

Approved

January 30, 1986  
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Chairman Lloyd D. Polson at  
Chairperson

9:00 a.m. ~~p.m.~~ on January 23, 1986 in room 423-S of the Capitol.

All members were present except: Representative Dean, Jenkins and Solbach, who were excused.

Committee staff present:

Raney Gilliland, Research Department  
Norman Furse, Revisor of Statutes Office  
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Marvin R. Webb, Director, Kansas Grain Inspection Department

Marvin Webb reviewed the activities of the administrative division, inspection division and the warehouse division of the State Grain Inspection Department for 1985, Attachment I.

In response to Committee questions, Mr. Webb stated they have budgeted for a mass comparator to inspect the hopper scales in the headhouse of the elevator for accuracy. Utilization of the mass comparator will eliminate the need for the elevators to hire a crane for the removal of the large weights for check testing. The fee to be charged for check testing large weights will be \$75.00 per weight plus \$11.00 per hour. Last year they checked 135 scales every 6 months.

Mr. Webb stated the department is requesting legislation to increase the fees for special examinations in the Warehouse Division from \$15.00 to \$20.00 per hour, and increasing the license fee by charging firms that have several units for each separate unit, instead of for the total bushel capacity.

Mr. Webb explained a contract sampler has to be well qualified and pass an examination for a license.

Mr. Webb invited the Committee to visit the inspection stations.

The Chairman adjourned the meeting at 9:40 a.m.

Date Jan. 23, 1986

GUEST REGISTER

HOUSE OF REPRESENTATIVES  
COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

NAME	ORGANIZATION	ADDRESS
Marney P. Webb	KS SID	Topeka
Jack L. Sweeney	KSGID	Topeka
Ron Acherbmeit	"	"
Sam Reda	"	"
Tom Jacka	Ks STATE BOARD OF AGRICULTURE	TOPEKA
Gary M. Bothwell	KSGID	TOPEKA
Jaye Brady	Brady Grain Inc	Edmond, Ks.
L. H. Brady	" " "	" "
John Blythe	Kansas Farm Bureau	Manhattan
Kathy Peterson	Committee of KS Farm Organ.	Topeka
Gaim Dwyer	Governor's Office	Topeka
Jan Vacel	KSCPA	Topeka
Tom Whitaker	Ks Motor Carriers Assn	Topeka
Jim Jummel	Kans Grain & Feed Dis Assn	Dutchman
Rick McKee	K. L. A.	Topeka
STANLEY WALKER	WALKER PRODUCTS	Lincoln
Jesse Walker	"	Lincoln, Ks
Bill Fuller	Kansas Farm Bureau	Manhattan
Jake Koehn	Rep. Solbach	Lewis, Ks
Bampton Ludwig	Rep. Solbach	Topeka

THE STATE OF KANSAS



JOHN CARLIN  
GOVERNOR  
MARVIN R. WEBB  
DIRECTOR

GRAIN INSPECTION DEPARTMENT

GENERAL OFFICE

235 S. Topeka, P.O. Box 1918, Topeka, Kansas 66601-1918

INSPECTION DIVISION

WAREHOUSE DIVISION

PHONE (913) 296-3451

PHONE (913) 296-3454

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

REPORT OF THE STATE OF  
KANSAS GRAIN INSPECTION DEPARTMENT  
PRESENTED BY MARVIN R. WEBB, DIRECTOR

TO

THE HOUSE COMMITTEE ON  
AGRICULTURE AND SMALL BUSINESS

THURSDAY, JANUARY 23, 1986

1/23/86 Hs. ASB  
*Attachment I*

MR. CHAIRMAN POLSON AND MEMBERS OF THE COMMITTEE.

I APPRECIATE THIS OPPORTUNITY TO REVIEW OUR ACTIVITIES FOR 1985 AND TO TAKE A LOOK AT WHAT WE FORESEE FOR 1986. WE BELIEVE 1986 WILL BE A GOOD YEAR FOR THE KANSAS STATE GRAIN INSPECTION DEPARTMENT SIMPLY BECAUSE WE HAVE LARGE QUANTITIES OF GRAIN WHICH ARE GOING TO HAVE TO BE RECONCENTRATED TO NEW LOCATIONS SO THIS WILL MEAN WE WILL BENEFIT FROM THIS EFFORT.

