned by James Pittman of Seward County. A third facility, Pittman Feed Company at Kismet, was recently sold by that individual and is not involved in the suspension.

The problems with these two facilities came to the attention of the Kansas State Grain Inspection Department (KSGID) on March 22, 1982, when it was notified by an unnamed informant that there were possible problems with the Pittman Feed Company and Plains Grain, Inc. On March 23, 1982, the KSGID sent one of its warehouse examiners to each of the facilities to determine if they were indeed short of their liabilities. On March 24, 1982, the warehouse examiner called the KSGID in Topeka to report that there was a sizable shortage of grain at both locations. As a result of the indications of shortages from the field examiner, the Director of the KSGID sent certified letters on March 25, 1982 to both Plains Grain, Inc., and the Pittman Feed Company requesting that they cover shortages of specific amounts of milo and wheat within 24 hours.

The Director of the KSGID met with Mr. Pittman on March 30, 1982. At that time the Director was informed that the shortages of grain could not be covered by Mr. Pittman. As a result of this inadequacy, the Director proceeded to take possession of the facilities, including all commodities and all pertinent records and property pursuant to K.S.A. 34-2,104. Judge Kim Ramey of Seward County granted this possession to the KSGID on April 5, 1982, when a representative of the Attorney General's Office appeared before him. Representatives of the KSGID were at those facilities completing the Department's investigation from March 23, 1982 until May 6, 1982. At the Pittman Feed Company the Department found 42,106 bushels of wheat and 56,104 bushels of milo; at the Plains Grain Company they found 45,926 bushels of milo.

On March 25, 1982, preliminary figures indicated that the two facilities were short a combined total of 471,825 bushels of milo and wheat. These preliminary figures reported from the KSGID specifically stated that the Plains Grain, Inc., facility was short 177,959 bushels of milo. The reports indicated the Pittman Feed Company facility at Hayne was short 159,450 bushels of milo and 134,416 bushels of wheat. At that time the Department was continuing its investigation and said that exact shortages would be available upon its completion.

Atch. 2

The final reports of the KSGID showed a shortage at the Plains Grain, Inc. facility of 199,022 bushels of milo; the Pittman Feed Company facility showed 216,601 bushels of wheat and 186,816 bushels of milo. This is a total shortage of 593,439 bushels of grain, an increase of 121,614 bushels over the preliminary reports. Notable at this point is the capacity in bushels of the two elevator facilities. The capacity of the facility in Plains is 249,187; the facility at Hayne has a capacity of 291,952 bushels, according to a publication by the KSGID dated December 1, 1981.

Both facilities, being state licensed, are required to carry the bond as set forth in K.S.A. 34-229. The sum of the bond for Plains Grain, Inc., at Plains is \$161,800. The bond at the Pittman Feed Company at Hayne is \$205,700. However, the KSGID indicates that this bond also covers the former Pittman Feed Company at Kismet. As was noted earlier, the facility at Kismet was sold by Pittman earlier this year. The KSGID last received a financial statement from Mr. Pittman in May, 1981. It indicated assets of approximately \$800,000, with a profit of \$28,000 for the previous year.

In early April an official from the Attorney General's Office indicated that there seemed to be various courses of action which could be taken in this particular matter. They were the following:

1. The deficiencies could be made up by the owner of the two facilities if he could receive loans to do so, or has other assets sufficient to cover the deficiencies.
2. Any interested party, including the KSGID, may petition the court for the appointment of a receiver in accordance with K.S.A. 60-1301 et seq. This is strictly a state remedy under the jurisdiction of the state district courts.
3. Bankruptcy proceedings may be initiated (voluntary or involuntary) in the case. The proceedings would enable creditors to assert just claims against the assets of the bankrupt entity in accordance with the federal bankruptcy laws.

The second option above was chosen and the Director of the KSGID, through the representation of Mr. Reid Stacey of the Kansas Attorney General's Office, petitioned the Seward County District Court for the appointment of a receiver. According to sources at the Attorney General's Office the application for appointment of a receiver was made on April 30, 1982.

Several potential receivers were contacted, but ultimately were rejected by the interested parties or declined to take the responsibility. Reportedly, one of the reasons that potential receivers refused to take the responsibility was the condition of the grain. Ultimately, Mr. Jodie Mahan of Liberal was temporarily appointed receiver by the Court on June 4, 1982. An objection hearing was held on June 18, 1982, and Mr. Mahan was finally appointed receiver on July 7, 1982.

