

Approved Mar. 21, 1989
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS

The meeting was called to order by Representative Susan Roenbaugh at
Chairperson

9:04 a.m./~~xxx~~p.m. on March 14, 1989 in room 423-S of the Capitol.

All members were present ~~except~~
~~xxxx~~

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

Conferees appearing before the committee:

Representative Jayne Aylward, Sponsor
Max Redding, President, Midwestern Farm Implement,
Inc., Salina, Kansas
Linus Linaweaver, Senior Loan Office, McPherson
Bank and Trust Company

Chairman Roenbaugh declared the hearings to be open on House Bill 2510 and House Bill 2541.

Representative Jayne Aylward, sponsor, addressed the Committee informing them that these bills were introduced at the request of farm equipment dealers in her district. They had run into problems when trying to return parts containing rubber in the case of a dealer going out of business and/or in bankruptcy.

In House Bill 2510, the subsection dealing with the return of parts that contain rubber has been deleted, i.e., subsection (a). The manufacturers are not taking back any parts which have rubber in them, citing the Kansas buy-back bill as their point of reference.

The first conferee recognized by the Chair was Max Redding, President, Midwestern Farm Implement, Inc., Salina, Kansas. (Attachment 1) He had difficulty in the return of parts to manufacturers as a result of the current law. He is closing his farm equipment business and has a considerable sum of money tied up in the rubber parts (approximately 20%).

Linus Linaweaver, Senior Loan Officer, McPherson Bank and Trust Company, next spoke in behalf of the bills. (Attachment 2) Mr. Linaweaver mentioned a dealer who had returned combine parts to a company whose combine division had filed for protection under the bankruptcy act. As a result of this filing, the dealer is an unsecured creditor and, in all probability, will not be paid for approximately \$65,000 of returned combine parts. This same dealer, this past summer, ordered some combine parts from the company for a customer. The parts were shipped to the dealer COD and the dealer noticed that some of these combine parts had the same shipping cards on them as when he had returned them a few months earlier. Therefore, he had paid for the parts twice.

On conclusion of the testimony and a question and answer period, Chairman Roenbaugh closed the hearings on these bills.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE AND SMALL BUSINESS,
room 423-S Statehouse, at 9:04 a.m./~~p.m.~~ on March 14, 1989

The meeting was adjourned by the Chairman at 9:35 a.m.

The next meeting of the House Committee on Agriculture and Small Business will be at 9:00 a.m. on March 15, 1989, in room 423-S.

Good Morning Ladies and Gentlemen.

I am Max Redding, President of Midwestern Farm Implement, Inc., Salina, Kansas. I have been an Allis-Chalmers, later changed to Deutz-Allis and Hesston, dealer for the past 34 years.

Six months ago I decided to close my farm equipment business.

Returning our parts to our major suppliers under the Kansas buy back law has been a nightmare. The short line companies we have done business with have been fairly cooperative. Our major suppliers, Deutz-Allis and Hesston have made it very difficult.

Our biggest problem has been that they refuse to take back very few products that contain any rubber in them, such as seals, seal kits, hydraulic hoses, radiator hoses and belts. As you probably know all modern machinery is propelled and controlled with hydraulic driven transmissions, hydraulic steering and even the controls we once operated with levers are now controlled with hydraulic valves.

These parts are just as necessary to service farm equipment as any of the other parts that they will take back.

These unreturnable parts represent a large financial investment in a parts department. In our case we still have about \$41,000 worth of these rubber parts in Allis and \$4,000 in Hesston on our shelves. This represents 20% of our original Deutz-Allis and Hesston parts inventory.

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These parts are stored in a climate controlled building and are not exposed to any sun light. Most of the Deutz-Allis belts are in Deutz-Allis boxes which means they can't be any older than the Deutz and Allis-Chalmers merger.

I believe the present buy back law is unfair to allow the suppliers to refuse these kinds of parts. We could not adequately service modern farm equipment without a stock of these parts. I also believe the major companies would not give a contract to represent their lines if a dealer refused to carry any parts that they would not buy back. Our contract states that we will carry a complete representative stock of parts.

Thank you and if you have questions, I will try to answer them.

HOUSE AG. SUB COMMITTEE

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Mr. Chairman, Committee Members:

My name is Linus Linaweaver. I am a Senior Loan Officer with the McPherson Bank and Trust Company. We are located in a rural community in the central part of the state with a population of approximately 12,000.

In the 1970's and early 1980's, we had five viable farm implement dealers located in McPherson. In the last five years, two of these dealers have gone out of business. Of the three remaining, one is in the process of terminating its agreement with the manufacturer and another one is presently in negotiation with company representatives to determine if they will be able to remain in business. As you can see, it is conceivable we could end up with only two dealers out of the original five. Or possibly just one.

The dealer I mentioned earlier, that is in the process of terminating its agreement with the manufacturer, is having problems with the parts return to this manufacturer. This company has refused to accept the majority of the rubber goods as a returnable item due to shelf life. This will be very expensive to the dealer as these rubber goods could amount to 15 to 20% of his total parts inventory. Another problem this dealer has experienced is that after he had returned combine parts to this company, the combine division filed for protection under the bankruptcy act. As a result of this filing, this dealer will be an unsecured

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ATTACHMENT 2

creditor and, in all probability, will not be paid for approximately \$65,000.00 of returned combine parts. I should also mention that this past summer, this same dealer ordered some combine parts from this company for one of his customers. The parts were shipped to this dealer C.O.D. and he noticed that some of these combine parts had the same shipping cards on them as when he had returned them a few months earlier. In effect, he had to pay for them twice.

I'm sure you can understand why I would be very much in support of the two bills that are being considered. It is my opinion that present legislation does not afford adequate protection for farm implement dealers when it becomes necessary for them to terminate their contracts with the manufacturers.

If you have any questions, or if you need comments clarified, I would be happy to do so.

Thank you.