I DOUBT IF THE NEW FARM BILL OR ANY OTHER ACTION WE ARE AWARE OF PRESENTLY IS LIKELY TO IMPROVE THE OVERALL FARM ECONOMY. HOWEVER, I DO BELIEVE WE HAVE SEEN THE BOTTOM AND WE'LL SEE SOME RECOVERY IN 1986. I HAVE A GREAT DEAL OF FAITH IN THE FARMERS OF KANSAS. THEY HAVE EXPERIENCED ADVERSITY MUCH OF THEIR ADULT LIVES, BUT THEY KNOW HOW TO OVERCOME. THEY CONTINUE TO APPROACH BAD TIMES POSITIVELY BECAUSE THEY REALIZE "TOUGH TIMES NEVER LAST, TOUGH PEOPLE DO".

WE BELIEVE WE HAVE THE CONFIDENCE OF THE GRAIN INDUSTRY AND THE GRAIN PRODUCERS OF KANSAS. EVEN THOUGH WE ARE A REGULATORY AGENCY, WE HAVE THE ABILITY TO RESPOND QUICKLY TO CRISIS SITUATIONS.

IN 1897, THE GRAIN INSPECTION DEPARTMENT WAS CREATED BY THE KANSAS LEGISLATURE AT THE REQUEST OF THE GRAIN INDUSTRY FOR THE SAMPLING AND GRADING OF GRAIN, WHICH HELPED TO FORM THE BASIS FOR DETERMINING THE PRICE FOR GRAIN TRADING.

IN 1907, THE KANSAS LEGISLATURE ENACTED THE KANSAS PUBLIC GRAIN WAREHOUSE LAW AND COMBINED IT WITH THE INSPECTION DEPARTMENT. PRESENTLY WE HAVE THREE DIVISIONS: ADMINISTRATION, INSPECTION AND WAREHOUSE.

THE ADMINISTRATION DIVISION IS RESPONSIBLE FOR THE EFFICIENT OPERATION OF THE DEPARTMENT PROVIDING PERSONNEL, SUPPLIES, DATA PROCESSING AND ACCOUNTING SERVICE FOR BOTH THE INSPECTION AND WAREHOUSE DIVISIONS.

THE INSPECTION DIVISION IS LICENSED UNDER THE FEDERAL GRAIN INSPECTION SERVICE AND MUST OPERATE UNDER THE U.S. GRAIN STANDARDS ACT. WE MUST CONTINUALLY OBSERVE QUALITY STANDARDS AND ALL INSPECTORS, SAMPLE WEIGHERS AND TECHNICIANS MUST BE LICENSED BY THE FEDERAL GRAIN INSPECTION SERVICE.

THE WAREHOUSE DIVISION IS RESPONSIBLE FOR ADMINISTERING THE KANSAS PUBLIC WAREHOUSE LAW.

IN VIEW OF OUR PROUD HISTORY OF 89 YEARS OF SERVICE TO THE AGRICULTURE COMMUNITY OF KANSAS, I TAKE GREAT PRIDE IN MY SERVICE AS DIRECTOR OF KANSAS STATE GRAIN INSPECTION DEPARTMENT THESE PAST YEARS.

FOLLOWING IS A SHORT REPORT OF ALL OUR DIVISIONS:

#### ADMINISTRATION

PROBABLY, OF MOST INTEREST TO THIS COMMITTEE IS THE FINDINGS OF TWO AUDIT REVIEWS. FIRST, WE HAD A PERFORMANCE AUDIT AT THE REQUEST OF THE LEGISLATIVE POST AUDIT COMMITTEE. THIS REPORT HAS BEEN MADE AVAILABLE TO YOU SO I WON'T GO INTO LENGTHY DISCUSSION, EXCEPT TO SAY WE COMMENTED ON ANY EXCEPTIONS WHICH THE AUDITORS RAISED. THEIR QUESTIONS WERE MAINLY PROCEDURAL IN NATURE. WE FELT THE AUDITORS DID A VERY GOOD JOB. WE HAVE NOT RECEIVED THE FINAL REPORT FROM THE FINANCIAL AUDIT CONDUCTED BY THE FIRM OF PEAT, MARWICK & MITCHELL; HOWEVER, IN THEIR PRELIMINARY REPORT THEY DID NOT TAKE ANY EXCEPTIONS.

IN OUR BUDGET FOR FY 87, WE HAVE REQUESTED APPROXIMATELY \$25,000 TO UPDATE OUR COMPUTER CAPABILITIES. WE NEED TO MODERNIZE OUR COMPUTER TO ENABLE US TO RECORD OUR RECEIVABLES AND PAYABLES AS WELL AS OTHER DOCUMENTS IN OUR COMPUTERS. PRESENTLY, WE USE TYPEWRITERS IN OUR INSPECTION STATIONS TO RECORD THE CERTIFICATE INFORMATION. IN THE FUTURE, WE HOPE TO DO THIS WITH MICROCOMPUTERS WHICH WILL RESULT IN MORE ACCURATE AND FASTER RECORDING OF THE INFORMATION WITH FEWER EMPLOYEES.

