

Approved: March 20, 2001
Date

MINUTES OF THE SENATE AGRICULTURE COMMITTEE.

The meeting was called to order by Chairperson Derek Schmidt at 8:30 a.m. on March 14, 2001 in Room 423-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee:

Greg Foley, Assistant Secretary of Agriculture
Dean Carlson, Secretary, Kansas Department of Transportation
Wendy Harms, Kansas Aggregate Producers Ass'n
Wendy Harms, Kansas Aggregate Producers Ass'n.
Constantine Cotsoradis, Director, Weights and Measures
Mike Beam, Kansas Livestock Association
Representative Sharon Schwartz
Leslie Kaufman, Kansas Farm Bureau
Greg Krissek, Kansas Corn Growers Association
Chuck Stones, Kansas Bankers Association
Jim Grauerholz, Farm Credit Bank, Wichita

Others attending: See attached list

HB 2102 - Unlawful acts and annual testing requirements involving weighing and measuring devices

Greg Foley, Assistant Secretary, Kansas Department of Agriculture, testified in support of **HB 2102**, stating the legislation proposes to modify statutes relating to the implementation of the Weights and Measures Program. Section 1, standardizes the repair time for all measuring devices; Section 3, allows KDA to take action on an entity that has committed unlawful acts, including businesses that rent or lease weighing or measuring devices; Section 4, exempts from annual testing requirements certain volumetric provers which are stationary or which exceed the testing capacity of the state metrology lab due to engineering design or the capacity of the prover; and Section 5, requires the testing of motor fuel dispensing devices at least once within every 18-month period rather than the current 12-month requirement.

Mr. Foley stated the Department worked with the House Agriculture Subcommittee relating to an issue raised by the Kansas Aggregate Producers in relation to vehicle scale tolerances. The amendment, adopted by the House Committee, and found in Section 2, specifically addresses the minimum tolerance on vehicle scales. The proposed tolerance is +/- 100 pounds on scales used solely for weighing aggregate products. The existing tolerance for all other weighing devices is +/- 20 pounds per each 10,000 pound increment. This variance is in effect for a period of three years and provides the industry an opportunity to request a change of the national standard from the National Institute of Standards and Technology.

New Sections 6, 7 and 8 were House floor amendments and KDA believe the amendments are redundant and confuse current authority. KDA supports the exclusion of New Section 9. (Attachment 1)

Dean Carlson, Secretary, Kansas Department of Transportation (KDOT), testified in opposition to **New Section 9 of HB 2102**, stating the floor amendment prohibits the Secretary from requiring that plans and specifications for any proposed highway or bridge project be submitted to the Department utilizing the metric system of measurement. The KDOT transition from the U.S. customary system to the metric system has taken seven years. Many contractors and consulting engineers have found the simplicity of the metric system beneficial. KDOT estimates the department has spent \$4.5 million dollars on its conversion to the metric system.

CONTINUATION SHEET

Mr. Carlson stated that **HB 2102 with New Section 9** will have a negative effect on the completion of scheduled projects. A change from the metric units to U.S. customary will require a greater amount of time, resources, and additional money, associated with increased administrative expenses and inflationary adjustments. (Attachment 2)

Wendy Harms, Associate Director, Kansas Aggregate Producers' Association, testified in support of **Section 2 of HB 2102**, which grants the aggregate industry a limited exemption from the tolerance requirements mandated by the National Institute of Standards and Technology (NIST) Handbook 44, which Kansas has adopted by reference. This amendment allows a relaxation of the standard up to 50,000 lbs after 50,000 lbs, where most transactions occur, the aggregate producers are in full compliance with the NIST Handbook 44. (Attachment 3)

Mike Beam, Executive Secretary, Cow-Calf/Stocker Division, Kansas Livestock Association (KLA), testified in opposition to **HB 2102**. The new definitions for "active contractor", "passive contractor", and "production contract" found in new sections 6 - 8, potentially conflict with the Kansas Uniform Commercial Code that governs all contractual agreements. These definitions may easily cast a net on producers operating in various alliances or cooperative agreements. KLA urged the Committee to carefully consider the inclusion of these new sections as their impact may well have unintended consequences. KLA requests New Sections 6, 7 and 8 be removed from the bill. (Attachment 4)

There being no further conferees, the hearing was concluded.

HB 2103 - Increasing total aggregate loans under agricultural production loan deposit program

Representative Sharon Schwartz, testified in support of **HB 2103**, stating the legislation expands the funds available for the Agricultural Production Loan Program by \$50 million. **HB 2103** modifies a section of current law that allows the Director of Investments to invest state moneys by changing the limitations to the lesser of 13 percent from the current 10 percent, or \$120 Million from the current \$80 Million. Additionally, it requires the interest rate be recalculated on the first business day of July in addition to the current recalculation requirement on the first business day of January.

