

Approved Fred KerrDate 1/23/84MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE AND SMALL BUSINESSThe meeting was called to order by Senator Fred Kerr at _____
Chairperson10:00 a.m./~~p.m.~~ on Wednesday, January 18, 1984, 19 in room 423-S of the Capitol.All members were present except: Senator Richard Gannon (E)
Senator Gerald Karr (E)Committee staff present: Raney Gilliland, Research Department
Jim Wilson, Revisor of Statutes DepartmentConferees appearing before the committee: Kenneth F. Kern, Executive Director
State Conservation CommissionMarvin R. Webb, Director
Kansas Grain Inspection DepartmentSenator Arasmith moved the minutes of January 17, 1984 be approved,
seconded by Senator Norvell. Motion carried.

Mr. Kern distributed Attachment 1 calling attention to the structure of the Conservation Commission in the 105 counties and 84 watershed districts, stating the commission was organized in 1965. The commission works particularly close with the State Board of Agriculture, Kansas Water Office, Kansas Water Authority, Department of Health and Environment and the Kansas Fish and Game Commission in the areas of soil resources, water supply, water quality, urban areas, energy, fish and wildlife habitat and flood damages, in addition to six other federal and state agencies, as noted in Attachment 1. The commission is extremely interested in land treatment and watershed development. Answering an inquiry, Mr. Kern stated there are 16 pending applications for watershed structures-- ten have been approved and are awaiting funds. \$6 million federal funds were received this year for watersheds.

Attachment 2 sets out the commission's request for year 1985 and the Governor's recommendation which is some \$153,000 below that requested.

AGRICULTURAL CORPORATIONS - Senator Kerr called attention to Attachment 3 pertaining to the farm corporation law. He said he had received two requests (one was from Senator Angell) to consider the problems swine breeding and research facilities have with the farm corporation law. A bill had been drafted to address these concerns. It proposes to provide swine confinement facility exemption similar to a feedlot exemption.

Senator Reilly moved that a bill be introduced to provide swine confinement facility exemption similar to a feedlot exemption, seconded by Senator Arasmith. There were some questions which Senator Kerr stated could be addressed during hearings on the bill. Motion carried.

Senator Kerr announced there would not be a meeting Thursday, but probably on Monday of next week. Tuesday we would be hearing from a Washington, D. C. speaker who will address the Arkan wheat problem.

Senator Kerr also stated Senate Bill 518 which corrects the deletion of a line in the 1983 Senate Bill 1 has been referred to the committee as a whole.

(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 Wednesday, January 18, 1984, 19 .

Marvin Webb distributed Attachment 4. He expressed appreciation for the committee's work last session and the enactment of bills relative to the grain elevators. He called attention to the two insolvencies in southeast Kansas which developed early in 1983. The one in Moran, Kansas is clearly a case of conversion and the man was convicted. To date, 75% of the total amount has been paid to producers and in the end he feels it will amount to around 90%. In the Thayer case, he thinks there will be no loss to the producers.

In the Pittman case in southwest Kansas, there is a class action suit by producers. And he feels that the recent Kechi case northeast of Wichita is a case of conversion also.

He stated 1983 was a good fiscal year and 1984 is moving along pretty good.

The department wants to get a truck sampling facility. He stated grain elevators are in poor financial shape due to the recession. The new laws have hurt a few of the smaller ones, but the laws were necessary.

Director Webb pointed out that the Kansas City station has been moved from the Board of Trade Building to a building located at 4th and State in Kansas City, Kansas. He also stated they have moved from the 535 Kansas location to temporary quarters at 235 Topeka. He extended an invitation to committee members to visit their new facilities.

In answer to a question by Senator Warren as to whether the Grain Inspection Department can do anything about wheat quality, Mr. Webb stated they visually inspect the wheat and it would be impossible to separate all wheat. He stated, "the FGIS will inform you about it"--the Arkan wheat.

The meeting was adjourned.

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SENATE

AGRICULTURE AND SMALL BUSINESS COMMITTEE

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

Wednesday, Jan 18, 1984

Date

NAME

ADDRESS

ORGANIZATION

NAME	ADDRESS	ORGANIZATION
Nancy Kantola	Topoka	KS Co-op Council
John Blythe	Manhattan	Ks Farm Bureau
Ken Kern	Topoka	State Conservation Comm
Gavin R. Well	"	Ks State Grain Insp.
Sam Reder	"	Kans State Gr. Insp
T. C. Anderson	Topoka	KSCPA

