

Approved 3/5/85  
Date

MINUTES OF THE HOUSE COMMITTEE ON JUDICIARY

The meeting was called to order by REPRESENTATIVE JOE KNOPP at  
Chairperson

3:30 ~~am~~/p.m. on February 20, 1985 in room 526-S of the Capitol.

All members were present except:

Committee staff present:

Jerry Donaldson, Legislative Research Department  
Mike Heim, Legislative Research Department  
Mary Ann Torrence, Revisor of Statute's Office  
Becca Conrad, Secretary

Conferees appearing before the committee:

Martha Hutchison, Director of Governmental Relations of Kansas Grain and Feed Dealers Association

HB 2261 - Relating to corporations; concerning confidentiality of certain statements filed with the Secretary of State.

Martha Hutchison, Director of Governmental Relations of Kansas Grain and Feed Dealers Association, spoke against this bill as shown in Attachment No. 1.

HB 2104 - Concerning the fish and game commission; relating to the powers and duties thereof.

Representative Teagarden moved and Representative Bideau seconded it that HB 2104 be passed.

It was pointed out that if this bill is passed, the difference between a regular law enforcement officer and a fish and game protector is that the fish and game protector must immediately take a person they have just arrested to the police, sheriff or the closest law enforcement officer.

This motion carried with 12 voting yes.

HB 2162 - Concerning district magistrate judges.

Representative Shriver made a motion to table this bill. Representative Solbach seconded it and the motion carried.

HB 2190 - Concerning domestic relations; relating to change of venue in certain actions.

Representative Solbach made a motion to pass this bill favorably. Representative Whiteman said there were amendments and Representative Solbach withdrew his motion.

Representative Whiteman said a friendly amendment was discussed to change the venue to the jurisdiction where the children are located. The Chairman stated that he was concerned that a court might be in an obligation to give up jurisdiction if it still had a good idea of what the family situation was. He said that "may grant" gives the court discretion and he is reluctant to put down guidelines as to handcuff a court on what it thinks is right or not. Representative Solbach pointed out that this may cause fights as to where the venue will be and by automatically putting venue where the custodial parent and children reside would alleviate this problem.

The Chairman suggested the following language be adopted in line 33: "The court may grant a change of venue pursuant to K.S.A. 60-609 to the district court where the children reside if the court finds that the best interest of the children can best be determined from information available in that area". Representative Snowbarger pointed out that the committee was assuming that the only post-divorce matters to be brought up are related to the children which is not always the case.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON JUDICIARY,  
room 526-S, Statehouse, at 3:30 a.m./p.m. on February 20, 1985

Representative Wunsch said that he felt the bill would only confuse and frustrate as opposed to help. He said he thought the venue should stay where the proceedings began because although some couples will move away from their original divorce areas, they will know when they leave that the divorce actions will be continued where they began. He said that the court that heard the original case has all that information somewhere in its "memory". He said this could open up the situations where the new judge would not know all the past circumstances of a case and it would open up forum shopping. He pointed out also that this could cause a mother to move to different areas where a county's judge is more sympathetic to a woman with the child support.

Representative Shriver made a motion to pass HB 2190 and Representative Whiteman seconded it.

Representative Walker made a substitute motion to delete everything after "venue" on line 33 and everything before "thereto" on line 34. It was seconded by Representative Wagon. Representative O'Neal pointed out that if this was done, then it could be read that the court could do that on its own application. He said pursuant to 6609 it requires that one of the parties petition the court for a change of venue. He said what it should say is "to grant change of venue in the same manner as that which is provided under 6609".

Upon further concerns and discussion, Representative Walker withdrew his motion. The Chairman suggested they defer action on HB 2190 so they could have a chance to come up with some written language.

HB 2203 - Amending the uniform controlled substances act; relating to penalties for certain sales to minors.

Representative Bideau made a motion to report the bill favorably. It was seconded by Representaive Douville and the motion carried.

HB 2260 - Concerning criminal procedure; relating to jurisdiction of certain law enforcement officer.

The Chairman said there had been a request for an amendment for going across Wyandotte County. Representative Cloud it was suggested that "within such county" should be changed to "within the state" in lines 69 to 70. He thought the change should be to "within adjoining counties".

Representative Solbach made a motion to delete the word "county" and insert "designated urban area" in line 0070.

