

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on March 6, 2000, in Room 423-S of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research Department
 Gordon Self, Revisor of Statutes Office
 Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

 Jamie Clover Adams, Secretary, Kansas Department of Agriculture
 George Teagarden, Livestock Commissioner, Kansas Animal Health Department
 Mike Beam, Executive Secretary, Cow-Calf/Stocker Division, Kansas Livestock Association

Others attending: See attached list

Minutes of the March 1 meeting were distributed. Chairman Johnson asked members to notify the committee secretary of any corrections or additions prior to 5:00 p.m., March 7, or they will be considered approved as presented.

Discussion and action on SB 564 - In lieu of a warehouse bond, may be an irrevocable letter of credit.

Chairman Johnson opened discussion on **SB 564**. This bill is identical to **HB 2973** which was heard in the House Agriculture Committee on February 16. Representative Dahl moved to make the technical amendments to SB 564 as suggested by staff. (Attachment 1) Seconded by Representative Weiland, the motion carried.

Representative Dahl moved to recommend SB 564 be passed as amended. Seconded by Representative Weiland, the motion carried.

Hearing on SB 531 - Revision to the Kansas egg law.

Chairman Johnson opened the hearing on **SB 531**.

Jamie Clover Adams, Secretary, Kansas Department of Agriculture, appeared in support of **SB 531** which was requested by the department. She explained that these proposed changes in the Kansas egg law are an attempt to make Kansas law consistent with new federal regulations for egg safety handling which took effect in October, 1999. She outlined the proposed changes in the law:

- Includes definitions for the terms "consumer," "container," and "ambient temperature";
- Decreases the holding temperature requirement for eggs from 60 degrees to 45 degrees;
- Makes the offer for sale of graded eggs that have not been candled or graded a violation of the act;
- Makes failure to properly mark containers a violation of the act;
- Establishes a minimum sampling size of 100 eggs for regulatory activities the same as the federal standard; and
- Increases the late fee from \$1.00/day, mandatory, to \$5.00/day, discretionary.

The Secretary noted that Kansas law provides that a producer selling only eggs of his or her own flock's production is exempt from the provisions of the act.

CONTINUATION SHEET

Secretary Clover Adams recommended a technical amendment to insert the word "ambient" before the word "temperature" on page 2, line 13. (Attachment 2)

As there were no other conferees, the Chairman closed the hearing on **SB 531**.

Hearing on SB 532 - Licensing electronic auctions.

Chairman Johnson opened the hearing on **SB 532**.

George Teagarden, Livestock Commissioner, Kansas Animal Health Department, appeared in support of **SB 532** which was introduced at the department's request. He explained that a major source of funding for the Kansas Animal Health Department is the licensing of traditional livestock market/sale barns and the \$0.15/head marketing fee imposed on the sale of livestock and that these numbers have declined, in part, because other options for marketing of livestock have developed. The Kansas Animal Health Board believes that all livestock auctions, including those conducted by electronic means, should provide support to the department. The department estimates that three satellite auctions and four web sites are involved in electronic livestock auctions in Kansas. Based on these estimates, the department would receive \$280 for license fees and approximately \$15,000 for the per-animal marketing fee. The Commissioner noted that the Senate Agriculture Committee amended the bill to clarify that livestock being exported from the state must have a certificate of veterinary inspection and that Kansas purchasers will be furnished one if requested. (Attachment 3)

Mike Beam, Executive Secretary, Cow-Calf/Stocker Division, Kansas Livestock Association, testified in support of **SB 532** which was endorsed by the Kansas Livestock Association Animal Health and Brand Committee at their annual meeting in December. He expressed their support for this bill to define electronic auctions and require electronic markets to pay the same fees as traditional auction markets. (Attachment 4)

The Chairman closed the hearing on **SB 532**.

Representative Thimesch requested introduction of a House Concurrent Resolution to encourage livestock producers and processors to market their own products. Seconded by Representative Faber, the motion carried.

The meeting adjourned at 4:10 p.m. The next meeting is scheduled for March 6, 2000.