INSPECTION DIVISION

THE INSPECTION DIVISION HAD A VERY BUSY YEAR DURING 1985, WITH A LARGE WHEAT HARVEST AND FALL HARVEST. IN SEPTEMBER WE CONVENED A MEETING IN KANSAS CITY WITH THE FGIS OFFICIALS FROM WASHINGTON, KANSAS CITY AND WICHITA AND THE INSPECTION AGENCIES BOTH PUBLIC AND PRIVATE IN SEVERAL SURROUNDING STATES, I.E., COLORADO, NEBRASKA, MISSOURI, IOWA, ILLINOIS AND OTHERS. THIS MEETING RESULTED IN AGREEMENT SO THAT ALL AGENCIES ARE UNIFORM IN THEIR GRADING DETERMINATIONS. WE HAVE ATTENDED VARIOUS MEETINGS OUT OF STATE AND IN STATE TO LEARN THE VIEWS OF DIFFERENT INTEREST GROUPS CONCERNING CHANGES THAT MAY BE FEASIBLE IN HANDLING FOREIGN MATERIAL AND DOCKAGE. I AM SURE YOU UNDERSTAND THAT ANY CHANGES HAVE TO BE INITIATED BY FGIS TO CHANGE THE FEDERAL GRAIN STANDARDS.

ONE OF THE REAL HIGHLIGHTS OF OUR SERVICE HAS BEEN THE INCREASED USAGE OF OUR CONTRACT SAMPLING. RIGHT NOW WE ARE GOING TO NEED TO REQUEST ADDITIONAL BUDGET FOR THIS WORK. WE HAD BUDGETED \$165,000 FOR THE FY 86 AND ALREADY WE HAVE USED \$130,000 OF THESE FUNDS, SO WE WILL NEED TO REQUEST ADDITIONAL FUNDING PROBABLY AS OF FEBRUARY IN ORDER TO COMPLETE THE FISCAL YEAR.

WITH THE REDUCTION IN OVERSEAS SALES AND LACK OF STOP-OVER PRIVILEGE DUE TO THE STAGGERS ACT, WE WOULD BE IN REAL TROUBLE IF IT WERE NOT FOR THE CONTRACT SAMPLER'S PROGRAM. WE EXPECT IT TO CONTINUE TO GROW. (EXHIBIT A)

THE INSPECTION DIVISION, IS HIGHLY RESPECTED BY THE FGIS AND THE GRAIN INDUSTRY.

MASS COMPARATOR

ANOTHER ACTIVITY THAT IS IMPORTANT TO OUR OPERATION IS THE SCALE TRUCK WHICH TRAVELS AROUND THE STATE INSPECTING THE HOPPER SCALES IN THE HEADHOUSE OF THE ELEVATOR FOR ACCURACY; SO NOW WE HAVE BUDGETED FOR A MASS COMPARATOR WHICH IS A DEVICE WITH AN ELECTRONIC LOAD CELL THAT IS USED FOR COMPARING THE WEIGHT OF A STANDARD WEIGHT AGAINST THE ELEVATOR WEIGHT. THE WEIGHTS TO BE PURCHASED ARE WEIGHTS TO BE USED AS STANDARDS.

TERMINAL AND SUB-TERMINAL ELEVATORS HAVE LARGE HOPPER SCALES AND OR ELECTRONIC BULK WEIGHING SCALES WHICH ARE TO BE TESTED EACH 6 MONTHS. APPROXIMATELY 36 ELEVATORS HAVE 146 LARGE WEIGHTS THAT WOULD BE TESTED AND USED TO TEST THEIR SCALES. PREVIOUSLY, CHECK-TESTING THESE LARGE WEIGHTS, REQUIRED REMOVING THE WEIGHTS FROM THE HEAD-HOUSES, TRANSPORTING THEM TO TOPEKA FOR CHECK-TESTING AND TRANSPORTING THEM BACK TO THEIR LOCATIONS WHEN TESTING WAS COMPLETED. THIS PROCEDURE USUALLY PROVED VERY COSTLY TO THE ELEVATORS BECAUSE THEY HAD TO HIRE A CRANE TO EFFECT REMOVAL AND REPLACEMENT OF THE WEIGHTS FROM THE HEAD-HOUSES. UTILIZATION OF THE MASS COMPARATOR ELIMINATES THE NEED TO HIRE A CRANE FOR REMOVAL OF THE LARGE WEIGHTS FOR CHECK-TESTING. THIS WILL BE A COST-SAVING OPERATION FOR THE ELEVATORS. THE FEE FOR CHECK-TESTING LARGE WEIGHTS WILL BE \$75.00/PER WEIGHT PLUS \$11.00/PER HOUR. IT IS ESTIMATED USE OF THE MASS COMPARATOR WILL RESULT IN ADDITIONAL INCOME TO THE INSPECTION DIVISION OF \$15,136.00 PER YEAR.

