

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE

The meeting was called to order by Senator Allen at
Chairperson

10:00 ~~am~~/p.m. on February 28, 1985 in room 423-S of the Capitol.

All members were present ~~except~~:

Committee staff present:

Raney Gilliland, Legislative Research Department
Jim Wilson, Revisor of Statute's Office

Conferees appearing before the committee:

Senator Francis Gordon
Ted Collins, Attorney from Highland, Kansas
Roger Rush, Farmer from the Highland area
Howard Tice, Kansas Association of Wheat Growers
Erwin Schrag, Alexander-Alexander Insurance
Frank McBride, Evans Grain, Salina

Senator Allen called the meeting to order at 10:10 a.m. Senator Allen stated the meeting today would be the hearing for SB 300, bankruptcies of elevators and Raney Gilliland would give a brief outline of the bill. The meeting was then turned over to Senator Gordon who made a few comments and introduced the next speakers.

Raney Gilliland in outlining SB 300 said it involves several issues and actions related to grain warehousemen and types of actions taken by the state to control state licensed warehouse facilities. The major provisions of the bill are:

1. Within 30 days after a warehouse receives grain that either a warehouse receipt be issued or that a purchase of grain must take place pursuant to a written grain purchase contract.
2. Grain producers with purchase contracts must be informed if the grain is not covered by the state bonding requirements.
3. The act of making a false public warehouse financial records or false public warehouse reports to the State Grain Inspection Department is a Class D felony.
4. There shall be 3 examinations of state licensed warehouse facilities in each 24 month period.
5. Increase in bonding requirements for state licensed facilities.

Senator Gordon in explaining SB 300 said it was written because of problems encountered from the failure of grain facility at Highland, part of the bill covers concerns expressed by the Task Force, part of the bill is to try and prevent businesses from keeping two sets of books, making the act of making false records a Class D felony, requesting more state inspections in a given amount of time, requires higher bond value be carried, and parts of the bill designed from a similar bill from Michigan. (See Attachment A).

Senator Gordon turned the meeting over to Ted Collins. Mr. Collins, an attorney from Highland, reported a small town is devastated when a business fails. He recommended stricter audits so audits would show errors made by the business, he also requested elimination of open storage and make bonding be correct value to cover problems by an elevator.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON AGRICULTURE,
room 423-S, Statehouse, at 10:00 ~~xxx~~/p.m. on February 28, 1985.

Roger Rush a farmer from the Highland area stated he felt the State Grain Inspection Department had done an inadequate job for the last five to ten years thus the record errors were not known.

Howard Tice, a proponent, stated Kansas Association of Wheat Growers felt this bill was a good starting place for needed changes. The organization does not agree on the elimination of open storage for grain, and the increase in bonding value, but do encourage stronger penalties for grain crimes. (See Attachment B).

Erwin Schrag, a bonding expert, testified that he believed the proposed revision would create extreme difficulty for Kansas Warehousemen to the point of either forcing many out of business or applying for a Federal license. (See Attachment C).

Frank McBride of Evans Grain stated he really is more of a proponent than an opponent of the bill, but said he opposed the section on bonding. He stated part of the problem is that it is hard to get prosecution after a grain crime is found. He also stated a CPA audit is not directed at area which would find errors in amounts of grain. Mr. McBride handed out a printout of information about bonding in Kansas. (See Attachment D). He suggested striking the section about bonding from the bill. He said the proposed section on bonding would put a lot of Kansas elevators out of business. He said Kansas had a good bonding system now.