Attachment
1/18/84

SENATE
AGRICULTURE AND SMALL BUSINESS
COMMITTEE

STATE CONSERVATION COMMISSION
PRESENTATION

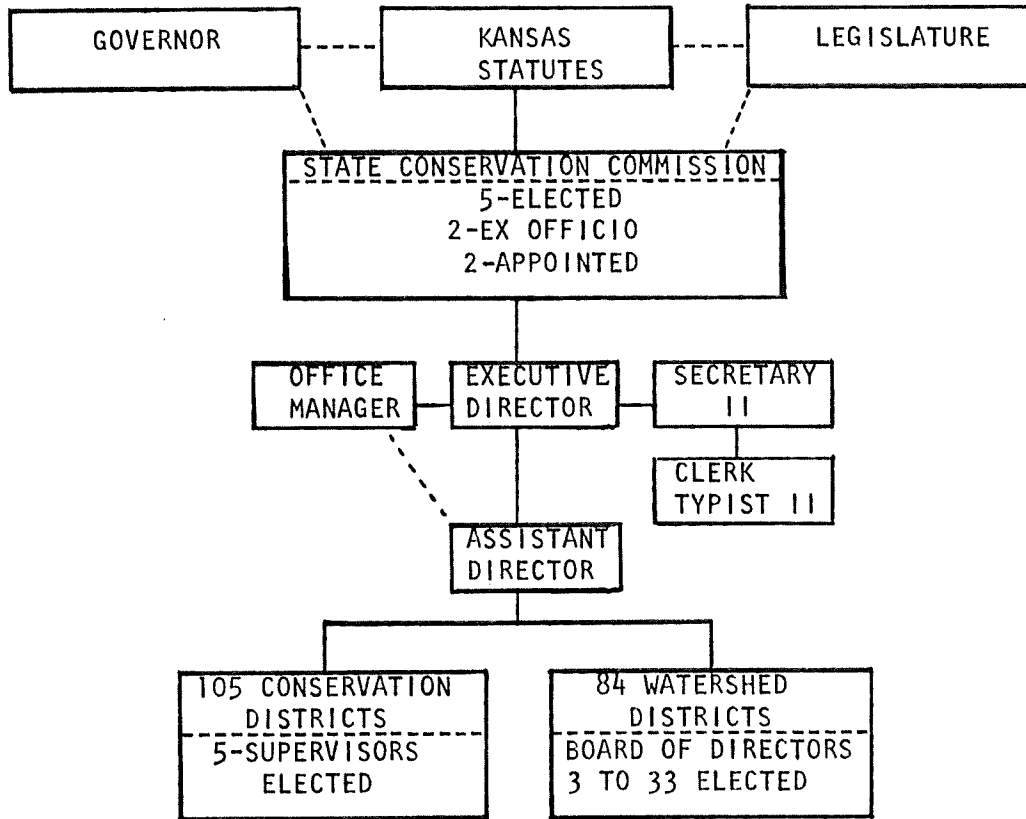
BY

KENNETH F. KERN
EXECUTIVE DIRECTOR

JANUARY 18, 1984

Attch. 1

STATE CONSERVATION COMMISSION
 ORGANIZATION CHART AND
 PROGRAM EXPLANATION



PROGRAM EXPLANATION: THE STATE CONSERVATION COMMISSION WAS CREATED UPON ENACTMENT OF THE KANSAS CONSERVATION DISTRICT LAW, K.S.A. 1937 2-1901 ET SEQ. EACH CONSERVATION DISTRICT IS COUNTY-WIDE. THE STATE APPROPRIATES FUNDS FOR THREE ASSISTANCE PROGRAMS AND FOR ADMINISTRATION.

1. STATE AID TO CONSERVATION DISTRICTS - K.S.A. 1981 2-1907c provides that the state can match county funds appropriated by the county commissioners up to a maximum of \$7500 per district. K.S.A. 1981 2-1907b provides that each county can levy an additional tax, not to exceed .5 mill or \$15,000, whichever is less, for a maximum of \$22,500. These monies are to be used for the operation of the conservation district. *Iman started 1965*

2. STATE ASSISTANCE IN CONSTRUCTION OF WATERSHEDS - Special state fund for cost-sharing assistance to watersheds in construction of detention dams and/or grade stabilization structures. (Non-P.L. 566 structures)

3. WATER RESOURCES COST-SHARE PROGRAM - K.S.A. 1979 2-1915 provides for a special state fund for cost-sharing assistance to private landowners for the establishment of enduring structures (practices) to develop and improve the quality and quantity of Kansas water resources. *1971*

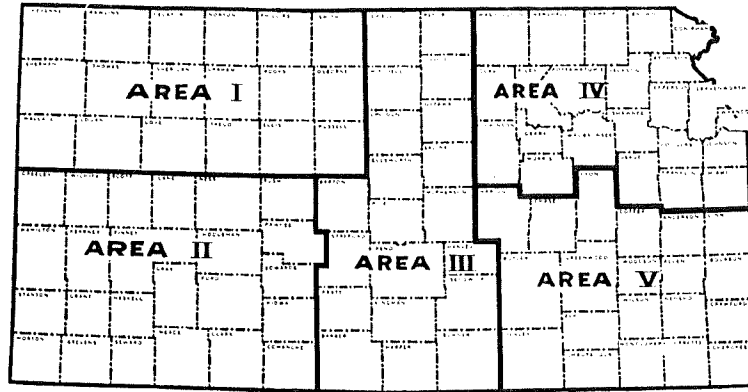
4. ADMINISTRATION - Provides for staff salaries, communications, printing, travel and subsistence for staff and commissioners, rents, office supplies, capital outlay and miscellaneous items.

State Conservation Commission

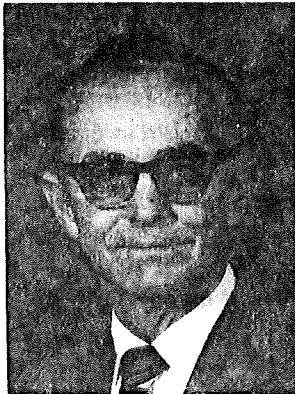
ELECTED MEMBERS: Area Commissioners elected to two-year terms by Supervisors of Conservation Districts within each area.



Robert McClellan
Area I
Palco



J. Wendell Eggerman
Area IV
Green



Roy Seybert
Area II
Meade

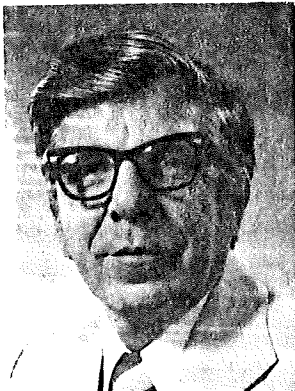


J. Jean Mettlen
Area III
Sylvan Grove



John Spurling
Area V
Fort Scott
CHAIRMAN

EX OFFICIO MEMBERS: Cooperating Agencies



Dr. Fred Sobering
Cooperative Extension
Service, Manhattan



Dr. John Dunbar
Agricultural
Experiment
Station, Manhattan



Harlan Priddle
State Board of
Agriculture
Topeka



John W. Tippie
Soil Conservation
Service, Salina

State Conservation Commission and Staff
535 Kansas Avenue, Topeka, Kansas 66603
Telephone 913-296-3600

COMMISSIONERS
ELECTED

- ROBERT McCLELLAN, Box 248, Palco, Kansas 67657.....Commission Area I
Vice-Chairman (Telephone 913-737-2381)
- ROY SEYBERT, Nye Route, Meade, Kansas 67864.....Commission Area II
(Telephone 316-873-5150)
- J. JEAN METTLEN, Sylvan Grove, Kansas 67481.....Commission Area III
(Telephone 913-525-6141)
- J. WENDELL EGGERMAN, RR, Green, Kansas 67447.....Commission Area IV
(Telephone 913-944-3539)
- JOHN SPURLING, RFD 5, Fort Scott, Kansas 66701.....Commission Area V
Chairman (Telephone 316-362-4232)

EX-OFFICIO

- DR. JOHN DUNBAR, Director, Agricultural Experiment Station,
Kansas State University, Manhattan, Kansas 66506
(Telephone 913-532-6147 / KANSAN 562-6147)
- DR. FRED SOBERING, Director, Cooperative Extension Service,
Kansas State University, Manhattan, Kansas 66506
(Telephone 913-532-5820 / KANSAN 562-5820)