SENATE BILL No. 564

By Committee on Agriculture

2-3

Proposed Technical Amendment to Senate Bill No. 564,
As Amended by Senate Committee

10 AN ACT concerning grain storage; relating to public warehouses;
11 amending K.S.A. 34-237 and 34-2,111 and K.S.A. 1999 Supp. 34-228,
12 34-229, 34-230, 34-236, 34-273 and 34-2,104 and repealing the existing
13 sections.

14
15 *Be it enacted by the Legislature of the State of Kansas:*

16 Section 1. K.S.A. 1999 Supp. 34-228 is hereby amended to read as
17 follows: 34-228. (a) Any person desiring to engage in business as a public
18 warehouseman in this state shall, before the transaction of any such busi-
19 ness, make written application to the secretary for a license for each sep-
20 arate warehouse or, if the applicant owns more than one warehouse at
21 one point, all of such warehouses may be incorporated in one application,
22 at which the person desires to engage in such business. The application
23 for a license shall be on a form designated by the secretary and shall
24 contain the individual name and address of each person interested as
25 principal in the business and, if the business is operated or to be operated
26 by a corporation, setting forth the names of the president and secretary,
27 and such further information as the secretary may require.

28 (b) (1) Every application for a public warehouse license shall be ac-
29 companied by a current financial statement. The statement shall include
30 such information as required by the secretary to administer and enforce
31 the public warehouse laws of this state, including, but not limited to a
32 current balance sheet, statement of income, including profit and loss,
33 statement of retained earnings and statement of changes in financial po-
34 sition. The applicant shall certify under oath that the statement as pre-
35 pared accurately reflects the financial condition of the applicant as of the
36 date specified and presents fairly the results of operations of the appli-
37 cant's public warehouse business for the period specified. The financial
38 statement shall be prepared in accordance with generally accepted ac-
39 counting principles and shall be accompanied by: (A) A report of audit
or review conducted by an independent certified public accountant or an
independent public accountant in accordance with standards established
42 by the American institute of certified public accountants and the account-
43 ant's certifications, assurances, opinions, comments and notes with re-

1-2

1 for the first 1,000,000 bushels of licensed capacity; \$.15 per bushel for
2 the next 1,000,000 of licensed capacity; and \$.10 per bushel for all li-
3 censed capacity over 2,000,000 bushels. Except as provided further, in
4 no event shall the bond *or letter of credit* be for an amount less than
5 \$10,000 nor more than \$500,000.

6 (b) If an applicant for a license or a licensee at any time does not
7 have the total net worth required by K.S.A. 34-228 and amendments
8 thereto, an amount equal to the deficiency shall be added to the amount
9 of the bond required by subsection (a) *or letter of credit required by*
10 *subsection (d).*

11 (c) The bond shall be in favor of the state of Kansas for the benefit
12 of all persons interested, their legal representatives, attorneys or assigns
13 and shall be conditioned on the faithful performance of all the licensee's
14 duties as a public warehouseman and such additional obligations as as-
15 sumed by the warehouseman under contracts with a federal agency re-
16 lating to storage of grain in each warehouse. Any person injured by the
17 breach of any obligation of the warehouseman may commence suit on
18 the bond *or letter of credit* in any court of competent jurisdiction to
19 recover damages that the person has sustained, but any suit commenced
20 shall either be a class action or shall join as parties plaintiff or parties
21 defendant or other persons who may be affected by such suit on the bond
22 *or letter of credit*. No bond shall be canceled by the surety on less than
23 60 days' notice by mail to the secretary and the principal except that no
24 such notice shall be required for cancellation of any bond by reason of
25 nonpayment of the premium thereon. The liability of the surety on the
26 bond may continue for each successive license period the bond covers.
27 The total liability of the surety shall be limited to the amount stated on
28 the current bond or on an appropriate rider or endorsement to the cur-
29 rent bond. It is the intent of this statute that the bonds be nonaccumu-
30 lative, that stacking of bonds not occur in excess of the face value of the
31 current bond.

