

Approved February 9, 1988
Date

MINUTES OF THE Senate COMMITTEE ON Agriculture

The meeting was called to order by Senator Allen at
Chairperson

10:08 a.m. ~~XXX~~ on February 4, 1988 in room 423-S of the Capitol.

All members were present except: Senator Doyen (excused)

Committee staff present: Raney Gilliland, Legislative Research Department
Jill Wolters, Revisor of Statutes Department

Conferees appearing before the committee: Ivan Wyatt, Kansas Farmers Union
Wilbur Leonard, Committee of Farm Organizations
Joe Lieber, Kansas Cooperative Council
Daryl Meyer, Manager, Brown County Cooperative,
Hiawatha, Kansas
Tom Wilson, Director, State Grain Inspection
Department

Senator Allen called the committee to order and called attention to committee minutes.

Senator Arasmith made a motion the minutes of February 3 be approved:
Senator Gordon seconded the motion; motion carried.

The Chairman called for continuing testimony for SB 447, SB 448, and SB 449; he called on Ivan Wyatt for discussion. Mr. Wyatt's written testimony is filed with the minutes of the February 3 meeting.

During discussion Mr. Wyatt stated that the commissions should be periodically checked so that everyone could know how and where the commissions are spending their monies. Mr. Wyatt expressed opposition of denying refunds of \$5.00 or less. During committee discussion it was stated that the commissions are not audited by the Post Audit Committee because the commissions are not operated with general fund monies.

The next to testify, Wilbur Leonard, gave copies of his testimony to the committee (attachment 1) and then spoke for passage of the three commission bills.

During discussion Mr. Leonard expressed approval of the suggested name change in order to set the commissions aside from others that receive general fund monies. Mr. Leonard stated that if the commissions collect a "tax" they should have legislative oversight if they receive an assessment then they should not.

The Chairman stated the testimony for SB 447, SB 448, and SB 449 was concluded and that action would be taken at the February 9 committee meeting; he then called for testimony for SB 502.

Joe Lieber explained that SB 502 was a technical change in the regulations for the State Grain Inspection Department and then he introduced Daryl Meyer to testify.

Mr. Meyer gave copies of his testimony to the committee (attachment 2) and then encouraged the committee to recommend SB 502 favorable for passage.

During discussion Mr. Meyer stated this bill would be effective for state licensed cooperatives only.

The Chairman asked Tom Wilson, the Director of the State Grain

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Agriculture,
room 423-S, Statehouse, at 10:08 a.m./~~XXX~~ on February 4, 1988

Inspection Department if he had any objections to SB 502.

Mr. Wilson said his department was not in opposition to the bill and that, if passed, would have no impact on the departments operating funds.

The Chairman declared the hearing completed for SB 502 and then adjourned the committee at 10:44 a.m.

Committee of . . .

Kansas Farm Organizations

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TESTIMONY IN SUPPORT OF SENATE BILLS NOS. 447 and 449

BEFORE THE SENATE COMMITTEE ON AGRICULTURE

February 3, 1988

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, appearing on behalf of the Committee of Kansas Farm Organizations. We appreciate this opportunity to present the views of our organizations with respect to Senate Bill No. 447 and Senate Bill No. 449.

According to the information furnished by the Kansas wheat commission, of the 16 states having wheat commissions, only 5 pay into the state general fund and Kansas is unique as the only state which has had funds transferred out of the commission account for items not in its budget.

The objective for forming the various grain commissions was to improve the production of the various crops, to develop uses for the grains and to expand the markets for the grains and grain products.

The so called "grain taxes" are actually voluntary contributions by the growers to support the programs of the respective commissions. The state, for handling the funds and providing the recordkeeping, should be reimbursed for the expenses incurred. We are not suggesting that the commissions be supported from the state general fund, but neither do we believe these programs should be revenue producing arms for the state.

Reducing the total contribution to the state by 50%, to \$100,000, apparently still results in a substantial overpayment for services performed, but it is a step in the right direction.

Likewise, we commend the interim Committee on Agriculture and Live-stock for its recommendation that the four commodity commissions be designated "market development agencies. This term is properly descriptive of the role they play in the field of agricultural economics.

We urge the passage of Senate Bill No. 449.

attachment 1
2-4-88

Committee of . . .

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TESTIMONY IN SUPPORT OF SENATE BILL NO. 448

BEFORE THE SENATE COMMITTEE ON AGRICULTURE

February 3, 1988

Mr. Chairman and Members of the Committee:

I am Wilbur Leonard, representing the Committee of Kansas Farm Organizations. We appreciate the opportunity to appear before you to urge the passage of Senate Bill No. 448.

The charges made to the Kansas wheat commission when it was created in 1957 are still valid goals today. Programs of education, promotion, and publicity to find new markets and new uses for wheat could very well be renewed today. While the commission is engaged in a number of ongoing programs it is distressing that the future of most of them is in jeopardy without additional funding.

With the lowest mill levy of any of the wheat commission states, and with declining production in recent years, the wheat commission is faced with making some hard decisions as to which programs may survive.

It is apparent that the people who will be paying the increase willingly support it; the agency charged with administering the programs would be given the authority to fix, within limits, the increase in the per bushel assessment. We believe this places the responsibility where it belongs. It will also permit the commission to make better projections and more efficiently plan its long term activities.

- Wilbur Leonard

TESTIMONY ON SENATE BILL NO. 502
SENATE AGRICULTURE COMMITTEE
FEBRUARY 4, 1988

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

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.

attachment 2

2-4-88

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 tract 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 producers 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.

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.