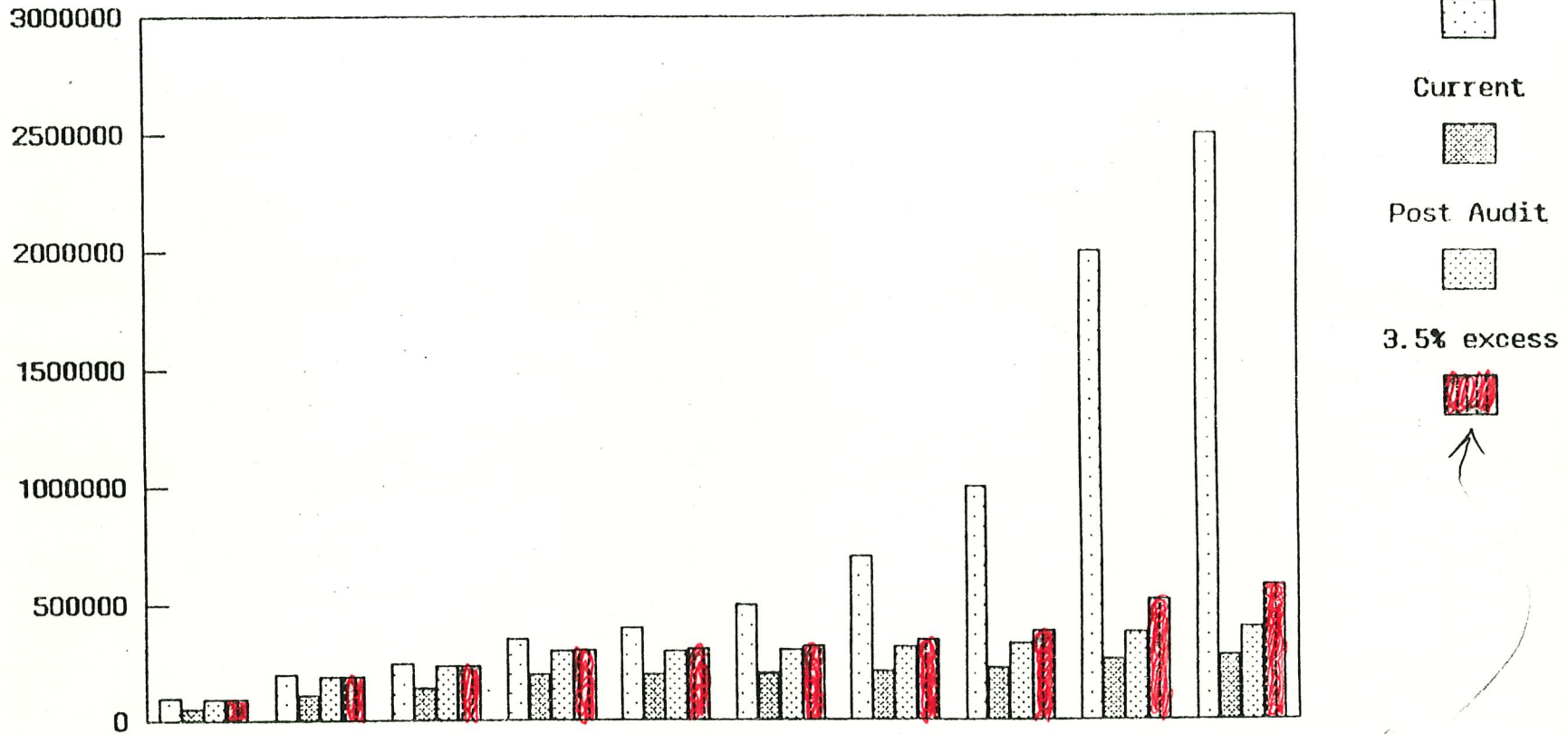
Senator Allen stated the hearing on SB 300 would continue at the next meeting and declared the meeting adjourned at 11:00 a.m.

From
Mason
2-28-85

GRAIN ELEVATOR BOND COVERAGE

Capacity=Bushels

Bond Amount=Dollars



	<u>Base Capacity</u>		<u>Excess Capacity</u>	
Current	15%	\$200,000	1%	
Post Audit	25%	\$300,000	1.25%	
"3.5% Excess"	25%	\$300,000	3.5%	

Draft Bill follows this assumption

*Atch. A
2/28/85*

attachment A

Using Post Audit Changes (p. 30 of report)

Using Post Audit Changes (p. 30 of report)

	1	2	3	4	5	6		7	8	9	10	11	
1	Bushel				times	Bushel	1	Price per		Total			
2	Capacity	25% of	excess	capacity	\$ 3.77	Price	2	Bushel - \$.25	25% of cap.	Bond pt. 1	bond amt		
3		capacity	capacity	times 1.25%	bond pt. 2	4.02	3	3.77	times 3.77				
4							4						
5	100,000	25,000	0	0	0		5		94,250	94,250	94,250		
6	200,000	50,000	0	0	0		6		188,500	188,500	188,500		
7	250,000	62,500	0	0	0		7		235,625	235,625	235,625		
8	318,302	79,576	0	0	0		8		300,000	300,000	300,000		
9	353,669	88,417	35,367	442	1,667		9		333,333	300,000	301,667		
10	400,000	100,000	46,331	579	2,183		10		377,000	300,000	302,183		
11	500,000	125,000	146,331	1,829	6,896		11		471,250	300,000	306,896		
12	700,000	175,000	346,331	4,329	16,321		12		659,750	300,000	316,321		
13	1,000,000	250,000	646,331	8,079	30,458		13		942,500	300,000	330,458		
14	2,000,000	500,000	1,646,331	20,579	77,583		14		1,885,000	300,000	377,583		
15	2,500,000	625,000	2,146,331	26,829	101,146		15		2,356,250	300,000	401,146		
16	5,000,000	1,250,000	4,646,331	58,079	218,958		16		4,712,500	300,000	518,958		
17	20,000,000	5,000,000	19,646,331	245,579	925,833		17		18,850,000	300,000	1,225,833		
18							18						
19		The changes here include calculation						19					
20		of 25% of capacity, rather than 15% and						20					
21		use of 1.25% in the calculation of						21					
22		excess capacity. These are the limits						22					
23		suggested by Post Audit in their report of 1982.						23					
24							24						
25							25						
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Increasing excess capacity to 3.5%