Since his appointment Mr. Mahan has secured an attorney and the required bonding, plus opening the bins at the two facilities and preparing the remaining grain for sale. According to the KSGID, all of the grain from the Pittman Feed Company facility has been sold, along with most of the grain from the Plains Grain, Inc. facility.

According to officials at the Attorney General's Office, there have been several other cases filed relating to the these elevator failures. One has been filed in an Oklahoma court, by citizens of Oklahoma having an interest in grain in the facilities. They are asking for the value of the grain (approximately \$36,000), \$25,000 in punitive damages, plus attorney fees. The other case is a class action suit filed by several individuals in Kansas against the Kansas State Grain Inspection Department and the Department's employee who examined the facilities on January 7, 1982.

82-120/RG

Attachment 3, 1/18/83

THE STATE OF KANSAS



PROTEIN LABORATORIES
ATCHISON KANSAS CITY
COLBY SALINA
DODGE CITY TOPEKA
UTCHINSON WICHITA

INSPECTION POINTS
ATCHISON KANSAS CITY
COLBY SALINA
DODGE CITY TOPEKA
HUTCHINSON WICHITA

GRAIN INSPECTION DEPARTMENT
GENERAL OFFICE

535 KANSAS AVE., TOPEKA, KANSAS 66603

INSPECTION DIVISION
PHONE (913) 296-3451

WAREHOUSE DIVISION
PHONE (913) 296-3454

September 14, 1981 14 Year Averages

Licenses - 800
Capacity - 550,000,000

LOSSES FROM OCTOBER 1, 1967

13 Year Loss
Bonding Company \$571,145.
Producer \$490,909.

287,092 Bu.	1.	(1967)	Farmers Coop @ McPherson Producers loss - -0- Bonding Company loss \$41,011.00
441,021 Courtland 557,632 Belleville 175,986 Formoso	2.	(1972)	Maher Grain Company - Courtland, Kansas Producers loss -- -0- Bonding Company loss \$139,200.00
661,155 Bu.	3.	(1973)	Farmers Coop @ Victoria Producers loss \$ 8,000.00 Bonding Company loss \$10,000.00
57,287 Bu.	4.	(1975)	Centerville Grain Company - Centerville, Kansas Producers loss \$150,000.00 Bonding Company loss \$ 30,000.00
165,799 Canada 75,137 Elmo 41,222 Lost Springs 96,412 Lehigh	5.	(1975)	Canada Grain Company, Inc. - Canada, Kansas Producers loss \$ 97,000.00 Bonding Company loss \$145,023.00
224,214 Bu.	6.	(1976)	Dighton Grain Company - Dighton, Kansas Producers loss \$67,180.00 Bonding Company loss -0-
155,602 Highland 77,005 Emporia 2,314,197 Parsons	7.	(1976)	Way-More Feeds, Inc. - Parsons, Kansas Producers loss -0- Bonding Company loss \$ 45,000.00
27,674 Bu.	8.	(1976)	Hepler Grain Company - Hepler, Kansas Producers loss -- -0- Bonding Company loss \$ 10,900.00
171,385 Bu.	9.	(1980)	Collins Grain Company, Inc. - Kackley, Kansas Producers loss \$168,729.00 Bonding Company loss \$150,011.00

Atch. 3

JOHN CARLIN
GOVERNOR
MARVIN R. WEBB
DIRECTOR

THE STATE OF KANSAS



GRAIN INSPECTION DEPARTMENT
GENERAL OFFICE

535 KANSAS AVE., TOPEKA, KANSAS 66603

WAREHOUSE DIVISION
PHONE (913) 296-3454

INSPECTION DIVISION
PHONE (913) 296-3451

INSPECTION POINTS

ATCHISON	KANSAS CITY
COLBY	SALINA
DODGE CITY	TOPEKA
HUTCHINSON	WICHITA

May 21, 1982

Ames Grain Company, Inc., Ames, Ks.
Final figures have not been established at this time.

Pittman Feed Company at Hayne and Kismet, Ks. and Plains Grain, Inc,
at Plains, Ks. have not declared bankruptcy at this time;