

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Joann Flower at 9:00 a.m. on January 10, 1996, in Room 423-S of the Capitol.

All members were present except: Representative Crabb - Excused  
Representative Feuerborn - Excused

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

Conferees appearing before the committee: Jamie Clover Adams, Kansas Grain and Feed Association

Others attending: See attached list

Chairperson Flower accepted requests for introduction of committee bills.

Jamie Clover Adams, Kansas Grain and Feed Association, stated that she had conferred with Tom Meyer of the Grain Inspection Department, who was in attendance, and also with Gary Bothwell, Director, Grain Inspection Department, concerning two conceptual bill requests. She also provided the committee with some background information concerning the organization of the Grain Inspection Department.

Her first bill request proposal would do three things. First, it would permit Kansas to enter into agreements with surrounding states to license out-of-state warehouses of Kansas based companies. Second, it would repeal the requirement that elevators annually submit storage charges to the Kansas Grain Inspection Department. It would require submittal only if a change occurs. Third, the Kansas Grain and Feed Association proposes to exempt the fee setting for inspection services from the rule and regulation process.

Her second requested proposal would do two things. First, it would increase the statutory maximum charge for warehouse (elevator) license amendments from \$75 to \$300. Second, it would increase the statutory maximum hourly charge for requested warehouse audits--above and beyond the mandatory examination--from \$20 to \$50. (Attachment 1)

Representative Powers moved to accept Kansas Grain and Feed Association's two conceptual bill requests as committee bills. It was seconded by Representative Lloyd. Motion passed.

Representative Sloan stated that he had three bill requests on behalf of constituents. The first request concerns the Kansas Companion Animal Advisory Board appointed by the Governor. Currently, one member must be a representative of the Kansas Federation of Humane Societies. There are only 5 or 6 of them in the state. They propose amending the statutes so that one member would be a representative of the Kansas Animal Control Association, which has a couple hundred members, or the Kansas Federation of Humane Societies. Representative Lloyd moved to accept this request as a committee bill. Seconded by Representative Correll, the motion passed.

Representative Sloan's second bill request would prohibit individuals or dealers from bringing live non-native venomous snakes and lizards into the state. Only those imported for research by museums and universities or for exhibition by accredited zoological parks would be exempt. The Secretary of Wild Life and Parks would be given authority to destroy or donate to an acceptable organization any non-native snakes or lizards that are captured. Civil penalties would be the responsibility of the Department of Wild Life and Parks. Representative Lloyd moved to accept the request as a committee bill. It was seconded by Representative Hutchins. Motion passed. Representative Powers requested that his no vote be recorded.

Representative Sloan's third bill request which was heard and debated last session concerns animals taken into custody in animal cruelty cases. It would give animal shelters the authority to petition the district

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on January 10, 1996.

court to seek restitution and/or disposition in such cases. Representative Sloan moved to introduce the request as a committee bill. It was seconded by Representative McClure. The motion passed.

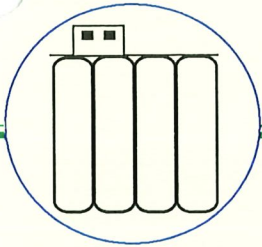
Representative McClure reported that she and a number of other Representatives would be introducing a bill concerning the corporate hog issue. The intent of the corporate hog legislation that was passed several years ago was that there would be no special treatment for large corporate hog producers. Their bill would attempt to plug the KDFA loop hole. Chairperson Flower stated that Gary Sherrer, Secretary of the Department of Commerce and Housing, and William Caton, President, Kansas Development Finance Authority, had been invited to appear before the committee next week.

The meeting adjourned at 9:45 a.m. The next meeting is scheduled for January 16, 1996.

# HOUSE AGRICULTURE COMMITTEE GUEST LIST

DATE: January 10, 1996

NAME	REPRESENTING
Mary Jane Stadelman	KDA
Leslie J. Kaufman	Ks Farm Bureau
Jamie Clover Adams	KGFA
LOWENE SCHNEIDER	KLA
Marty Vanier	KAA
Mike Beam	Ks Livestock Assn.



# KANSAS GRAIN AND FEED ASSOCIATION

## PROPOSAL 1

**Background** The requested bill amends Chapter 34 of Kansas Law. As you will remember, the Kansas Grain Inspection Department (KGID) is divided into two (2) divisions. The Inspection Division provides grain inspection services which are permissive. Elevators do not have to use official grading services. Parties to a contract can agree to use unofficial services. The Warehouse Division is the regulatory arm of KGID. It ensures that producer grain will be stored securely in a financially stable warehousing operation.