32 (d) ~~(1)~~ *In lieu of a bond, a warehouseman may file with the secre-*
33 *tary an irrevocable letter of credit in the amount equal to or greater than*
34 *the amount of bond required in subsection (a). Such irrevocable letter of*
35 *credit shall:* ~~(A)~~ *Be issued by a financial institution which is insured by* (1)
36 *the federal deposit insurance corporation or issued by farm credit insti-*
37 *tutions chartered by the farm credit administration;* ~~(B)~~ *be issued for a* (2)
38 *period at least six months longer than the expiration date of the underlying*
39 *license;* ~~(C)~~ *provide for payment to the state of Kansas for the security* (3)
40 *liability of the warehouseman; and* ~~(D)~~ *be on a form approved by the* (4)
41 *secretary.*

42 (e) If a person applies for licenses for two or more separate public
43 warehouses in this state, the person may give a single bond *or letter of*

STATE OF KANSAS

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KANSAS DEPARTMENT OF AGRICULTURE

House Agriculture Committee

March 6, 2000

Testimony Regarding Senate Bill 531

Jamie Clover Adams, Secretary of Agriculture

Good afternoon Chairman Johnson and members of the House Agriculture Committee. I am Jamie Clover Adams, Secretary of the Kansas Department of Agriculture. I appear before you today on behalf of KDA in support of Senate Bill 531, which proposes several changes to the Kansas Egg Law.

Kansas Agricultural Statistics estimated production for the state in 1998 at 392 million eggs, ranking the state 34th in egg production. Kansas currently has 50 egg producers registered with KDA (33 by permit and 17 by egg stamp). In 1998, assessments were paid to KDA on nearly 296 million eggs offered for sale in the state. There are over 2000 retail locations in Kansas that sell eggs that have to comply with temperature holding requirements for the product. Currently, Americans consume an average of 234 eggs per person per year.

These proposed changes are an attempt to incorporate new federal changes in egg safety handling provisions so that Kansas will be consistent with the federal government in our regulation of the egg industry. The main changes reflected in this legislation are:

- decreasing the holding temperature requirement for eggs from 60 degrees to 45 degrees
- making the offer for sale of graded eggs that have not been candled or graded a violation of the act
- failing to properly mark containers as a violation of the act
- establishing a minimum sampling size of 100 eggs for regulatory activities the same as the federal standard

House Agriculture Committee
March 6, 2000
Attachment 2

The federal government made effective in October 1999 new regulations for egg handling that had been identified by the President's Council for Food Safety (7 CFR Part 56 pursuant to authority in 7 U.S.C. 1621 -1627). One main purpose of the new provisions is to reduce by 50 percent the occurrence of Salmonella Enteritidis illness across the country. 300,000 cases of the disease were estimated in 1997 by the U.S. Centers for Disease Control and Prevention (CDC). The federal government's action plan encourages the states to adopt these provisions as soon as possible. KDA's current inspections are already finding that the industry is implementing and complying with the new temperature requirements.

Kansas law currently provides that a producer selling only eggs of his or her own flock's production is exempt from the provisions of the act. This legislation does not change that exemption. However, if anyone, including a producer, wants to offer eggs for sale with a grade, then the new provisions require that he or she comply with the egg law's requirements for temperature, labeling, candling and grading. The new language also sets out the requirement for labeling eggs offered for sale with "Keep Refrigerated" or words of similar meaning.

The legislation also updates the language to reflect the change from the board of agriculture to the secretary of agriculture and to increase the late fee from \$1.00/day to \$5.00/day. However, with the proposed language, the secretary will now have discretion when assessing this late fee. The current statute has made late fees mandatory, even in situations where legitimate extenuating circumstances have occurred.

The Kansas Poultry Association and their representative, Dr. Scott Beyer of Kansas State University, have reviewed these changes and indicated their concurrence with these changes. However, we do have one technical amendment to offer for your consideration. On page 2, line 14, insert the word "ambient" between "a" and "temperature." Ambient temperature is defined on page 1, beginning on line 32.

Thank you for the opportunity to testify. I will gladly answer any questions the committee may have concerning this legislation.

STATE of KANSAS

KANSAS ANIMAL HEALTH DEPARTMENT

George Teagarden, Livestock Commissioner

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March 6, 2000

House Agriculture Committee

Mr. Chairman and members of the committee, I am George Teagarden, Livestock Commissioner, Kansas Animal Health Department. Thank you for hearing SB 532.

