

Approved: Eugene Shore 3-2-93
Date

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Eugene Shore at 9:10 a.m. on February 18, 1993 in Room 423-S of the Capitol.

All members were present except: Representative Lloyd - Excused

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

Conferees appearing before the committee: Lee Hamm, Kansas Grain Inspection Department

Chairman Shore called the meeting to order and introduced Lee Hamm, Director, Kansas Grain Inspection Department, who will give a report on the grain agency.

Mr. Hamm, attachment #1, outlined the two divisions within the Grain Inspection Department; the Inspection Division and the Warehouse Division. To assist the Inspection Division, the 1993 budget included a supplemental request for the purchase of a Near Infrared Reflectance Transmittance (NIRT) machine to analyze whole grain. Currently, they must go through the tedious process of grinding the grain first. Mr. Hamm also discussed losses in income to the agency due to farming changes in rural Kansas. Because of these losses, SB 6 was introduced which requests general fund money to help fund the Grain Inspection Department rather than increasing license fees.

Discussion followed on harvest testers, inspection of elevators, the NIRT machine, SB 6, use of federal money for inspections and comparison of Canadian grain to U.S. grain.

Chairman Shore asked committee members to look at **HB 2144**, which deals with meat and poultry inspections. The bill deals with language changes in the terms "transportation" and "distribution". Jill Wolters, Revisor of Statutes, pointed out the addition of a new section to the bill (section 6, line 24) which updates registration statutes. Representative Gatlin made a motion to pass HB 2144 favorably. Representative Rutledge seconded the motion. The motion carried.

The meeting adjourned at 10:40am. The next meeting is scheduled for February 23, 1993.

CHAIRMAN SHORE AND MEMBERS OF THE COMMITTEE --

I am Lee Hamm, Director of Kansas Grain Inspection Department.

The Grain Inspection Department goes back in history a long way. We are proud of our 95-year history. There have been a lot of changes since our beginning. Change is a part of time, and we recognize the necessity to make changes to meet the needs of producers and the industry we serve. We will talk about some of these changes later and the impact on our agency.

The Kansas Grain Inspection Department has two divisions: the Grain Inspection Division and the Warehouse Division. We have a total of 122 full-time employees at the present time.

Our Inspection department, overseen by the Assistant Grain Director, Gary Bothwell, has 101 full-time employees, with stations at Atchison, Colby, Dodge City, Hutchinson, Kansas City, Salina, Topeka and Wichita. We also use 117 contract samplers across the state who collect samples from country elevators and send them to one of our stations for grading. We are the official agency for the state of Kansas, designated by the Federal Grain Inspection Service which oversees our work. Our inspections provide the basis upon which buyer and seller can agree on what is being offered. We provide official grades, proteins, oils and aflatoxin testing. Just this spring, we installed at our Colby station the equipment to do oil testing for sunflowers. We are working with National Sun Industries, who have set up a plant in Caruso, Kansas, just west of Goodland, to process sunflowers.

We have in our 1993 budget a supplemental request for the purchase of new Near Infrared Reflectance Transmittance (NIRT) machines, which are whole grain analyzers and can give a protein reading on grain without us having to go through the tedious process of grinding the grain first.

HOUSE AGRICULTURE
2-18-93
ATTACHMENT #1

Our Warehouse division is headed up by Sam Reda. This division has the responsibility for issuing licenses for warehouses, as well as for performing the unannounced examinations which we make on each licensed facility. By law, we are required to make one exam per year. There has not been a producer loss since 1986. On our exam we go in and make a cut-off on all grain activity, measure the bins to determine the amount of grain on hand, then go to their books to make sure its where they say it is. We randomly sample tickets and follow through even to the canceled check to make sure the grain is properly stored or paid for. We averaged 1.5 exams last year. We have two fewer examiners this year, so we may not get around quite as often, though we will make the 1 exam per year required by law. We had one of our examiners, a C.P.A., take a job elsewhere. Another retired, and because of budgetary problems, we chose not to refill these positions.

Like our Inspection division, we are proud of our warehouse division. It continues to be one of the best in the country. Many states, and even the Federal government, have patterned their warehouse laws after those which Kansas operates under.

Our agency is not without its problems and difficulties. We are suffering through the changes which have occurred in rural Kansas just as many other people. The changes in farm programs have reduced planted acres and low loan rates have discouraged warehouse receipts, so there is little storage income for the elevators. The unit trains to the Gulf seem to have affected our terminal markets. The grain movement patterns are not like they used to be. Our licensed elevators in Kansas have gone from 669 in 1980 to 389 at the present time, with 234 functional units. Many mergers, consolidations and buyouts have occurred. All this affects our income. Some adjustments have been made, but more need to be made. In 1981 we had 234 employees; today, 122.

Because of the losses which our Grain Inspection Department has incurred the last several years, our advisory board became quite concerned about our fee fund balance, and an interim committee was requested and initiated to look into our agency needs. We were asking for General Fund monies to help fund our agency in these difficult times rather than trying to increase license fees. As a result of that study, Senate Bill 6 was introduced which would apply to all fee funded agencies and says we would still pay the 20% or \$200,000, whichever is greatest, to the general fund, but would be reimbursed at the end of the year for that portion above what services we receive from the state actually cost.

We feel the easiest, simplest approach would be for the legislature to make a commitment to fund from the General Fund those losses we experience on the warehouse side, plus some administrative costs.

This committee understands the importance of the grain business in Kansas. We need to work together to keep it as viable as possible. We at the Kansas State Grain Inspection Department appreciate the support we have received from the legislature in the past and ask for our continued good relationship.