**Issue** The requested bill would do three (3) things. First, it would permit Kansas to enter into agreements with surrounding states to license the warehouses of Kansas based companies. Second, it would repeal the requirement that elevators annually submit storage charges to KGID. It would require submittal only if a change occurs. Third, KGFA proposes to exempt the fee setting for inspection services from the rule and regulation process.

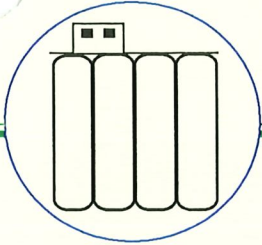
**Why Important** Reciprocal agreements. KGID Director Gary Bothwell has discussed reciprocal agreements with Missouri, Nebraska, Colorado and Oklahoma. It would allow KGID to license warehouses in other states if the company is headquartered in Kansas. Many times companies with facilities in two states will elect a federal license so they only have to deal with one regulatory agency. A reciprocal agreement with surrounding states would give these firms the opportunity to return to the state system while only having to deal with one regulatory agency.

Storage Charges. We are requesting change on storage charge submissions for several reasons. First, the range which is set by the Kansas Grain Advisory Commission does not change each year. Storage charges do not change that frequently either. Consequently, the elevators and KGID are processing forms on an annual basis that make no real changes in storage charges. What is proposed is that elevators only be required to file with KGID when storage charges change. However, they must still post their storage charges at the facility.

Inspection Fee Setting Changes. KGFA is proposing to modify the method by which fees for inspection services are set. We propose they be set by the Director and approved by the Grain Advisory Commission. However, state statute would continue to govern maximum charges. Also, current federal law would remain in force which requires all inspection fees and service changes of Federal Grain Inspection Service (FGIS) designed agencies -- KGID -- to be approved by FGIS at USDA. We ask for this change for several reasons. First, KGID inspection services must remain competitive since it is a permissive service. They must be able to meet the needs of their customers. Meeting changes in the marketplace is difficult, if not impossible under the current fee setting system. Second, this same problem with timeliness applies to providing new services as the industry structure continues to change.

**Association Contact** For further information please contact Jamie Clover Adams or Tom Tunnell at 234-0461.





## KANSAS GRAIN AND FEED ASSOCIATION

### PROPOSAL 2

**Background** The requested bill amends the Kansas Public Warehouse Act (K.S.A. 34-223 seq.) which was first enacted in 1907. It is implemented and enforced by the Kansas Grain Inspection Department (KGID). The Kansas Public Warehouse Act, with its bond requirements and audit procedures ensures that producer grain will be stored securely in a financially stable warehousing operation. The importance of this function is highlighted when one considers that in 1995 Kansas had approximately 377 million bushels in state licensed storage valued at more than \$1.13 billion.

**Issue** The requested bill does two (2) things. First, it increases the statutory maximum charge for warehouse (elevator) license amendments from \$75 to \$300. Second, it increases the statutory maximum hourly charge for requested warehouse audits -- above and beyond the mandatory examination -- from \$20 to \$50.

**Why Important** In the last decade, the grain industry has undergone tremendous change. Capacity has dropped nearly 13% in large part due to the record number of acres idled in Kansas under farm programs. Further, the number of licensed facilities in Kansas has dropped nearly 40% since 1986. These changes have not only impacted those in the industry but also the Department that regulates it -- KGID. Mergers and consolidations have increased the number of amendments processed by the Department over the past several years. In fact, in January, 1994 there were 370 Kansas warehouse licenses issued. This month there are only 281. Warehouse license amendments require the Department to visit the facility, determine the capacity of the additional storage and measure the grain. They must also determine if additional bonding is required and review the company financial records to ensure the company meets the statutory net-worth requirements. Warehouse audit files and billing records must be updated. All of this takes time and resources. Current charges have not kept pace with costs and must be changed to reflect the true costs of these transactions.