Representative Schwartz stated the expansion of the Agricultural Production Loan Program provides funds at a reduced cost to producers. (Attachment 5)

Leslie Kaufman, Farm Bureau, testified in support of **HB 2103**, stating allocations for the loan program are justified when the following factors are considered: 1) the \$50 million authorized last July was gone the first few hours the money became available; 2) net farm incomes continue to be negatively impacted by various conditions under which producers have no control; 3) agriculture continues to be the backbone of the Kansas economy; and 4) lower interest rates available through the program is a positive for producers. Farm Bureau strongly supports **HB 2103**. (Attachment 6)

Greg Krissek, Director of Operations, Kansas Corn Growers Association, testified in support of expanding the total aggregate limits for the Kansas Agricultural Production Loan Deposit Program to \$100 Million as provided in **HB 2103**. Lower operating costs, as encouraged by this program through smaller interest loans, is one way farmers can offset a small portion of the increased costs to their operations. (Attachment 7)

Chuck Stones, Senior Vice President, Kansas Bankers Association, testified in support of **HB 2103**, stating the program has assisted about 450 Kansas farmers with an average loan size of approximately \$115,747. The fiscal note ignores the economic impact of money being utilized in the marketplace. When money is deposited in local financial institutions and loaned to customers, that money rolls over several times creating an economic impact that is hard to quantify. It is conservatively estimated the money rolls over at least 4 times. Mr. Stones urged the committee to enlarge the program. (Attachment 8)

James L. Grauerholz, Sr. Vice President, Administration, Farm Credit Bank of Wichita, submitted written testimony in support of **HB 2103**. (Attachment 9)

CONTINUATION SHEET

Peggy Hanna, Assistant State Treasurer, submitted a list of the number and amounts of Agricultural Production Loans made by County and by financial institution. (Attachment 10).

The hearing was concluded.

The meeting adjourned at 9:30 a.m.

The next meeting is scheduled for March 20, 2001.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 14, 2001

NAME	REPRESENTING
Wendy Harris	KAPA
Constantine Cotsoyadis	KDA
GREG FOLEY	KDA
Greg Krisssek	KCGA / KOSP
DERL TREFF	P.M.I.B
Marvin Zielsdorf	Hamm Quarry
PEGGY HANNA	State Treasurer's Office
Jim WAGGLE	W+I SCALE Co.
Ellie Dewine	Ks. Livestock Assoc.
Lee Eisenhauer	Propane Marketers Assn.
Nancy Boring	KDOT
Chuck Stones	KBA
Jeslie Kaufman	Ks Farm Bureau
Mike Beam	Ks. LIVSTK. ASSN.
Jim Granerholz	Farm Credit

STATE OF KANSAS

BILL GRAVES, GOVERNOR

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KANSAS DEPARTMENT OF AGRICULTURE

Senate Committee on Agriculture

March 14, 2001

Testimony Regarding House Bill 2102, As Amended

Greg A. Foley, Assistant Secretary of Agriculture

Good morning Chairman Schmidt and members of the committee, I am Greg Foley, the Assistant Secretary of Agriculture. I am here today to present testimony on several issues that could improve and clarify portions of the Weights and Measures law.

The Kansas Weights and Measures Law received a major overhaul in 1996. Since that time, day-to-day operations have highlighted several areas that need to be addressed for more efficient and effective administration of the program. House Bill 2102 proposes to modify multiple statutes to address implementation issues with the Weights and Measures Program. The statutes in reference are:

1. K.S.A. 83-145 Standardize repair time for all measuring devices;
2. K.S.A. 83-219 Provide necessary statutory authority for the program to effectively implement the law;
3. K.S.A. 83-304 Exempt volumetric provers whose capacity exceeds that of the state metrology laboratory or whose design (e.g., stationary provers, compact provers) does not permit testing by the state metrology laboratory from annual testing, and;
4. K.S.A. 83-404 Remove the 12 calendar month requirement for inspection of gas pumps and replace with an 18 month requirement.
5. K.S.A. 83-202 Changes the minimum tolerance on vehicle scales used solely for weighing aggregate products to +/- 100 pounds.
6. New Section 6, New Section 7, and New Section 8. Amendments by the House Committee of the Whole, address contract rights of an Active or Passive Contractor.
7. New Section 9 Prohibits the Secretary of Transportation from requiring that plans or specifications be submitted utilizing the metric system.