THE GRAIN TRADE HAS REQUESTED WE DO THIS AND SECRETARY PRIDDLE AND HIS STAFF RECOMMENDS THAT WE PROCEED AND PURSUE THIS EQUIPMENT.

WE WOULD EXPECT OUR INSPECTION AND WEIGHT TESTING SERVICE TO RESULT IN ADDITIONAL INCOME OF \$35,000 OR MORE.

WAREHOUSE DIVISION

THIS COMMITTEE HAS INITIATED OUR REQUIREMENT TO DO 3 WAREHOUSE AUDITS IN TWO YEARS. ADDITIONALLY, WE HAVE INCREASED OUR AUDIT REQUIREMENTS OF THE WAREHOUSEMAN'S RECORDS. WE HAVE THE ABILITY TO MEASURE THE GRAIN ACCURATELY AND WE FIND QUITE FREQUENTLY THE ELEVATOR WILL HAVE SOME DOUBTS ABOUT OUR MEASURED FIGURES AND AT TIMES VARIOUS BINS ARE WEIGHED TO COMPARE WITH OUR MEASURED FIGURE, AND HAD BEEN WITHIN A FEW BUSHELS OF OUR MEASUREMENT.

IN ADMINISTERING THE WAREHOUSE LAWS, THERE HAS BEEN DISCUSSION AT DIFFERENT TIMES CONCERNING OUR LICENSING AND BONDING. ALONG WITH LICENSING REQUIREMENTS, KANSAS STATUTES REQUIRE ALL ELEVATORS BE BONDED. IN RECENT YEARS, IT HAS BECOME INCREASINGLY DIFFICULT FOR SOME FIRMS TO GET BOND COVERAGE. SOME BONDING COMPANIES ARE REFUSING TO WRITE BONDS IN KANSAS DUE TO THE CUMULATIVE LIABILITY. WE BELIEVE THE TIME HAS ARRIVED TO DISCONTINUE "TERM" BOND COVERAGE, WHICH IS CUMULATIVE, AND GO TO "CONTINUOUS" BOND COVERAGE.

ADDITIONALLY, IT HAS BEEN SUGGESTED NUMEROUS TIMES THAT WE SHOULD EMPLOY A CPA ON OUR STAFF WHICH I AM PERFECTLY WILLING TO DO, EXCEPT FOR THE FACT THAT THE COST WOULD BE PROHIBITIVE AND IN EXCESS OF OUR PRESENT SALARY LEVEL. AS AN ALTERNATIVE TO A STAFF CPA, I AM NEGOTIATING WITH THE MUNICIPAL ACCOUNTING SECTION OF THE DEPARTMENT OF ADMINISTRATION TO REVIEW, ON A CONSULTANT BASIS, THE LESS SUBSTANTIVE FINANCIAL STATEMENTS. IN PERHAPS, 10% OF OUR APPLICATIONS FOR LICENSES, WOULD THE NEED ARISE TO HAVE THE MUNICIPAL ACCOUNTING SECTION REVIEW THESE STATEMENTS.

WE ARE PLEASED TO REPORT THAT 1985 WAS A GOOD YEAR AS FAR AS BANKRUPTCIES AND ELEVATOR CLOSINGS ARE CONCERNED. WE HAD TWO ELEVATORS WHICH WERE CLOSED BY OUR DEPARTMENT, BUT ONE OF THOSE WAS NOT REALLY A BANKRUPTCY IN THAT THERE WAS ONLY AN OPERATIONAL SHORTAGE IN THAT IT WAS A "SHRINK" FACTOR. THIS FIRM WAS MUNKRES GRAIN, INC., DELAVAN, KANSAS, WHICH HAD TWO OTHER BUSINESSES THAT WENT BANKRUPT SO



THE WAREHOUSEMAN CLOSED THE GRAIN ELEVATOR, TOO. NO LOSS TO DEPOSITORS.