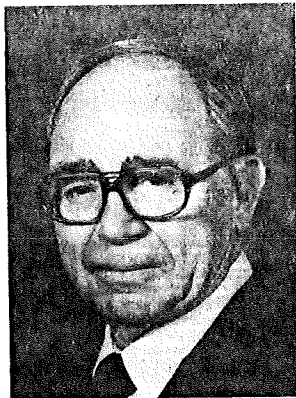
APPOINTED

- HARLAND PRIDDLE, Secretary, State Board of Agriculture, 109 SW 9th,
Topeka, Kansas 66612
(Telephone 913-296-3558 / KANSAN 561-3558)
- JOHN TIPPIE, State Conservationist, USDA Soil Conservation Service,
P. O. Box 600, Salina, Kansas 67401
(Telephone 913-823-4565)

STAFF



Kenneth F. Kern
Executive Director



Charles M. Gray
Assistant Director



Lola Warner
Office Manager



Yolanda Pardee
Secretary

STATE CONSERVATION COMMISSION

Organization and Objectives

1. The State Conservation Commission is the state agency administering the "Kansas Conservation Districts Law" (K.S.A. 2-1901 et seq.).
2. The commission is organized according to K.S.A. 2-1904 and is composed of nine commissioners.
 - a. One commissioner is elected by the conservation district supervisors from each of the five conservation areas of the state.
 - (1) The method of election is by an area caucus of the district supervisors of each of the five separate areas of Kansas.
 - (2) Areas I, III and V shall elect in odd years.
 - (3) Areas II and IV shall elect in even years.
 - (4) The elected commissioners take office on January 1.
 - (5) The commission shall appoint a successor to fill an unexpired term of an elected commissioner. The successor shall be a resident of the same area as that of the predecessor.
 - b. Ex officio commissioners are the:
 - (1) Director of the Cooperative Extension Service at K-State University.
 - (2) Director of the State Experiment Station at K-State University.
 - c. Appointed commissioners are appointed by the:
 - (1) Secretary of the United States Department of Agriculture.
 - (2) Kansas State Board of Agriculture.
3. Program objectives have been developed by the commission for seven (7) areas relating to soil and water conservation. The program objectives are designed to maintain our natural resources, the quality of our environment, and our standard of living. Program objectives by area are:

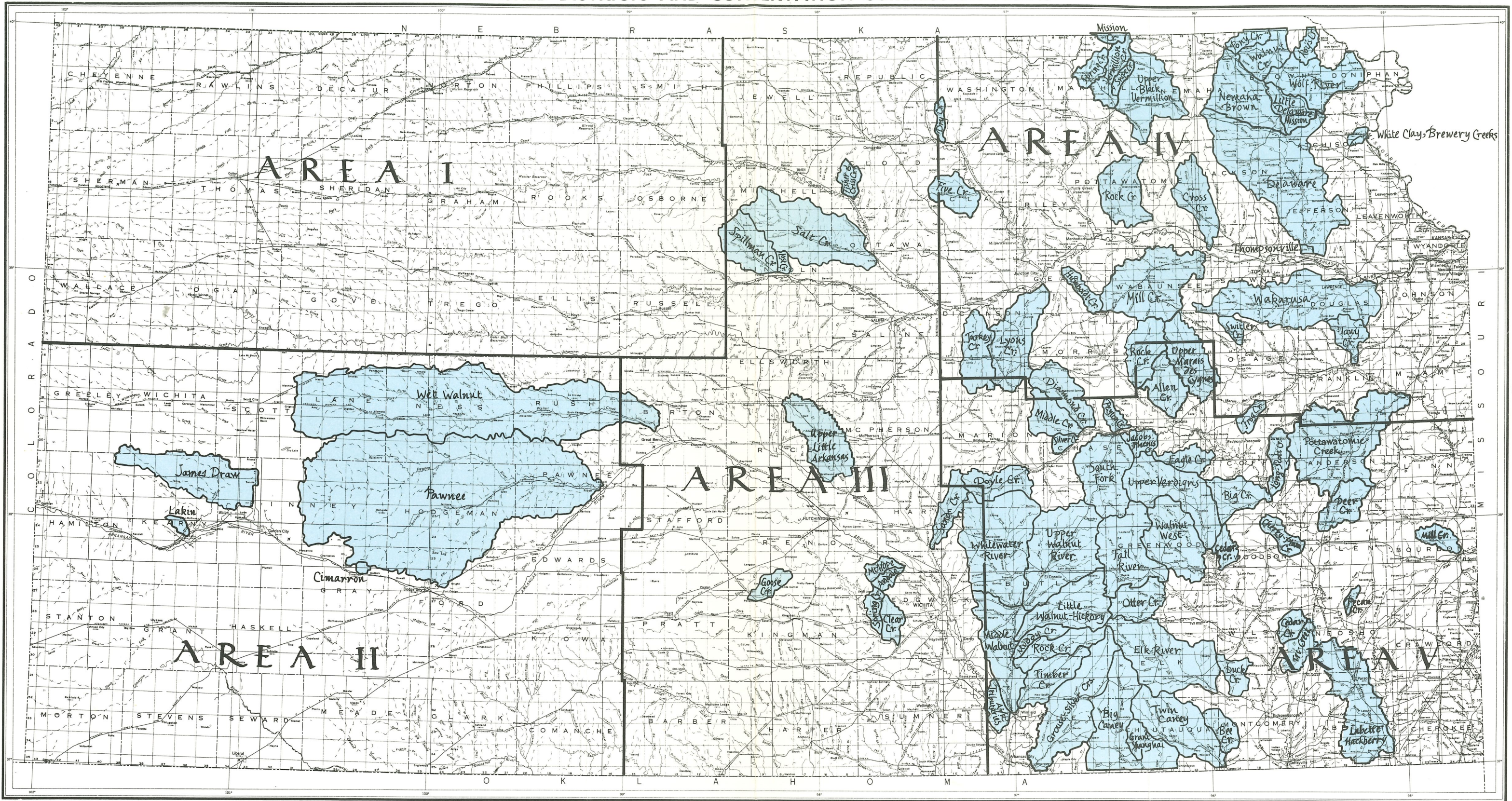
STATE CONSERVATION COMMISSION - Organization and Objectives, Cont.