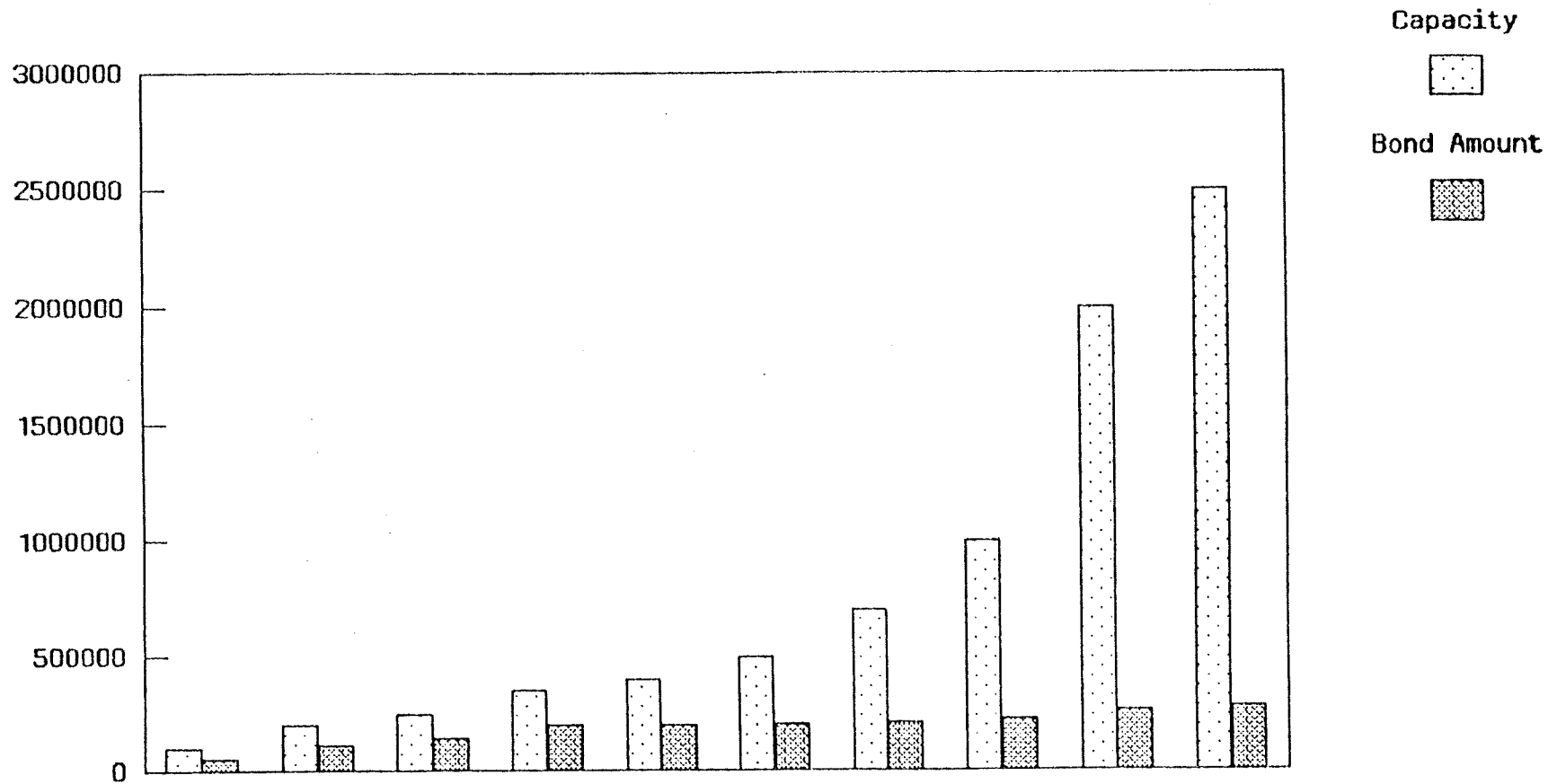
Increasing excess capacity to 3.5%

	1	2	3	4	5	6		7	8	9	10	11	
1	Bushel				times	Bushel	1	Price per		Total			
2	Capacity	25% of	excess	capacity	\$ 3.77	Price	2	Bushel - \$.25	25% of cap.	Bond pt. 1	bond amt		
3		capacity	capacity	times 3.5%	bond pt. 2	4.02	3	3.77	times 3.77				
4							4						
5	100,000	25,000	0	0	0		5		94,250	94,250	94,250		
6	200,000	50,000	0	0	0		6		188,500	188,500	188,500		
7	250,000	62,500	0	0	0		7		235,625	235,625	235,625		
8	318,302	79,576	0	0	0		8		300,000	300,000	300,000		
9	353,669	88,417	35,367	1,238	4,667		9		333,333	300,000	304,667		
10	400,000	100,000	46,331	1,622	8,733		10		377,000	300,000	308,733		
11	500,000	125,000	146,331	5,122	19,308		11		471,250	300,000	319,308		
12	700,000	175,000	346,331	12,122	45,698		12		659,750	300,000	345,698		
13	1,000,000	250,000	646,331	22,622	85,283		13		942,500	300,000	385,283		
14	2,000,000	500,000	1,646,331	57,622	217,233		14		1,885,000	300,000	517,233		
15	2,500,000	625,000	2,146,331	75,122	283,208		15		2,356,250	300,000	583,208		
16	5,000,000	1,250,000	4,646,331	162,622	613,083		16		4,712,500	300,000	913,083		
17	20,000,000	5,000,000	19,646,331	687,622	2,592,333		17		18,850,000	300,000	2,892,333		
18							18						
19		The changes here include calculation						19					
20		of 25% of capacity, rather than 15% and						20					
21		use of 3.5% in the calculation of						21					
22		excess capacity.						22					
23							23						
24		<i>\$300,000 threshold</i>						24					
25							25						
26							26						
27							27						
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30							30						
31							31						