Our department currently licenses the traditional livestock market/sale barn. At these markets, a fee of \$.15 per head sold is collected by the market operator from the consignor and remitted to our department and deposited into the Disease Control Fund. This fund provides 46% of the funding for our largest function, disease control. The trend in total market numbers is down and the financial support for our disease control function is likewise diminishing.

Market fees have been a major source of funds for the KAHD for many years. Market numbers have declined, in part, because other options for the marketing of livestock have developed. The Kansas Animal Health Board, a group of seven livestock producers from across the state, believes that livestock auctions, conducted by electronic means, should provide support to the department, just as the "sale barns" do.

SB 532 would require video and internet auctions to license, collect a per head fee from the Kansas producers using their services and provide veterinarian inspection for the livestock consigned and sold.

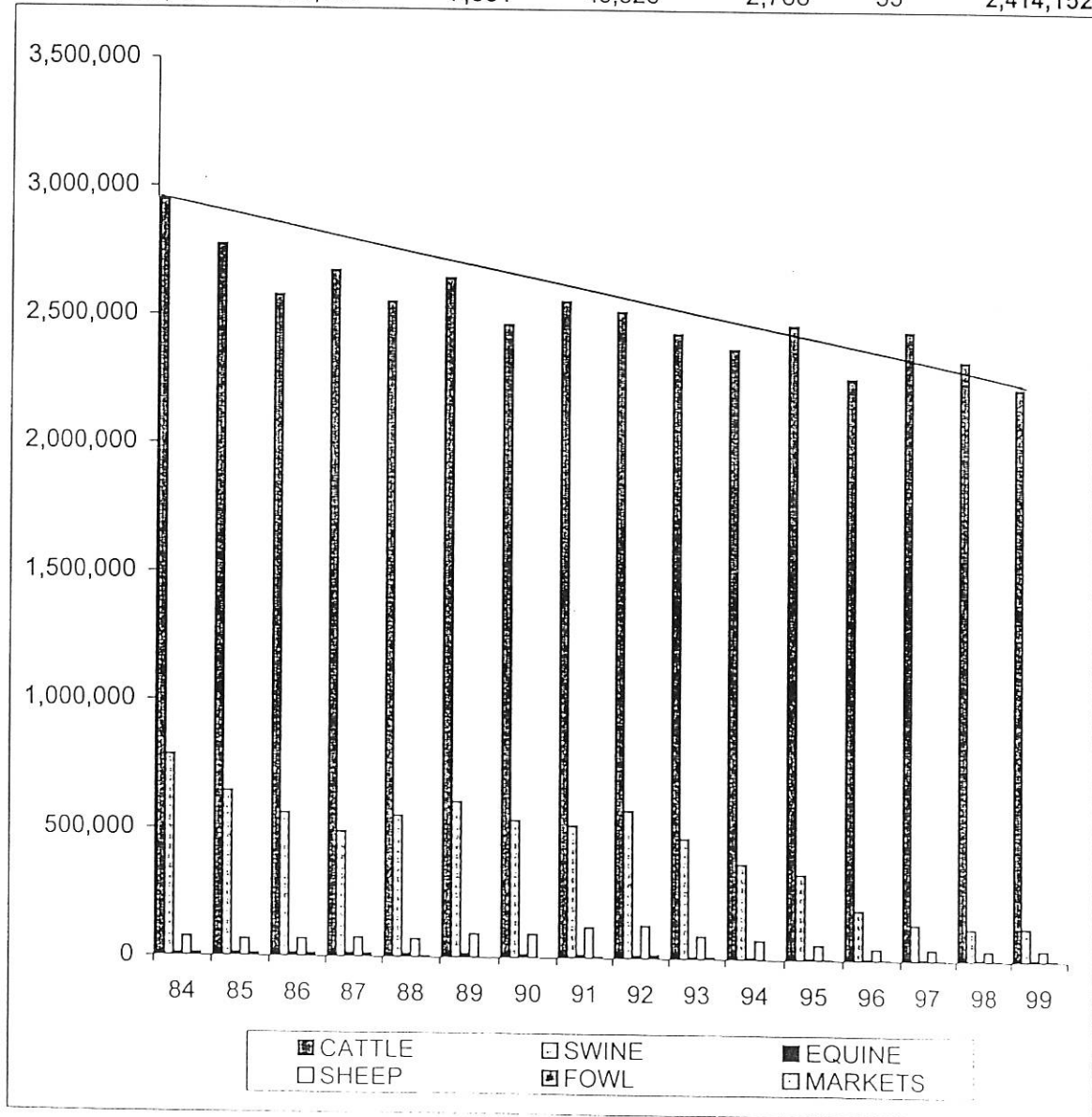
The Senate Agriculture Committee amended the bill to clarify that cattle being exported must have a certificate of veterinary inspection and that Kansas purchasers will be furnished one if requested.