- a. Soil Resources: Reduce soil erosion, maintain soil quality, keep prime farmland producing food and fiber, and improve grassland management.
 - b. Water Supply: Increase efficiency of water use in agriculture and to increase agricultural water supplies.
 - c. Water Quality: Reduce pollution caused by farm wastes, reduce nutrients reaching the water from agricultural runoff, reduce sediment, and reduce the discharge of toxic pollutants and dissolved solids, especially those posing a threat to public health.
 - d. Urban Areas: Help urban developers and other land users recognize these potential soil erosion problems and develop plans to solve them; to reduce conversion of prime farmlands and wetlands to urban areas; and to reduce sediment delivery from construction sites.
 - e. Energy: Reduce energy used per unit of output in agriculture and to increase net production of energy from agricultural lands.
 - f. Fish and Wildlife Habitat: Improve wildlife habitat and water quality through erosion and sediment control.
 - g. Flood Damages: Reduce flood damages to farmlands and urban areas through structural and non-structural means and through conservation treatment of the land.
4. The commission provides many services to conservation districts and watershed districts including, but not limited to:
- a. Seeking and administering financial assistance programs:
 - (1) State matching funds for conservation districts.
 - (2) Water resources cost-share program grants-in-kind.
 - (3) Watershed dam construction assistance.
 - b. Maintain files and records pertaining to conservation districts and watershed districts.
 - c. Providing guidance for district operations.
 - d. Publishing a newsletter.
 - e. Visitation by staff to district offices and/or supervisors.
 - f. Conducting workshops for supervisors and secretaries.

STATE CONSERVATION COMMISSION - Organization and Objectives, Cont.

5. The conservation of soil and water in Kansas involves many state and federal agencies. The commission coordinates and cooperates with the following federal and state agencies:
- a. U.S.D.A. Soil Conservation Service
 - b. U.S.D.A. Agricultural Stabilization and Conservation Service
 - c. State Board of Agriculture *And Resources*
 - d. Kansas Water Office
 - e. Kansas Water Authority
 - f. Department of Health and Environment
 - g. Kansas Fish and Game Commission
 - h. Mined Land Conservation and Reclamation Board
 - i. Kansas State University Cooperative Extension Service
 - j. Kansas State University Agricultural Experiment Station
 - k. and many others as the need arises.
6. The commission also coordinates and cooperates with conservation related organizations both at the state and national level. Some of these organizations are:
- a. Kansas Association of Conservation Districts (KACD)
 - b. National Association of Conservation Districts (NACD)
 - c. State Association of Kansas Watersheds (SAKW)
 - d. Kansas Land Improvement Contractor Association (KLICA)
 - e. Kansas Advisory Council for Environmental Education (KACEE)
 - f. and others as the need arises.
- working closely with them*

WATERSHED DISTRICTS AND CONSERVATION COMMISSION AREAS



Conservation districts are organized and operating in each of the 105 counties—boundaries are coterminous.

State Water Resources Cost-Share Program
FY 1983

*out of
an... ..*

Structures by Area:	I	II	III	IV	V	Total
Terraces (miles)	216.5	170.1	109.6	124.3	120.9	740.4
Tile Outlet Terraces (feet)			2,640	105,272	4,221	112,133
Diversions (Cu. Yds.)	37,501	62,729	4,675	28,610	7,090	140,605
Grassed Waterways (Acres)	85.9	34.7	179.5	391.0	122.6	813.7
Pollution Abatement Systems (no.)		1			1	2
Irrigation Pits (no.)		1	8			9
Reuse Pits (no.)		7	10			17
Livestock Wells (no.)	16	4				20
Livestock Pits and Ponds (no.)	6	1		13	25	45
Livestock Pipelines (feet)	14,378	4,148		440		18,966
Critical Area Treatment (acres)		1	1		13	15
Spring Development (no.)	1			25	4	30
Grade Stabilization Structures (no.)		1	3			4

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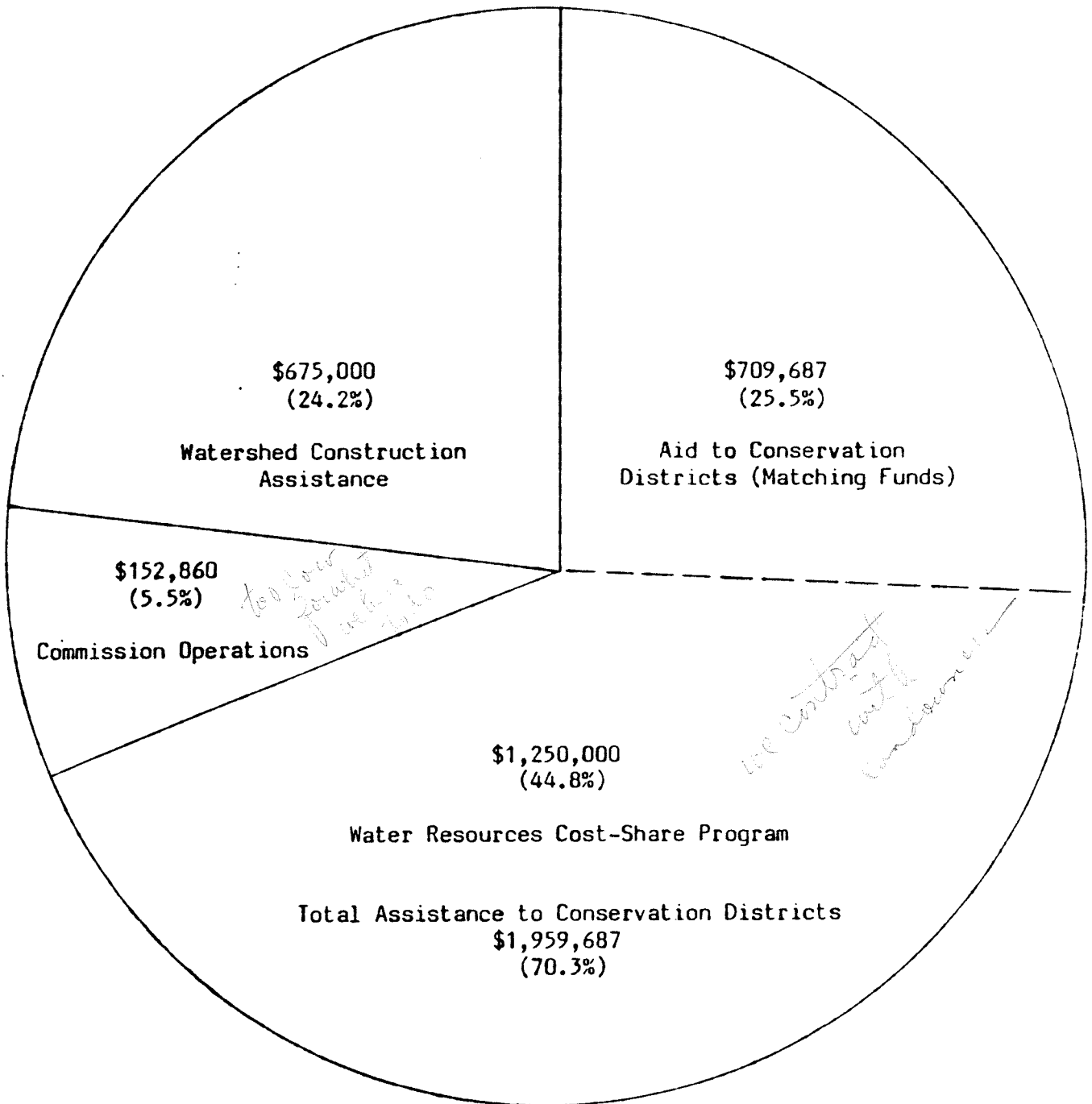
Conservation Commission
Watershed Construction Assistance
FY 1983