GRAIN ELEVATOR BOND COVERAGE - CURRENT ✓

Capacity=Bushels

Bond Amount=Dollars



Grain Inspection Bonding Requirements

CURRENT LAW

Grain Inspection Bonding Requirements

	1	2	3	4	5	6		7	8	9	10	11
1	Bushel				times	Bushel	1	Price per		Total		
2	Capacity	15% of	excess	capacity	\$ 3.77	Price	2	Bushel - \$.25	15% of cap.	Bond pt. 1	bond amt	
3		capacity	capacity	times 1%	bond pt. 2	4.02	3	3.77	times 3.77			
4							4					
5	100,000	15,000	0	0	0		5		56,550	56,550	56,550	
6	200,000	30,000	0	0	0		6		113,100	113,100	113,100	
7	250,000	37,500	0	0	0		7		141,375	141,375	141,375	
8	353,669	53,050	0	0	0		8		200,000	200,000	200,000	
9	400,000	60,000	46,331	463	1,747		9		226,200	200,000	201,747	
10	500,000	75,000	146,331	1,463	5,517		10		282,750	200,000	205,517	
11	700,000	105,000	346,331	3,463	13,057		11		395,850	200,000	213,057	
12	1,000,000	150,000	646,331	6,463	24,367		12		565,500	200,000	224,367	
13	2,000,000	300,000	1,646,331	16,463	62,067		13		1,131,000	200,000	262,067	
14	2,500,000	375,000	2,146,331	21,463	80,917		14		1,413,750	200,000	280,917	
15	5,000,000	750,000	4,646,331	46,463	175,167		15		2,827,500	200,000	375,167	
16	20,000,000	3,000,000	19,646,331	196,463	740,667		16		11,310,000	200,000	940,667	
17							17					
18							18					
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GRAIN ELEVATOR BOND COVERAGE - 5% EXCESS