THE ONLY ACTUAL BANKRUPTCY WAS ESBON GRAIN CO., ESBON, KANSAS. IN THIS CASE, BURDETTE CALLAWAY, 42, FARMER/OWNER OF THE ESBON GRAIN CO. WAS CHARGED IN INDICTMENTS BY A FEDERAL GRAND JURY. CALLAWAY WAS CHARGED WITH MAKING FALSE STATEMENTS TO GRAIN EXAMINERS TO KEEP C.C.C FROM TERMINATING A STORAGE CONTRACT WITH HIS COMPANY. HE HAD A 3 COUNT INDICTMENT OF REMOVING WHEAT AND GRAIN SORGHUMS PLEDGED FOR COLLATERAL TO C.C.C. IF CONVICTED, CALLAWAY FACES MAXIMUM PENALTIES OF FIVE YEARS IMPRISONMENT AND \$10,000 FINE ON EACH CHARGE ACCORDING TO U.S. ATTORNEY BENJAMIN L. BURGESS, JR. THIS IS A QUOTE FROM THE TOPEKA CAPITOL JOURNAL.

YES, WE HAD 9 ELEVATORS THAT WERE CLOSED DUE TO FINANCIAL REASONS; EITHER THEY DECIDED TO CLOSE THEIR BUSINESS OR COULD NOT GET RELICENSED DUE TO THEIR FINANCIAL STATEMENTS BEING INSUFFICIENT.

SINCE I MENTIONED FINANCIAL STATEMENTS, WE ARE SCRUTINIZING FINANCIAL STATEMENTS SOMEWHAT DIFFERENTLY THAN IN THE PAST. WE ARE ALSO LOOKING AT RATIOS. BY THAT, I AM REFERRING TO ASSETS TO LIABILITIES SHORT TERM. WE HAVE SET A MINIMUM OF 1 TO 1 LEVEL. WE ALSO REVIEW THE STATEMENTS FOR BONDING ON A "NET WORTH" LEVEL.

#### LEGISLATION

WE ARE REQUESTING INCREASED FEES IN OUR WAREHOUSE DIVISION FOR SPECIAL EXAMINATIONS BY INCREASING OUR HOURLY FEE FROM \$15.00 TO \$20.00 PER HOUR AND OUR LICENSE FEE WOULD BE INCREASED IN THAT THOSE FIRMS THAT HAVE SEVERAL UNITS WOULD BE CHARGED FOR EACH SEPARATE UNIT, WHEREAS NOW WE CHARGE ONLY FOR THE TOTAL BUSHEL CAPACITY. THE FEDERAL GOVERNMENT IS IMPLEMENTING THIS IN THEIR NEW FEE SCHEDULE. THIS WOULD BE UNDER THE U.S. WAREHOUSE ACT.

WE HAVE FOUND THAT THE LEGISLATION PASSED IN 1985 WAS FINE EXCEPT SENATE BILL 380. THE LANGUAGE DEFINING "FINANCIAL INSTITUTIONS" DID NOT INCLUDE THE WICHITA BANK FOR COOPERATIVES. WE ATTEMPTED TO RECTIFY THIS OVERSIGHT BY PROMULGATION OF A REGULATION. HOWEVER, THE QUESTION HAS BEEN RAISED ABOUT OUR ATTEMPTING TO WRITE LEGISLATION, SO I UNDERSTAND YOU WILL BE ASKED TO CONSIDER REWORDING THIS BILL.

I WANT TO THANK THIS COMMITTEE FOR THE EXCELLENT SUPPORT THEY HAVE GIVEN OUR DEPARTMENT. WE APPRECIATE IT VERY MUCH.

I WILL ATTEMPT TO ANSWER ANY QUESTIONS YOU MAY HAVE.

"EXHIBIT A"

KANSAS STATE GRAIN INSPECTION DEPARTMENT

JUNE 26 thru JULY 25

	<u>83-84</u>	<u>84-85</u>	<u>85-86</u>	
July	3262	5280	6504	
August	1086	3576	2301	
September	1449	4695	4356	
October	1905	2262	3960	
November	1327	1726	5527	(85-86 Total)
December	1262	1844	1311	<u>23,959</u>
January	1369	2570		
February	1150	1947		
March	2101	1171		
April	2009	1345		
May	1088	872		
June	1159	3817		
FISCAL YEAR TOTAL (2 YEARS)	<u>19,167</u>	<u>31,105</u>		