Watershed District	New Starts FY 1983	Supple- mentals	Funding FY 1983	Total Structures	Funding To Date
Allen Creek Dist. #89				6	\$ 153,447
Big Caney Joint Dist. #31				1	33,509
Big Creek Joint Dist. #48				3	46,221
Cedar Creek Joint District. #56				1	20,266
Cherry-Plum Creeks Joint Dist. #17				1	6,453
Deer Creek Joint Dist. #55				2	80,173
Delaware Joint Dist. #10	2		\$ 79,818	28	401,994
Diamond Creek Joint Dist. #61				6	119,511
Doyle Creek Joint Dist. #86	1		77,392	1	77,392
Eagle Creek Dist. #77				1	29,637
Grouse-Silver Creeks Joint Dist. #92	1		90,000	2	202,614
Jacobs-Phenis Creeks Joint Dist. #94				2	45,937
Labette-Hackberry Creeks Joint Dist. #96		1	3,467	6	122,437
Middle Creek Joint Dist. #62				3	94,629
Mill Creek Joint Dist. #85				2	130,000
Mt. Hope Joint Dist. #54				1	39,847
Nemaha-Brown Joint Dist. #7	2		47,146	12	239,826
Pawnee Joint Dist. #81	1		90,000	9	408,585
Peyton Creek Dist. #71				2	28,149
Pony Creek Joint Dist. #78				6	85,186
Pottawatomie Creek Joint Dist. #90		1	25,787	8	418,033
Rock Creek Dist. #45		1	76,160	5	264,044
Rock Creek Joint Dist. #84				3	88,292
Roys Creek Dist. #75				2	50,079
Salt Creek Joint Dist. #46				1	16,222
Sand Creek Joint Dist. #68				1	51,339
South Fork Joint Dist. #76				4	119,310
Tauy Creek Joint Dist. #82				2	31,997
Tri-Creeks Joint Dist. #100	*1		88,452	1	88,452
Upper Marais des Cygnes Joint Dist. 101		1	611	2	50,861
Upper Verdigris Joint Dist. #24		1	81,918	1	159,999
Upper Walnut Joint Dist. #33				2	102,021
Walnut-West Creeks Dist. #72				1	60,000
Wet Walnut Creek Joint Dist. #58				3	60,044
Whitewater River Joint Dist. #22				1	46,256
TOTAL	8	5	\$660,751	132	\$3,972,762

*Multiple purpose site with water supply for Thayer, Kansas

18 more in 84

Financial Summary
Fiscal Year 1983 Appropriations



Adjustments to the budget due to reduced state income resulted in cancellation of all "cost of living" and "merit" raises for Commission staff and a reduction in travel allowances. This amounted to \$12,121. The Water Resources Cost-Share Program returned to the State \$44,999.68 in carry-over funds from FY 1982 and uncommitted funds from FY 1983. The Watershed Construction Assistance Program was reduced \$18,713. Total budget reduction for the Commission was \$75,833.68.



State Conservation Commission

109 S.W. 9TH STREET, ROOM 300

TELEPHONE (913) 296-3600

TOPEKA, KANSAS 66612

State Conservation Commission State Appropriated General Funds

Fiscal Year	Watershed Planning Assistance	Watershed Construction Assistance	Aid to Conservation Districts	Water Resources Cost-Share Assistance
FY 1959	22,000			
FY 1960	11,639			
FY 1961	107,172			
FY 1962	108,193			
FY 1963	137,680			
FY 1964	130,728			
FY 1965	120,000		88,902	
FY 1966	120,000		187,527	
FY 1967	180,000		200,089	
FY 1968	120,000		211,283	
FY 1969	120,000		227,414	
FY 1970	120,000		246,556	
FY 1971	120,000		260,576	
FY 1972	100,000		264,355	
FY 1973	100,000		271,176	
FY 1974	89,000		310,952	
FY 1975	99,630		336,120	
FY 1976	97,198		354,368	
FY 1977	100,000	500,000	373,373	
FY 1978	100,000	500,000	453,102	
FY 1979	100,000	600,000	497,343	
FY 1980	100,000	600,000	529,069	
FY 1981		600,000	598,736	1,000,000
FY 1982		600,000	668,319	900,000
FY 1983		675,000	709,687	1,250,000
FY 1984		675,000	732,675	1,250,000
TOTAL	2,203,240	4,750,000	7,521,622	4,400,000



State Conservation Commission

109 S.W. 9TH STREET, ROOM 300

TELEPHONE (913) 296-3600

TOPEKA, KANSAS 66612

UPDATE FY 1984

As of January 16, 1984

Water Resources Cost-Share Program

Appropriation -	\$1,250,000
Under Contract -	92%
Reallocation of Funds not under	
Contract -	April 1, 1984

with individual landowners

Conservation Districts with County Funded Cost-Share Programs

	FY 83	FY 84
Clark Co.	\$ ---	\$ 7,500
Ellis Co.	5,000	5,000
Graham Co.	8,000	8,000
Kearny Co.	15,000	15,000
Norton Co.	---	12,500
Rush Co.	---	15,000
Washington Co.	15,000	15,000

*rec'd from county districts
out of 1/2 m. by 3/1/84*

Watershed Construction Assistance

Appropriation -	\$675,000
New Starts -	18
Supplementals -	3
Funds not under Contract -	0
Number of Dams Constructed with State Assistance -	150
Structures in Watershed General Plans that could be constructed -	2,449
Federal PL 566 Dams Constructed -	632
Federal Dams Remaining to Construct -	234

Applications of File for State Assistance for <u>FY 85</u>	16
Dollar amount of State Assistance Requested	\$685,301



State Conservation Commission

109 S.W. 9TH STREET, ROOM 300

TELEPHONE (913) 296-3600

TOPEKA, KANSAS 66612

Attach 2 2/1/84

FY 1985

	FY 1984	Commission Request	Governor's Recommendation
Administration	\$ 154,340	\$ 200,000	\$ 166,334
State Aid to Conservation Districts	732,675	749,720	749,720
Watershed Dam Construction Program	675,000	800,000	760,000*
Water Resources Cost-Share Program	<u>1,250,000</u>	<u>1,500,000</u>	<u>1,420,000*</u>
	\$2,812,015	\$3,249,720	\$3,096,054

*The Kansas Water Authority recommends \$1,000,000.