Representative Wunsch made a motion that the bill be reported favorably as it is and Representative Harper seconded it. The motion carried.

Representative Snowbarger requested that the committee introduce a bill that would pick up the federal language in section 522(b) 10. He said the problem that comes up is with alimony and support maintenance.

Representative Snowbarger made a motion that this bill request be drafted by staff and introduced by the committee. It was seconded by Representative Solbach and carried.

The Chairman said the Kansas Securities Commission requested to amend the administrative procedures act as it relates to them. It has to do with the review of some of their orders they issue when they grant authority for certain securities in hearings they have. The motion was made by the Chairman to have this bill request be introduced by the committee, and it was seconded by Representative Solbach. The motion carried.

It was moved by Representative Harper and seconded by Representative Snowbarger that the minutes be approved for the meetings of January 31 and February 4, 1985. It carried.

The meeting was adjourned at 4:35 p.m.



KANSAS GRAIN & FEED DEALERS

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STATEMENT OF THE  
KANSAS GRAIN AND FEED DEALERS ASSOCIATION

TO THE HOUSE JUDICIARY COMMITTEE

REP. JOE KNOPP, CHAIRMAN

REGARDING HOUSE BILL 2261

FEBRUARY 19, 1985

Chairman Knopp and members of the House Judiciary Committee, I am Marsha J. Hutchison, Director of Governmental Relations for the Kansas Grain and Feed Dealers Association. The KGFDA is a voluntary organization that includes approximately 900 members. With many of our member companies also owning branch facilities, KGFDA membership comprises a total of over 1,000 grain facilities throughout the state of Kansas. Our Association represents the entire spectrum of grain handling, storage and processing industry encompassing the country/terminal elevators, flour mills, and large multi-national grain exporters.

These grain operations buy in excess of \$1.5 billion worth of grain annually. The grain is subsequently traded through grain terminals, flour mills, feed lots, and cash grain buyers which requires dealing on a daily basis with a great amount of dollars and a multitude of diverse business entities.

During the past 12 month period, three cash grain buyers have gone defunct resulting in over \$7 M worth of losses suffered on the part of

Attachment No. 1  
House Judiciary  
February 20, 1985



KGFDA members. One method the grain seller uses to protect himself is to obtain credit information from companies such as Dun & Bradstreet and the Secretary of State's office. Building a credit file on business clients is sound business philosophy that has become increasingly more important due to the economic times of our State and Nation. Gone are the days when accounts receivable are guaranteed by a man's word or handshake.

It is our sincere concern that if HB 2261 became law, the credit information would no longer be available to our members and losses of the type and magnitude as previously described would become more commonplace.

Mr.Chairman, in summary, access to the corporate financial statements filed within the Secretary of State's office is a valuable business tool for our industry. We urge you to defeat HB 2261.

Thank you for the opportunity of speaking. I would be happy to respond to any questions.

# Business

October 11, 1984

## Caution replacing trust in Kansas grain

By Paul Showalter  
Financial Writer

Two recent bankruptcy actions and a collection suit involving several Kansas grain dealers are causing alarm and changing the way dealers do business in the regional market, farm industry experts report.

At the heart of the controversy is the abrupt failure of two grain dealers, several million dollars worth of grain that was shipped but not paid for and a loophole in the law that leaves grain buying and selling unregulated in Kansas.

"There is a real crunch now," attorney Terry Bertholf said. He said grain owners are hard pressed to find reliable brokers through which to market their grain.

The Fleming Grain Co. Inc. of Wichita, with potential liabilities of about \$4.7 million, closed its doors and consented to an involuntary bankruptcy suit in September. It now is being liquidated.

The Sanburg Co. Inc. of Overland Park, which has discontinued business and is the target of an involuntary bankruptcy suit brought by creditors last month, has alleged debt of about \$2 million. Sanburg's response to the suit is due in a few days.

In a third case, creditors of the still active Midway Grain Brokerage Inc., which is affiliated with Midway Grain Co. Inc. of Salina, filed suit in Saline County District Court to collect more than \$300,000. That amount is allegedly due on grain the company purchased but never paid for.

The Fleming Grain, Sanburg and Midway companies have done most of their trading in coarse grains used

in livestock feeds, said Mr. Bertholf, who filed suit against Midway. He also represents a group of creditors in the Fleming Grain case.