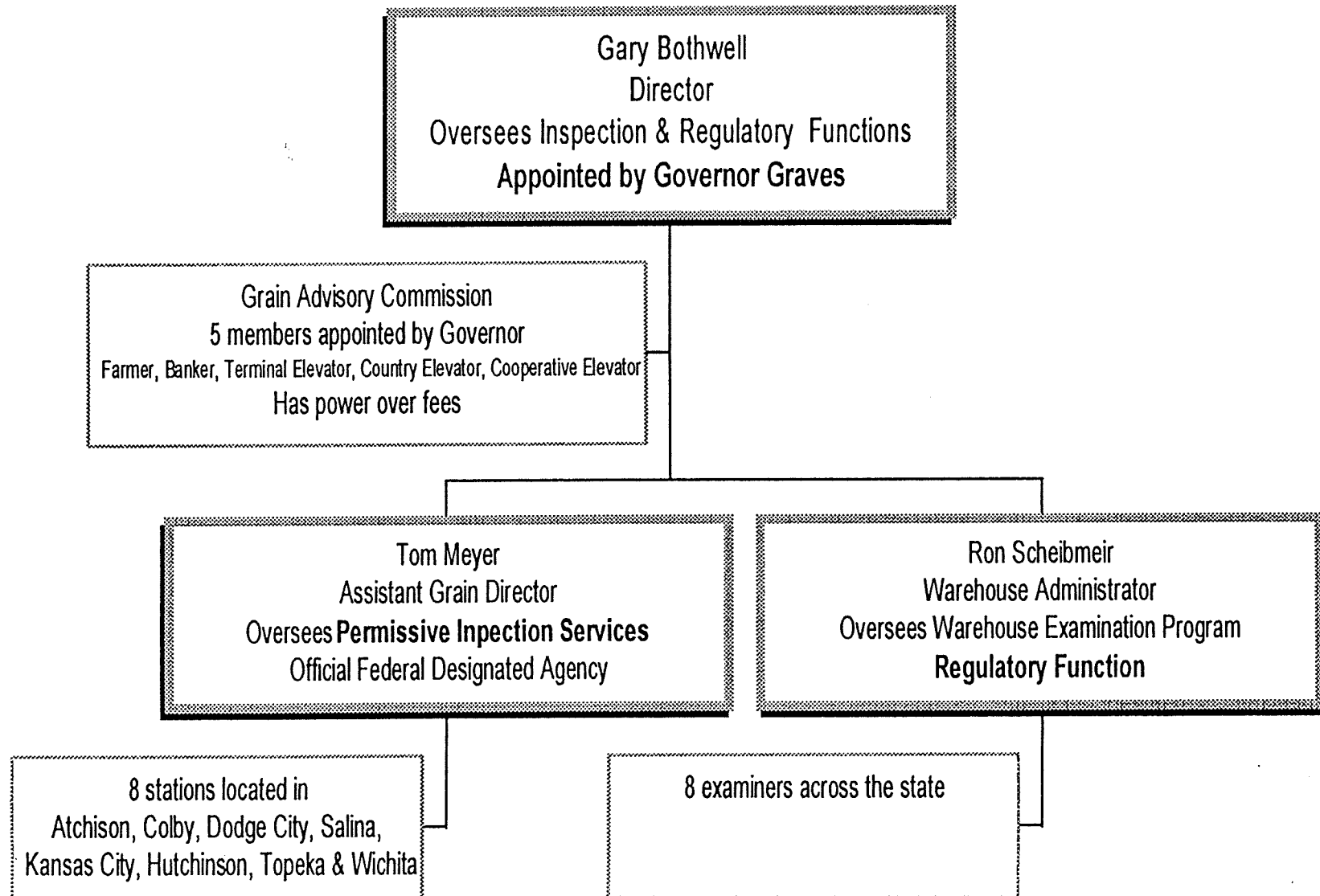
The Kansas Public Warehouse Act permits firms to request additional audits from KGID for a charge. The current maximum charge established in statute does not reflect today's costs. By comparison, the going rate for a private firm to perform such an audit is approximately \$50 per hour. This is a service and should be funded by those who use the service.

In the past, these functions were subsidized in part by warehouse license fees. However, given the changes in industry structure and decreasing numbers of warehouse licenses, KGFA believes these functions must support themselves. It is also important to remember that these charges are kept in check by something unusual to government -- competition. Elevators have a choice between a state and federal warehouse license. If state charges exceed fair market value, elevators will leave the state system and elect to receive a federal license.

**Association Contact** For further information please contact Jamie Clover Adams or Tom Tunnell at 234-0461.

# KANSAS GRAIN INSPECTION DEPARTMENT

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