Input - 11/22/84

11/22/84

Attach 2

SENATE BILL NO. _____

By

AN ACT relating to agricultural corporations; defining certain terms; concerning restrictions upon such corporations and exceptions thereto; amending K.S.A. 17-5904 and K.S.A. 1983 Supp. 17-5903 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1983 Supp. 17-5903 is hereby amended to read as follows: 17-5903. As used in this act:

(a) "Corporation" means a domestic or foreign corporation organized for profit or nonprofit purposes.

(b) "Nonprofit corporation" means a corporation organized not for profit and which qualifies under section 501(c)(3) of the federal internal revenue code of 1954 as amended.

(c) "Limited corporate partnership" means a limited partnership, as defined in K.S.A. 56-1a101 and amendments thereto, which has as a member or members, whether as general or limited partners, one or more corporations.

(d) "Corporate partnership" means a partnership, as defined in K.S.A. 56-306 and amendments thereto, which has within the association one or more corporations.

(e) "Feedlot" means a lot, yard, corral, or other area in which livestock for slaughter are confined. The term includes within its meaning agricultural land in such acreage as is necessary for the operation of the feedlot.

(f) "Agricultural land" means land suitable for use in farming.

(g) "Farming" means the cultivation of land for the production of agricultural crops, the raising of poultry, the production of eggs, the production of milk, the production of fruit or other horticultural crops, grazing or the production of

livestock. Farming does not include the production of timber, forest products, nursery products or sod, and farming does not include a contract to provide spraying, harvesting or other farm services.

(h) "Fiduciary capacity" means an undertaking to act as executor, administrator, guardian, conservator, trustee for a family trust, authorized trust or testamentary trust or receiver or trustee in bankruptcy.

(i) "Family farm corporation" means a corporation:

(1) Founded for the purpose of farming and the ownership of agricultural land in which the majority of the voting stock is held by and the majority of the stockholders are persons related to each other, all of whom have a common ancestor within the third degree of relationship, by blood or by adoption, or the spouses or the stepchildren of any such persons, or persons acting in a fiduciary capacity for persons so related;

(2) all of its stockholders are natural persons or persons acting in a fiduciary capacity for the benefit of natural persons; and

(3) at least one of the stockholders is a person residing on the farm or actively engaged in the labor or management of the farming operation. A stockholder who is an officer of any corporation referred to in this subsection and who is one of the related stockholders holding a majority of the voting stock shall be deemed to be actively engaged in the management of the farming corporation. If only one stockholder is meeting the requirement of this provision and such stockholder dies, the requirement of this provision does not apply for the period of time that the stockholder's estate is being administered in any district court in Kansas.

(j) "Authorized farm corporation" means a Kansas corporation, other than a family farm corporation, all of the incorporators of which are Kansas residents and which is founded for the purpose of farming and the ownership of agricultural land in which:

(1) The stockholders do not exceed 15 in number;

(2) the stockholders are all natural persons or persons acting in a fiduciary capacity for the benefit of natural persons or nonprofit corporations; and

(3) at least 30% of the stockholders are persons residing on the farm or actively engaged in the day-to-day labor or management of the farming operation. If only one of the stockholders is meeting the requirement of this provision and such stockholder dies, the requirement of this provision does not apply for the period of time that the stockholder's estate is being administered in any district court in Kansas.

For the purposes of this definition, if more than one person receives stock by bequest from a deceased stockholder, all of such persons, collectively, shall be deemed to be one stockholder, and a husband and wife, and their estates, collectively, shall be deemed to be one stockholder.

(k) "Trust" means a fiduciary relationship with respect to property, subjecting the person by whom the property is held to equitable duties to deal with the property for the benefit of another person, which arises as a result of a manifestation of an intention to create it. A trust includes a legal entity holding property as trustee, agent, escrow agent, attorney-in-fact and in any similar capacity.

(1) "Family trust" means a trust in which:

(1) A majority of the equitable interest in the trust is held by and the majority of the beneficiaries are persons related to each other, all of whom have a common ancestor within the third degree of relationship, by blood or by adoption, or the spouses or stepchildren of any such persons, or persons acting in a fiduciary capacity for persons so related; and

(2) all the beneficiaries are natural persons, are persons acting in a fiduciary capacity, other than as trustee for a trust, or are nonprofit corporations.

(m) "Authorized trust" means a trust other than a family trust in which:

(3) Agricultural land acquired by a corporation in such acreage as is necessary for the operation of a nonfarming business. Such land may not be used for farming except under lease to one or more natural persons, a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust. The corporation shall not engage, either directly or indirectly, in the farming operation and shall not receive any financial benefit, other than rent, from the farming operation.

(4) Agricultural land acquired by a corporation by process of law in the collection of debts, or pursuant to a contract for deed executed prior to the effective date of this act, or by any procedure for the enforcement of a lien or claim thereon, whether created by mortgage or otherwise, if such corporation divests itself of any such agricultural land within 10 years after such process of law, contract or procedure.

(5) A municipal corporation.

(6) Agricultural land which is acquired by a trust company or bank in a fiduciary capacity or as a trustee for a nonprofit corporation.

(7) Agricultural land owned or leased by a corporation, corporate partnership, limited corporate partnership or trust on the effective date of this act if (A) any such entity owned or leased such agricultural land prior to July 1, 1965, provided such entity shall not own or lease any greater acreage of agricultural land than it owned or leased prior to the effective date of this act unless it is in compliance with the provisions of this act, or (B) any such entity was in compliance with the provisions of K.S.A. 17-5901 prior to its repeal by this act, provided such entity shall not own or lease any greater acreage of agricultural land than it owned or leased prior to the effective date of this act unless it is in compliance with the provisions of this act, or (C) any such entity was not in compliance with the provisions of K.S.A. 17-5901 prior to its repeal by this act, but is in compliance with the provisions of

this act by July 1, 1991.

