

Approved March 24, 1988
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Clifford Campbell at
Chairperson

9:11 a.m./~~pm~~ on March 16, 1988 in room 423-S of the Capitol.

All members were present except: Representatives Bryant, Sallee, and Gross who were excused.

Committee staff present: Raney Gilliland, Legislative Research Department
Norman Furse, Revisor of Statutes Office
Marjorie Brownlee, Committee Secretary

Conferees appearing before the committee: SB 502
Tom Wilson, Director, Kansas State Grain
Inspection Department - PROPONENT
Joe Lieber, Kansas Co-Op Council - PROPONENT
SB 666 (As amended by Senate Committee on Ag)
Tom Wilson, Director, Kansas State Grain
Inspection Department - PROPONENT

Chairman Campbell pronounced the opening of hearings on SB 502. This bill concerns the grain inspection department and relates to the registration of warehouse receipts.

Tom Wilson, Director, Kansas State Grain Inspection Department, briefly outlined the contents and intent of the bill. The State Grain Inspection Department supports this bill. The bill would change some of the paperwork that is now being done. It exempts those negotiable warehouse receipts involved in the federal government's cooperative marketing association price support program from being registered with the Kansas State Grain Inspection Department. The bill would help eliminate some of the problems: time element of mailing the receipts to Topeka resulting in a longer wait for the farmers to get their money, the keeping by the cooperative of two sets of books in order to keep track of registered warehouse receipts, as well as the reluctance of many producers to deal directly with a highly regulated federal program (thereby the members would not benefit if this program was not offered).

The second conferee was Joe Lieber, Kansas Co-Op Council, He, too, was in favor of the legislation and proffered a copy of his statements to the Committee. (ATTACHMENT I)

After a brief question and answer period, the hearings on SB 502 were closed.

Representative Beauchamp made the motion that SB 502 be passed out of Committee favorably and placed on the Consent Calendar. Representative Crumbaker seconded the motion. The motion carried.

Hearings on SB 666 (As amended by Senate Committee on Agriculture) were opened. This bill concerns the grain inspection department, too, and relates to fees.

Tom Wilson, Director, Kansas State Grain Inspection Department, addressed this bill, also. He called attention to the amendment made by the Senate Committee on Agriculture which would eliminate some services having to do with factor analysis and the fee per hour for checktesting large weights. The bill would create new inspections and some different maximum fees. This bill was introduced at the request of the Director of the Kansas State Grain Inspection Department.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S, Statehouse, at 9:11 a.m./~~p.m.~~ on March 16, 1988

Several questions came from the Committee and were answered to their satisfaction by Mr. Wilson and Norman Furse, Revisor of Statutes Office.

There being no others who wished to testify regarding this bill, Chairman Campbell pronounced the hearings on SB 666 (as amended by Senate Committee on Agriculture) to be closed.

Representative Freeman moved that SB 666 (as amended by Senate Committee on Agriculture) be passed by the Committee and sent to the Consent Calendar. The motion was seconded by Representative Mollenkamp. On vote of the members of the Committee, the motion passed.

Representative Apt moved to accept the minutes of Committee meetings on March 2, 3, and 4, 1988. Representative Freeman seconded the motion. The motion carried.

The meeting was adjourned at 9:37 a.m.

The next meeting of the House Agriculture and Small Business Committee will be on March 17, 1988, at 9:00 a.m., in Room 423-S.

Testimony on Senate Bill No. 502

House Agriculture Committee

March 16, 1988

Prepared by Daryl Meyer, Manager of the Brown
County Cooperative in Hiawatha, Kansas

Read by Joe Lieber, Executive Vice President
Kansas Cooperative Council

The Brown County Cooperative is a farmer owned country elevator and retail farm supply company with four locations in the communities of Hiawatha, Hamlin, Powhattan and Willis, Kansas. Membership is 1300 farmer owners and current grain storage capacity is 3,825,000 bushels of licensed space through the Kansas State Grain Inspection Department.

Our grain services to Brown County farmers includes one program offering cooperative marketing to members in wheat, corn, milo, soybeans and oats. This service has been supported by the U.S. Department of Agriculture (USDA) thru the Agricultural Stabilization and Conservation Service (ASCS). It provides, as one alternative, for the Brown County Cooperative to offer price support loans to the farmer with the Cooperative acting as the agent for the producer. Approval is applied for and granted annually through the USDA for cooperatives to use this provision of the price support program. A lengthy financial and service application is submitted annually for approval to continue the privilege of offering the cooperative marketing agreement to producers.

The price support loan from the ASCS is made to the Brown County Cooperative, using grain as collateral, with the cooperative acting as an agent for the producer in the loan process. Loans are made in large blocks and the proceeds are then distributed to the individual patrons. The advantage to the farmer

is that he does not have to deal directly with the highly regulated loan process and he has the ability to process the loan programs regardless of the location of the grain in either terminal or local elevators. Many landlords would not use the program provisions without our help as their agents. This increases the income to the local producers, and facilitates the movement of grain by the cooperative to make room in times of short storage situations.

Current Kansas Statute 34-240 requires the registration of all negotiable Warehouse Receipts (WHR) issued to the warehouseman with the Kansas Grain Inspection Department assuming they are being used as collateral in operating loans to state licensed elevators. No other provisions are recognized in the Kansas Statute. Senate Bill No. 502 recognizes the WHR's used for cooperative marketing price support programs.

Several points of consideration are:

1. Currently the only WHR's that are required to be registered with the Kansas Grain Inspection Department (KGID) are those receipts that an elevator or cooperative writes in their own name.
2. WHR's that are given to the individual producers do not have to be registered.
3. Cooperatives write WHR's to themselves when they act as an agent for their members, who have signed up for a special program, in obtaining a loan from the Commodity Credit Corporation (CCC).
4. The requirement to register the WHR's create several problems:

- a. The time element of mailing the receipts to Topeka means that the farmer must wait longer for his money.
 - b. The cooperative must keep two sets of books to keep track of what individual receipts have been registered and which ones have not.
 - c. Many producers do not want to deal directly with a highly regulated program; and if the cooperative did not offer this program these farmers would not benefit.
5. If a cooperative has a Federal license it is not required to register these WHR's.
 6. To our knowledge no other states require this type of WHR to be registered.
 7. To act as an agent for its members the cooperative must make application yearly with the USDA and show their financial stability before they receive annual approval.
 8. The USDA also inspects and reviews the records of these cooperatives.
 9. The registration of these WHR's does not give the producer any more protection than they already have.
 10. Since the Federal license does not require it some cooperatives may switch from a state license.
 11. The Advisory Board of the Kansas Grain Inspection Department had no problem with Senate Bill No. 502.
 12. SB 502 passed the Senate on the consent calendar.

After hearing the testimony today the above considerations will determine the importance of deleting the provision requiring WHR registration in the federal government's cooperative marketing association price support programs.