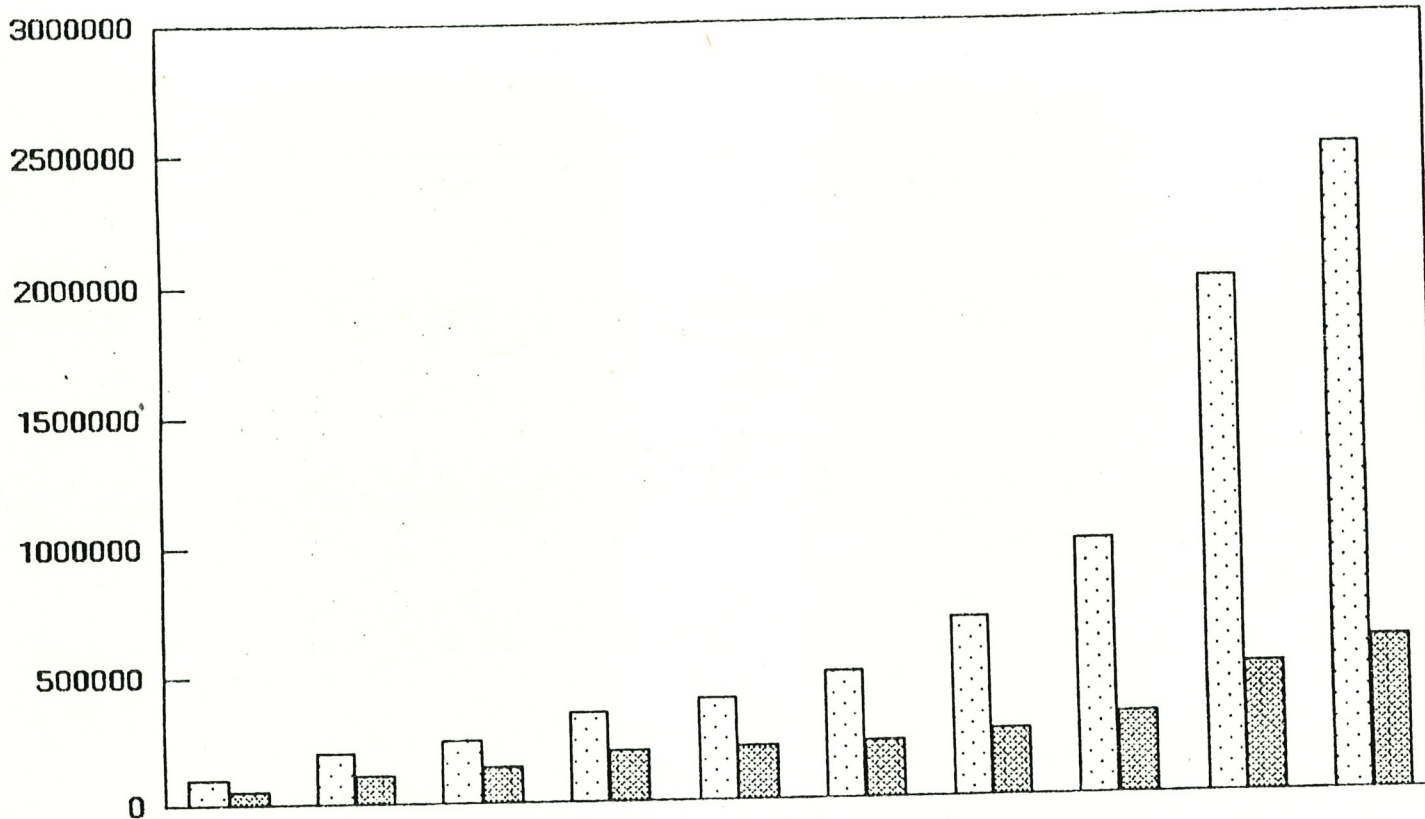
Capacity=Bushels

Bond Amount=Dollars

Capacity



Bond Amount



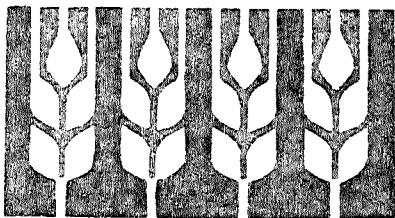
*Same as current law
except the "excess capacity rate"
was increased from 1% to 5%
for capacities above 400,000 bu.
(for example and comparison only)*

Grain Inspection Bonding Requirements

Grain Inspection Bonding Requirements

	1	2	3	4	5	6		7	8	9	10	11
1	Bushel				times	Bushel	1	Price per		Total		
2	Capacity	15% of	excess	capacity	\$ 3.77	Price	2	Bushel - \$.25	15% of cap.	Bond pt. 1	bond amt	
3		capacity	capacity	times 1%	bond pt. 2	4.02	3	3.77	times 3.77			
4							4					
5	100,000	15,000	0	0	0		5		56,550	56,550	56,550	
6	200,000	30,000	0	0	0		6		113,100	113,100	113,100	
7	250,000	37,500	0	0	0		7		141,375	141,375	141,375	
8	353,669	53,050	0	0	0		8		200,000	200,000	200,000	
9	400,000	60,000	46,331	2,317	8,733		9		226,200	200,000	208,733	
10	500,000	75,000	146,331	7,317	27,583		10		282,750	200,000	227,583	
11	700,000	105,000	346,331	17,317	65,283		11		395,850	200,000	265,283	
12	1,000,000	150,000	646,331	32,317	121,833		12		565,500	200,000	321,833	
13	2,000,000	300,000	1,646,331	82,317	310,333		13		1,131,000	200,000	510,333	
14	2,500,000	375,000	2,146,331	107,317	404,583		14		1,413,750	200,000	604,583	
15	5,000,000	750,000	4,646,331	232,317	875,833		15		2,827,500	200,000	1,075,833	
16	20,000,000	3,000,000	19,646,331	982,317	3,703,333		16		11,310,000	200,000	3,903,333	
17							17					
18		For each elevator capacity beginning with					18					
19		400,000 bushels, the percentage					19					
20		of capacity used in the					20					
21		calculations was increased to 5%					21					
22		from 1%. (See column 4)					22					
23							23					
24							24					
25							25					
26							26					
27							27					
28							28					

KANSAS ASSOCIATION
OF WHEAT GROWERS



TESTIMONY

SENATE AGRICULTURE COMMITTEE
Thursday, February 28, 1985
SENATE BILL 300

My name is Howard Tice. I am Executive Director of the Kansas Association of Wheat Growers. I appreciate this opportunity to offer the views of our Association concerning Senate Bill 300.

It's been pointed out many times recently, that Kansas has a remarkably good record concerning the number of grain elevator failures, when compared to other states, especially when you consider the large number of grain storage facilities in our state. However, the dollar losses of recent failures are large, and are potentially devastating to the communities they serve. In addition to the Twombly elevator failure in northeast Kansas, we now have learned of problems in Atchison and Esbon.

I recently served on a task force called together to examine the need for additional legislation to protect farmers from excessive losses caused by bankruptcies. To a great extent, Senate Bill 300 addresses the concerns expressed by the task force, and by the members of the Kansas Association of Wheat Growers. It is, therefore a good starting place for needed change. I would, however, like to propose some amendments.

As we look at the bill, the first problem is in New Section 1. There is no consideration given to scale tickets on open storage. The bill would mandate either warehouse receipts, or purchase. Many farmers now prefer open storage, as that gives them the right to sell their grain in variable sized lots at intervals of their own choosing. Another factor to be considered with this section is the fact that grain on open storage can be moved to a terminal elevator at the discretion of the elevator manager, when additional storage space is needed. With warehouse receipts, more paper work is necessary as those receipts must be transferred to the terminal, and be re-issued as terminal warehouse receipts. It is important to note that scale tickets are recognized as proof of ownership of grain, and therefore, carry a degree of protection for the farmer.

Part 2 of that section also requires a written contract for the sale of grain, which would disallow the current practice of a farmer calling the elevator and selling a portion of his grain by phone. It has been suggested that the elevator send a written confirmation of all phone sales in order to meet the concerns expressed by this proposal.