(8) Agricultural land held or leased by a corporation for use as a feedlot.

(9) Agricultural land held or leased by a corporation for the purpose of the production of timber, forest products, nursery products, or sod.

(10) Agricultural land used for bona fide educational research or scientific or experimental farming.

(11) Agricultural land used for the commercial production and conditioning of seed for sale or resale as seed or for the growing of alfalfa by an alfalfa processing entity if such land is located within 30 miles of such entity's plant site.

(12) Agricultural land owned or leased by a corporate partnership or limited corporate partnership in which the partners associated therein are either natural persons, family farm corporations, authorized farm corporations, family trusts, authorized trusts or testamentary trusts.

(13) Any corporation, either domestic or foreign, organized for coal mining purposes which engages in farming on any tract of land owned by it which has been strip mined for coal.

(14) Agricultural land owned or leased by a corporation for use as a swine confinement facility.

(b) Any corporation, trust, limited corporate partnership or corporate partnership, other than a family farm corporation, authorized farm corporation, family trust, authorized trust or testamentary trust, violating the provisions of this section shall be subject to a civil penalty of not more than \$50,000 and shall divest itself of any land acquired in violation of this section within one year after judgment is entered in the action. The district courts of this state may prevent and restrain violations of this section through the issuance of an injunction. The attorney general or district or county attorney shall institute suits on behalf of the state to enforce the provisions of this section.

(c) Civil penalties sued for and recovered by the attorney

general shall be paid into the state general fund. Civil penalties sued for and recovered by the county attorney or district attorney shall be paid into the general fund of the county where the proceedings were instigated.

Sec. 3. K.S.A. 17-5904 and K.S.A. 1983 Supp. 17-5903 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the Kansas register.

Attachment #4, 1/18/84

THE STATE  OF KANSAS

JOHN CARLIN
GOVERNOR
MARVIN R. WEBB
DIRECTOR

GRAIN INSPECTION DEPARTMENT
GENERAL OFFICE

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REPORT OF THE STATE OF
KANSAS GRAIN INSPECTION DEPARTMENT

PRESENTED BY MARVIN R. WEBB, DIRECTOR

TO

THE SENATE AGRICULTURE AND
SMALL BUSINESS COMMITTEE

WEDNESDAY, JANUARY 18, 1984

Atch. 4

I WANT TO THANK YOU FOR THIS EARLY OPPORTUNITY TO MAKE A REPORT ON THE STATE OF THE GRAIN INSPECTION DEPARTMENT.

SINCE WE WERE SO CONCERNED WITH ELEVATOR INSOLVENCIES LAST SESSION, I MIGHT MENTION THAT FIRST. IF YOU REMEMBER, WE HAD TWO CASES EARLY IN 1983.

THE MORAN CASE IS NOT QUITE CONCLUDED, BUT AS IT STANDS NOW, THE RECEIVER, RED EASTON, PAID EACH PRODUCER 75% OF THEIR TOTAL AND THE ESTIMATE OF THE TOTAL LOSS TO THE PRODUCERS WOULD BE LESS THAN \$25,000 WITH ROUGHLY 100 PRODUCERS WHICH AVERAGES \$250.00 EACH.

THE OTHER CASE WAS THE J & H GRAIN CO. AT THAYER. THIS WAS AN INVOLUNTARY BANKRUPTCY IN WHICH THE BANK OF COMMERCE OF CHANUTE FILED SUIT DUE TO THE INABILITY OF J & H TO PAY OFF THEIR NOTE. THE CASE IS NEARLY CONCLUDED. WE EXPECT NO LOSS TO THE PRODUCERS.

NOW, LET'S TALK ABOUT THE PITTMAN GRAIN CO. AND THE PLAINS GRAIN CO. AT HAYNE SWITCH AND PLAINS. DISPOSITION OF THIS CASE HAS BEEN DELAYED BY THE VARIOUS LEGAL STEPS TAKEN. THIS CASE BEGAN IN MARCH OF 1982, BUT ALL OF THE PROCESSES HAVE BEEN FOUGHT WITH DELAY. I HAVE MADE INQUIRIES AS FREQUENTLY AS I FELT POSSIBLE AND IN MY LAST INQUIRY, I TALKED TO LOU LINCOLN WHO IS WITH THE OFFICE OF THE INSPECTOR GENERAL, USDA. MR. LINCOLN IS SUPPOSED TO HAVE GIVEN HIS DEPOSITION TO THE U.S. ATTORNEY'S OFFICE IN WICHITA. MR. LINCOLN ALSO INFORMED ME THAT ATTORNEYS FOR MR. PITTMAN HAVE REQUESTED A MEETING ON JANUARY 20, 1984, WITH THE U. S. ASSISTANT ATTORNEY IN WICHITA. PITTMAN NOW HAS, AS OF DECEMBER 31, 1983, \$318,545.57 IN INTEREST BEARING ACCOUNTS. ALSO THE BONDING COMPANY WAS ORDERED BY JUDGE RODGERS TO PAY OVER THE BOND MONEY TO THE FEDERAL COURT FOR DISTRIBUTION LATER. THE TOTAL BOND PAID WAS \$367,500.00.

JUST LAST WEEK, WE ASKED FOR RECEIVERSHIP ON THE KECHI ELEVATOR AT KECHI, KS., WHICH IS ABOUT 15 MILES NORTHEAST OF WICHITA. WE CANNOT BE CERTAIN AS YET, BUT THIS WOULD APPEAR TO BE A CASE OF CONVERSION OF GRAIN. IT IS A VERY SMALL OPERATION; THE LOSS APPEARS TO TOTAL APPROXIMATELY \$125,000, A SMALL AMOUNT OF WHICH IS CCC GRAIN.

THE LOSS WILL BE COVERED BY A BOND IN THE AMOUNT OF \$53,000. IT HAS AN UNUSUAL FACTOR INVOLVED IN THAT IT CHANGED OWNERS AS OF MAY 31, 1983, SO IT IS QUITE POSSIBLE THAT THE LOSS COULD BE COVERED BY TWO BONDS, THE FORMER OWNER'S AND THE PRESENT OWNER'S. IN ANY EVENT, WE REQUESTED THE COURT THAT IT BE PLACED IN RECEIVERSHIP AND OUR OFFICE IS GOING TO HANDLE IT AS EXPEDITIOUSLY AS POSSIBLE.