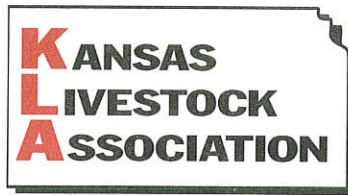
Thank you. Are there any questions for me?

House Agriculture Committee
March 6, 2000
Attachment 3

NUMBER OF ANIMALS SOLD PER FISCAL YEAR

<u>FY</u>	<u>CATTLE</u>	<u>SWINE</u>	<u>EQUINE</u>	<u>SHEEP</u>	<u>FOWL</u>	<u>MARKETS</u>	<u>TOTAL</u>
84	2,947,813	785,404	11,407	76,781	11,638	77	3,833,043
85	2,773,201	645,424	13,916	67,660	11,741	73	3,511,942
86	2,577,841	560,997	15,373	70,738	13,084	74	3,238,033
87	2,675,963	489,207	16,321	75,900	14,094	72	3,271,485
88	2,554,635	552,705	14,809	72,419	3,320	69	3,197,888
89	2,649,689	609,036	16,896	94,199	0	69	3,369,820
90	2,468,749	537,832	13,755	93,287	0	68	3,113,623
91	2,561,472	518,397	13,047	121,418	6,485	65	3,220,819
92	2,520,921	577,763	11,946	129,847	14,256	65	3,254,733
93	2,437,501	470,137	8,688	90,192	7,552	61	3,014,070
94	2,377,878	374,032	8,354	75,904	0	62	2,836,168
95	2,472,385	336,411	7,111	60,033	1,892	63	2,877,832
96	2,265,530	197,058	6,391	46,416	1,868	62	2,517,263
97	2,450,244	143,655	7,036	44,718	748	67	2,646,401
98	2,335,762	126,829	7,898	40,767	2,941	65	2,514,197
99	2,232,295	130,150	7,881	43,826	2,768	55	2,414,152





Since 1894

To: The House Agricultural Committee
Representative Dan Johnson, Chairman

From: Mike Beam, Executive Secretary, Cow-Calf/Stocker Division

Subj: **Senate Bill 532** – Electronic Livestock Auctions

Date: March 6, 2000

Mr. Chairman, and Committee members, the Kansas Livestock Association (KLA) supports SB 532. Commissioner Teagarden discussed this issue with our Animal Health and Brand Committee at our Annual Meeting last December. KLA members voted to endorse the proposal and I appear today in support of this legislation.

We support this bill as an effort to place electronic markets at par with traditional livestock auction markets. Currently, fifty-six livestock auction markets in this state pay a \$40 annual license fee and collect 15 cents per head for disease control activities of the Kansas Animal Health Department. Our auction market members have repeatedly urged us to push legislation that required electronic markets to pay and collect these same fees. This legislation makes this change.

Developing and updating the fee schedule to fund disease control activities of the Kansas Animal Health Department (KAHD) has long been an effort of KLA members. We have had many internal debates about the fee sources of the agency and KLA will continue to study the issue and prepare for the year when the legislature and agency will be forced to make substantial changes.

In the mean time, there appears to be strong consensus on one minor change or update to the statutes requiring all livestock auction markets to pay a license fee and collect a per head disease control fee on animals consigned to such markets.

In short, this bill defines electronic auctions and requires these businesses to pay the same fees as traditional auction markets.

Thank you for your consideration of the bill and I am most willing to respond to any questions.

House Agriculture Committee
March 6, 2000
Attachment 4