Section (d) of the bill, found on page 2, would require the public warehouseman to grant a security interest in grain sold under deferred payment or delayed pricing agreements. We understand this is part of the Michigan law, which is rather new, so no report is yet available as to the impact of this provision, but there is a very real concern that this provision would place the elevator manager in a position, due to the security interest, where he could not sell the grain.

We would, suggest amending the bill to require that upon request of the seller, the public warehouseman shall provide an irrevocable bank letter of credit, and post a sign as to the availability of that letter

2/28/85

attachment B

of credit.

Senate Bill 300 would also, as requested by the recent elevator task force I mentioned earlier, expand the number of inspections by the Kansas State Grain Inspection Division to three in each twenty-four month period. I must add that it is the official position of our Association, that all state licensed grain warehouses be inspected twice yearly.

Undoubtedly the most controversial portion of this bill is Section 4, which increases bonding requirements. This is largely due to a public outcry from those areas where losses will have a devastating effect on the farmers directly involved, and on the community itself, so that outcry, and the resulting suggestion for increased bonding is understandable.

This suggestion was not endorsed by the recent task force, because much of the input we received from elevators, bonding companies, and others, indicated that increased bonding would only serve to drive the small elevators out of business. To penalize those small elevators at a time when the entire farm economy is at such a low ebb, would be an action we could not support at a time when many of our members are also struggling for their survival.

I would like, now, to focus on amendments we would suggest in the way of additions to this bill.

One finding of the task force that is not addressed in this bill, is the need for stronger prosecution for criminal activity in the grain industry. We have suggested lengthening the statute of limitations to five years, to solve the problem we now face with delays caused by federal bankruptcy proceedings. In that same vein, we would suggest timely prosecution in crimes associated with grain warehouses and grain dealer firms. We need stiffer penalties, which would include sentences appropriate to the dollar losses which are the result of grain business crimes.

And finally, I feel we need to ask for more funding for the Kansas Grain Inspection Department, to pay for the additional regulation and inspections we have suggested. As Bill Fuller testified, representing the task force, Kansas is one of the few, if not the only state that does not utilize some general fund monies to support their grain inspection efforts. It is my understanding that, of the KGID revenues, \$200,000 per year goes to the general fund for administration of the department. I believe that it would be a reasonable suggestion to reduce that amount by the cost of the added work load. This would enable the department to hire additional personnel without requesting state appropriations at this time.

In conclusion, the losses to our state's agriculture economy require that something be done. We may not be able to legislate honesty and accuracy, but we can, and we should make dishonesty and sloppy bookkeeping a lot less attractive than they are today. And, the efforts outlined in this bill, and in our suggested amendments will help in that effort, and put some protection in place for those who are victimized by those failures that do occur in spite of all our best efforts.

from
Schrag
2-28-85

MEMORANDUM

TO: SENATE COMMITTEE ON AGRICULTURE

FROM: ERWIN SCHRAG, JR., VICE PRESIDENT
ALEXANDER & ALEXANDER, INC.

DATE: FEBRUARY 27, 1985

SUBJECT: SENATE BILL NO. 300

Upon review of the captioned Bill, we believe there are several issues that the Committee might wish to review in consideration of the changes offered by Senate Bill No. 300.

Listed below are the issues we feel most significant along with a brief narrative.

1. Bond Underwriting

Perhaps it is redundant to once again state that a Bond is not an insurance contract in the sense that an insurance contract assumes certain levels of risk. A Grain Warehouse Bond is a pure financial guarantee which



attachment C
2/27/85

a Surety Company makes on behalf of a Warehouseman. The Surety Company considers the integrity, reputation and perhaps most importantly, the financial stature of the entity being bonded.

Theoretically, the Bond Underwriter will attempt to secure himself with sufficient indemnity or collateral to protect himself from loss. Historically, Surety Companies have required a ratio of net worth to bond amount in the area of three to one to five to one. In other words, as a general statement they require a minimum of \$3.00 of net worth for every \$1.00 of Bond amount. The logic is simply to have a reasonable margin of safety so that an adverse operating cycle would not put the warehouseman in jeopardy.

The monetary return to the Surety for writing these Bonds is rather low. The Surety Association Bureau rating is \$5.00 per \$1,000 of Bond for the first \$10,000, \$2.50 per \$1,000 of Bond for the next \$15,000 and \$1.25 per \$1,000 of Bond amount for the balance of the Bond amount. Therefore, a \$200,000 Bond would develop a premium of \$306.50. There is no maximum Bond under



current Kansas statutes whereas there is a maximum of \$500,000 under Federal Law if basic net worth requirements have been met.

This low return on a pure financial guarantee type of Bond plus the cumulative liability provision which remains in the Kansas Warehouse Law has driven many Surety Companies from this business. To my knowledge, there are no Surety Companies actively soliciting this type of business in the State of Kansas. The vast majority of these Bonds are placed on an accomodation basis by the various Agents in the State of Kansas. I believe this fact can easily be verified by the Kansas Insurance Department. Some Surety Companies have filed a flat rate of \$5.00 per thousand but this fact has not caused them to aggressively seek this business.