I AM PLEASED TO REPORT WE WERE IN REASONABLY GOOD FINANCIAL HEALTH IN FY 1983, AND SO FAR IN FY 1984, WE HAVE BEEN FORTUNATE ENOUGH TO SHOW A PROFIT. THIS IS VERY IMPORTANT FOR A SELF-SUSTAINING FEE AGENCY SUCH AS OURS.

IN FY 1983, WE REDUCED OUR FULL TIME EMPLOYEES, MAINLY THROUGH ATTRITION. IN FY 1984, WE VOLUNTARILY RELINQUISHED 20 POSITIONS OVER AND ABOVE THE ONE POSITION WHICH WAS DELETED BY THE BUDGET DIVISION. WHEN WE PREPARED OUR FY 1985 BUDGET, WE REDUCED OUR POSITION COUNT BY AN ADDITIONAL 20 POSITIONS. WHEN WE FEEL THAT THERE IS A SUBSTANTIAL CHANGE IN THE FLOW OF THE BUSINESS THAT APPEARS TO BE PERMANENT, WE TRY TO MAKE CHANGES IN OUR PERSONNEL TO COMPENSATE FOR THESE CHANGES SINCE THE WORKLOAD VARIES FROM STATION TO STATION. WE HAVE BEEN ATTEMPTING TO TRANSFER SOME EMPLOYEES FROM ONE LOCATION TO ANOTHER, BUT SO FAR WITH LITTLE SUCCESS. WE HAD A NEED TO MAKE SUCH A TRANSFER DURING FY 84, BUT WHEN WE APPROACHED OUR EMPLOYEES, THEY REFUSED TO MAKE THE MOVE AND CONSEQUENTLY RESIGNED. ALTHOUGH THE NUMBER OF EMPLOYEES AT THE INSPECTION STATIONS HAS DECLINED, OUR EXISTING STAFF HAS WORKED DILIGENTLY TO PROVIDE ADEQUATE SERVICE TO THE GRAIN TRADE.

ONE VERY IMPORTANT MOVE THAT IS PRESENTLY IN PROGRESS, IS OUR KANSAS CITY STATION FROM THE KANSAS CITY BOARD OF TRADE BUILDING TO A BUILDING IN KANSAS CITY, KANSAS KNOWN AS GATEWAY CENTRE PLAZA BUILDING, LOCATED AT 4TH AND STATE AVE. A HISTORICAL SIGNIFANCE IS THAT SINCE OUR VERY INCEPTION IN 1897, WE HAVE ALWAYS MAINTAINED OUR STATION IN MISSOURI AT THE KANSAS CITY BOARD OF TRADE BUILDING.

WE HAVE A TREND THAT IS GAINING MOMENTUM IN KANSAS. THIS IS THE DELIVERY OF GRAIN TO THE TERMINALS BY TRUCK. AS YOU ARE AWARE, TRADITIONALLY, GRAIN SHIPMENT FROM THE COUNTRY ELEVATOR TO THE TERMINAL HAS ALWAYS BEEN BY RAIL; BUT NOW MORE TRUCKS ARE

BEING USED. WE ARE LOOKING INTO THIS CHALLENGE WITH THE POSSIBILITY OF ESTABLISHING TRUCK SAMPLING FACILITIES FOR THE PROTECTION OF THE LOCAL ELEVATOR AND THE GRAIN TRADE AS A WHOLE. USING THE CURRENT METHOD, THE SHIPPER HAS NO PROTECTION ON THE SETTLEMENT AS FAR AS ANY DISAGREEMENT IS CONCERNED. HOPEFULLY, WE WILL BE ABLE TO DISCUSS THIS MORE BEFORE THE SESSION IS OVER.

AS ALL OF YOU ARE WELL AWARE, YOU PASSED SIX BILLS LAST SESSION AND SO FAR THEY HAVE WORKED WELL. WE HAVE NOT SEEN ANY MAJOR PROBLEMS. THE ONLY MINOR PROBLEM WE WERE CONFRONTED WITH CONCERNED THE REQUIREMENT FOR ANNUAL NOTIFICATION TO THE DEPOSITORS. THE STATUTE DID NOT MAKE IT CLEAR AS TO THE TIME FRAME FOR THE FIRST REPORT SO WE REQUESTED ALL WAREHOUSES MAKE THE NOTIFICATION WITHIN THE FIRST SIX MONTHS AFTER THE BILL BECAME EFFECTIVE AND TO RETAIN A COPY OF THE NOTIFICATION AT THE ELEVATOR SO IT COULD BE VERIFIED BY OUR WAREHOUSE EXAMINER.

WE PRESENTLY HAVE 12 WAREHOUSE EXAMINERS; ONE IS STILL IN TRAINING. WE ARE JUST A LITTLE BEHIND WHERE WE WERE, ONE YEAR AGO IN OUR EXAMINATIONS BECAUSE OF THE EXTRA TIME CONSUMED BY EACH EXAMINATION DUE TO OUR MORE EXTENSIVE AUDIT PROCEDURES. AS A RESULT OF THE NEW LAWS, WE HAVE FOUND THAT EACH EXAMINATION IS AVERAGING 6 HOURS LONGER. THIS REFLECTS AN ESTIMATED ANNUAL COST OF THIRTY THOUSAND DOLLARS IN MANHOURS ALONE. WE HAD APPROXIMATELY EIGHT SMALLER ELEVATORS THAT DID NOT RELICENSE THIS PAST CALENDAR YEAR DUE TO THE INCREASED FINANCIAL REQUIREMENTS. A FEW FOUND IT SOMEWHAT MORE DIFFICULT TO MEET THESE REQUIREMENTS, BUT AS A WHOLE WE FOUND THAT THE TRADE ACCEPTED THESE REQUIREMENTS WITH FEW COMPLAINTS.

IT APPEARS TO ME THE GRAIN ELEVATORS, AS A WHOLE, ARE IN A SLIGHTLY BETTER FINANCIAL CONDITION THAN A YEAR AGO BUT A FEW ARE STILL IN RATHER PRECARIOUS FINANCIAL CONDITION.

AT THE PRESENT TIME, WE DO NOT FORESEE ANY MAJOR PROBLEMS OR ISSUES WHICH WOULD REQUIRE LEGISLATIVE ATTENTION.

I MIGHT CONCLUDE MY REMARKS BY TELLING YOU THAT IN THE SANTA FE BUILDING PROJECT,

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WE WERE TEMPORARILY MOVED FROM 535 KANSAS AVE. TO 235 S. TOPEKA BLVD. YOU ARE ALL INVITED TO STOP BY OUR OFFICE WHENEVER YOU HAVE AN OPPORTUNITY.