In this smaller, more restricted market, grain dealers provide an important link between those who have grain for sale and customers such as feedlots and milling concerns, he said.

Transactions in this market are normally measured by the truck load rather than train load, and the very nature of the trading confines it to Kansas and nearby states.

Creditors of the troubled companies range from small grain farmers and country elevators spread across Kansas, Oklahoma, Colorado and Nebraska, to grain dealers registered with the Kansas City Board of Trade.

In the wake of the losses and amid fear of more failures, the business of selling grain through independent dealers is undergoing some hasty changes. Dealers who formerly struck their bargains by telephone and depended on good-faith credit are finding that trading increasingly is becoming a cash-and-carry business.

Goodland Cooperative Equity Exchange manager Alan Stewart, who may be stung for as much as \$170,000 by the Fleming Grain and Sanburg failures, no longer makes grain transfers on credit outside of the cooperative system. Co-operatives are businesses, owned by farmer/members, that market their members' farm products as well as provide agricultural services and materials.

If a dealer wants to make a purchase, a bank draft for 90 percent of the sale price is required before shipment.

"I've been in this business since 1968," Mr. Stewart said, "and I've never seen anything like this before. It's terrible — we just came off a tough year. We think we'll get some of the money back from Fleming, but not from Sanburg."

Sellers of grain are very leery now, and they don't know with whom it is safe to do business, other co-op managers say. There sometimes have been problems with smaller truckers who deal in grain as a sideline, but now the problems are with established grain dealers.

Grain dealers are reticent to discuss the plight of their three colleagues, but legal and industry experts involved in the suits have developed several theories to explain the fiasco.

That Fleming Grain owes money to Midway has led some to speculate that there was a kind of domino effect. When one company got into trouble, it took the other with it.

Chris Redmond, the court-appointed trustee for Fleming Grain, said he had documents that revealed that the company had lost \$2.5 million in the commodity futures market. He said the loss was more than the firm could absorb.

There is no question that Fleming Grain would still be in business if it had not suffered heavy losses speculating in the market, Mr. Redmond said.

A lawyer who agreed to speak only  
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# business

# Kansas grain dealers' troubles stir fears in farming industry

Continued from Page D-1

if not identified said the Sanburg financial records were in such disarray that there was no way for the firm to know whether it was making money. The records are being reconstructed by bank auditors at the First National Bank of Olathe.

The problems among grain dealers have prompted industry representatives and state officials to take another look at possible licensing in the industry.

Kansas has a strict grain warehousing law, said Nancy Kantola of the Kansas Cooperative Council, the political arm of the state's farmer-owned cooperatives. But there is a critical need for a workable licensing law for grain dealers, too, she said.

Grain storage facilities are licensed, bonded and inspected periodically to guarantee that grain is actually on hand, she said. However, there are no controls to protect cooperatives or others from unscrupulous or financially troubled grain merchandisers.

"We've been trying to get these people bonded and regulated," she said. "There needs to be a way to separate the legitimate, licensed and

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regulated businesses from the other type."

The Kansas Grain and Feed Dealers Association — which counts among its 900 members the Fleming Grain, Sanburg and Midway companies — will be taking the issue of grain dealer licensing under advisement, according to Tom Tunnell, the organization's executive vice president.

The problem with other states' licensing laws is that they tend not to take into account the amount of trading a company does, Mr. Tunnell

said. A fair bonding requirement should be based on a trader's volume of purchases, and even that could be expensive enough to put some grain dealers out of business, he said.

Missouri has licensing and bonding regulations for both grain warehousing and dealing. Dealers are required to show a certain net worth and are bonded according to a graduated formula. Bonds range from \$5,000 to \$150,000, depending on the amount of purchases the firm makes annually.

Kansas agricultural experts and state officials seem to agree on one thing — the level of protection afforded by licensing laws in adjacent states is hardly any protection at all.

The Nebraska law, for example, requires dealer bonding of \$25,000, not enough to protect grain owners from the million-dollar losses recorded in Kansas.

There are indications that Fleming Grain bought grain in other states without bothering to meet bonding requirements, according to Steve Rhudy, an attorney for several out-of-state creditors in the case.

"I don't know what the answer is," said Ms. Kantola, "but I don't think we should license grain dealers to operate as they do now."