2. Increasing Bond Penalty

Assuming our calculations are correct, a \$1,000,000 bushel facility carries a \$225,900 Bond under the current warehouse law. Senate Bill No. 300 would increase this



Bond to \$388,510. The increase of \$162,610 in Bond penalty would require a corresponding increase in net worth of the warehouseman of \$486,000 using a three to one ratio as a basis to support the financial requirements of the Surety. Therefore, the typical elevator operation with a 1,000,000 bushel capacity would need net worth in excess of \$1,100,000 to qualify for a warehouse bond.

We believe that the actual net worth position of the typical 1,000,000 bushel facility in Kansas would be in the range of \$350,000 to \$750,000 which would fall far short. Also, this proposed increase in Bond penalty would compound and magnify the existing problems that persist in the ability of a Warehouseman to obtain a Bond.

3. Federal vs State License

It would appear that the proposed Senate Bill No. 300 would virtually force all Kansas Warehousemen to change from a Kansas licensed warehouse to a Federally licensed warehouse.



Again using the example of a 1,000,000 bushel facility, a Federal license would require a \$200,000 Bond in comparison to a Kansas proposed Bond of \$388,510. The Federal formula for computing the Bond Penalty is \$.20 per bushel for the first 1,000,000 bushels, \$.15 per bushel for the second 1,000,000 bushel and \$.10 per bushel for the remaining bushels up to a maximum Bond of \$500,000. On balance, the Federal formula is lower than the existing Kansas formula in most cases. Both licensing authorities have additional criteria for net worth deficiencies that could cause individual examples to vary slightly.

4. Summary

We believe that the proposed revision would create extreme difficulty for Kansas Warehousemen to the point of either forcing many out of business or applying for a Federal license wherever possible. Aside from compounding the availability of Bonds because of net worth requirements, this action would also magnify the



Page Six

cumulative liability issue and further reduce the amount of Surety Companies willing to even consider this business.

Looking to the future, we do not believe the outlook for securing Bonds is going to improve because Surety Underwriter read the paper too and have become more aware of the difficulties that prevail.

We appreciate the opportunity to come before the Committee and hopefully the information given will have some beneficial value.

ES: lw



COMPARATIVE STUDY OF 573 KANSAS ELEVATORS
 (379 BONDS) 505,189,112 BUSHELS
 KANSAS BOND-PRESENT VS KANSAS BOND-PROPOSED VS FEDERAL BOND
 AS OF JANUARY 1, 1985

NO. OF BONDS	PERCENT RANGE	CAPACITY RANGE	TOTAL BUSHEL CAPACITY	EXPOSURE (1)	PRESENT KANSAS BOND	PROPOSED KANSAS BOND	PRESENT FEDERAL BOND	PERCENT (4) PROTECTION			BOND PER BUSHEL (5)					
								PRES	PROP	FED	PRES	PROP	FED			
121	LOW 32%	11023 316658	20,471,311	\$41,147,335	\$11,676,181	\$19,243,032	\$4,390,031	28.4	46.8	10.7	0.57	0.94	0.21			
38	0% 10%	11023 112570	2,363,855	4,751,349	1,354,932	2,222,024	768,539	28.5	46.8	16.2	0.57	0.94	0.33			
38	11% 20%	112766 218101	6,043,010	12,146,450	3,444,513	5,680,429	1,208,602	28.4	46.8	10.0	0.57	0.94	0.20			
95	0% 25%	11023 257043	12,899,274	25,929,821	7,360,119	12,125,318	2,875,623	28.4	46.8	11.1	0.57	0.94	0.22			
38	21% 30%	230714 301481	9,896,175	19,891,312	5,640,820	9,302,405	1,979,235	28.4	46.8	10.0	0.57	0.94	0.20			
38	31% 40%	301565 436553	13,961,828	28,063,274	7,443,989	11,585,169	2,792,366	26.5	41.3	10.0	0.53	0.83	0.20			
94	26% 50%	258287 547119	37,363,365	75,100,364	18,124,764	28,569,314	7,472,673	24.1	38.0	10.0	0.49	0.76	0.20			
38	41% 50%	436848 551105 (M)	18,548,876	37,283,241	7,808,638	12,234,760	3,709,775	20.9	32.8	10.0	0.42	0.66	0.20			
37	51% 60%	563804 785278	24,183,309	48,608,451	7,848,050	12,708,726	4,836,662	16.1	26.1	10.0	0.32	0.53	0.20			
95	51% 75%	551105 1190878	79,556,808	159,909,184	20,848,980	34,900,901	15,828,994	13.0	21.8	9.9	0.26	0.44	0.20			
38	61% 70%	788675 1014732	34,217,833	68,777,844	8,435,396	14,271,725	6,841,427	12.3	20.8	9.9	0.25	0.42	0.20			
38	71% 80%	1021719 1356361	44,712,372	89,871,868	8,855,178	15,636,015	8,606,856	9.9	17.4	9.6	0.20	0.35	0.19			
95	76 100%	1192866 49832291	375,369,665	754,493,027	32,681,494	73,356,572	33,401,572	4.3	9.7	4.4	0.09	0.20	0.09			
38	81% 90%	1366561 2141624	65,489,715	131,634,327	9,686,272	18,337,069	11,688,815	7.4	13.9	8.9	0.15	0.28	0.18			
38	91 100%	2145136 49832291	285,772,139	574,404,279	18,497,568	46,973,784	17,146,605	3.2	8.2	3.0	0.06	0.16	0.06			
121	HIGH 32%	975569 49832291	403,923,327	811,893,207	38,619,888	84,084,337	38,835,703	4.8	10.4	4.8	0.10	0.21	0.10			
TOTALS			505,189,112	1,015,432,395	79,015,356 (2)	148,952,106 (3)	59,578,882	AVERAGE			7.8	14.7	5.9	0.16	0.29	0.12

FOOTNOTES

- (1) EXPOSURE = CAPACITY X \$3.35 PER BU X 60% OCCUPANCY
- (2) BOND COSTS = \$125,000 AT SAA RATES & \$395,000 AT \$5.00 PER \$1,000
- (3) BOND COSTS = \$212,500 AT SAA RATES & \$745,000 AT \$5.00 PER \$1,000
- (4) PERCENT PROTECTION = AMOUNT OF BOND DIVIDED BY EXPOSURE
- (5) BOND PER BUSHEL = AMOUNT OF BOND DIVIDED BY CAPACITY
- (M) MEDIAN BONDED CAPACITY

SAA BOND RATES:

- FIRST \$10,000 = \$5.00 PER \$1,000
- NEXT \$15,000 = \$2.50 PER \$1,000
- OVER \$25,000 = \$1.25 PER \$1,000

COMPARATIVE BONDING REQUIREMENTS

KANSAS PRESENT
 FIRST 350,878 BU = \$0.57 PER BU
 ALL ADDITIONAL BU = \$0.04 PER BU
 MINIMUM BOND = \$10,000
 MAXIMUM BOND = NONE

KANSAS PROPOSED
 FIRST 319,149 BU = \$0.94 PER BU
 ALL ADDITIONAL BU = \$0.13 PER BU
 MINIMUM BOND = \$10,000
 MAXIMUM BOND = NONE

FEDERAL
 FIRST 1,000,000 BU = \$0.20 PER BU
 SECOND 1,000,000 BU = \$0.15 PER BU
 NEXT 1,500,000 BU = \$0.10 PER BU
 MINIMUM BOND = \$20,000
 MAXIMUM BOND = \$500,000

Attch. D
2/28/85

Attachment D

COMPARATIVE STUDY OF 573 KANSAS ELEVATORS
 (379 BONDS) 505,189,112 BUSHEL
 KANSAS BOND-PRESENT VS KANSAS BOND-PROPOSED VS FEDERAL BOND
 AS OF JANUARY 1, 1985

NO. OF BONDS	PERCENT RANGE		CAPACITY RANGE		TOTAL BUSHEL CAPACITY	PRESENT KANSAS BOND	PROPOSED KANSAS BOND	PRESENT FEDERAL BOND	PERCENT	PERCENT
	FROM	TO	LOW-----HIGH	LOW-----HIGH					INCREASE KANSAS PROPOSED OVER PRESENT	INCREASE KANSAS PROPOSED OVER FEDERAL
121	LOW	32%	11023	316658	20,471,311	\$11,676,181	\$19,243,032	\$4,390,031	64.8	338.3
38	0%	10%	11023	112570	2,363,855	1,354,932	2,222,024	768,539	64.0	189.1
38	11%	20%	112766	218101	6,043,010	3,444,513	5,680,429	1,208,602	64.9	370.0
95	0%	25%	11023	257043	12,899,274	7,360,119	12,125,318	2,875,623	64.7	321.7
38	21%	30%	230714	301481	9,896,175	5,640,820	9,302,405	1,979,235	64.9	370.0
38	31%	40%	301565	436553	13,961,828	7,443,989	11,585,169	2,792,366	55.6	314.9
94	26%	50%	258287	547119	37,363,365	18,124,764	28,569,314	7,472,673	57.6	282.3
38	41%	50%	436848	551105 (M)	18,548,876	7,808,638	12,234,760	3,709,775	56.7	229.8
37	51%	60%	563804	785278	24,183,309	7,848,050	12,708,726	4,836,662	61.9	162.8
95	51%	75%	551105	1190878	79,556,808	20,848,980	34,900,901	15,828,994	67.4	120.5
38	61%	70%	788675	1014732	34,217,833	8,435,396	14,271,725	6,841,427	69.2	108.6
38	71%	80%	1021719	1356361	44,712,372	8,855,178	15,636,015	8,606,856	76.6	81.7
95	76	100%	1192866	49832291	375,369,665	32,681,494	73,356,572	33,401,572	124.5	119.6
38	81%	90%	1366561	2141624	65,489,715	9,686,272	18,337,069	11,688,815	89.3	56.9
38	91	100%	2145136	49832291	285,772,139	18,497,568	46,973,784	17,146,605	153.9	174.0
121	HIGH	32%	975569	49832291	403,923,327	38,619,888	84,084,337	38,835,703	117.7	116.5
TOTALS					505,189,112	79,015,356	148,952,106	59,578,882	88.5	150.0