Fiscal Impact: No fiscal impact will occur to the Department of Agriculture.

Policy Implications:

K.S.A. 83-145

Currently all weighing or measuring devices, except scales or meters used to measure Liquid Petroleum Gas (LPG), that the program regulates, staff use their best professional judgement in cases where devices are inaccurate. Depending upon the circumstances, an immediate stop of a scale or meter may create a hardship on a business. Consequently, it may be prudent to allow a period of time for repairs in:

Senate Agriculture Committee
Date *March 14, 2001*

removing an inaccurate device from service. Most inaccuracies will not significantly impact an individual sale and most likely will not be detectable by the consumer. In determining whether or not to remove a device (other than one used to measure LPG) from service, the program considers the harm of allowing the device to remain in service versus the harm of immediately removing it from service. The law in current form does not allow the program to consider these factors and the LPG measuring device must be removed from service. The proposed amendment would remove this requirement and allow the program to treat devices used to measure LPG the same as all other devices.

The weights and measures program still has authority under K.S.A. 83-215, 83-216 and 83-219 to remove inaccurate devices from commercial service.

K.S.A. 83-219

There are 25 unlawful acts stated in the statute. Of these, 19 do not require the use of a commercial weighing or measuring device. For example, it is unlawful to “misrepresent or represent in a manner calculated or tending to mislead or deceive an actual or prospective purchaser, the price of an item offered, exposed or advertised for sale at retail.” Ownership of a commercial weighing or measuring device is not necessary for an individual or organization to misrepresent the price of an item. However as the law is currently written, it is only unlawful for an owner of a weighing or measuring device. The statute has the potential to create problems in the case of someone using a commercial weighing or measuring device but not actually owning the device. KDA uses civil penalties only as a tool to gain compliance. The proposed amendment would allow the agency to take action on an entity that has committed unlawful acts, including businesses that rent or lease the weighing or measuring device.

K.S.A. 83-304

The current statute requires all test equipment used by service companies to have been tested within the last 365 days. The meters at oil terminals require the use of large capacity provers or small volume compact provers. The large capacity provers generally are stationary and cannot be transported to the KDA metrology laboratory to be tested. Small volume compact provers are mobile but their design requires special test equipment which KDA’s metrology laboratory does not have. Consequently, these provers are not tested annually by KDA’s metrology laboratory which means the provers are not to be used to calibrate terminal meters. The provers have been tested by a private company that has mobile equipment. The private company is not certified by the National Institute of Standards and Technology (as required by statute) and they do not follow the national procedures for testing this type of equipment. However, their test should be reliable and is certainly better than no test. The proposed amendment would not change the current practice but the meter owner/operators would no longer be in violation of the law.

K.S.A. 83-404

The purpose of this amendment is to revise the annual test requirement by striking the provision requiring the secretary to remove from service devices not tested within the last 12 calendar months and replace the time frame with 18 months. Implementation of current law was possible when gas pumps were required to be tested annually by licensed service companies. KDA is currently responsible for conducting the annual tests and this requirement has created problems. KDA has three state inspectors and three contract inspectors statewide to address pump inspections and to investigate consumer complaints. While the weights and measures program strives to test every gas pump annually, experience has shown annual testing is

unachievable with current resources. The compliance rate for gas pumps have improved from 88 percent compliance in fiscal year (FY) 1997 to 95 percent compliance in FY 2000. In FY 2000, the Weights and Measures program tested 85 percent (20,400) of the approximately 24,000 gas pumps in the state. We hope to test at least 90 percent (21,600) of the pumps in fiscal year 2001. The program is working well and the change to 18 months will allow flexibility to prevent removing gas pumps from service unnecessarily.

Consumer complaints, special projects and vacancies add challenges to the testing schedules and cause gas pumps to go beyond 12 months of their last test. The Department received 100 consumer complaints in fiscal year 2000. Consumer complaints are our highest priority and disrupt the normal routine inspections.

K.S.A. 83-202

The KDA worked with the House Agriculture Subcommittee to address an issue raised by the Kansas Aggregate Producers in relation to vehicle scale tolerances. The proposed amendment specifically addresses the minimum tolerance on vehicle scales. The proposed tolerance is +/- 100 pounds on scales used solely for weighing aggregate products. The existing tolerance for all other weighing devices is +/- 20 pounds per each 10,000 pound increment. The compromise reached in the subcommittee allows the industry a window of opportunity to address the National Institute of standards and Technology to request a change of the national standard. This variance or sunset clause shall be in effect for a period of three years to provide adequate time for any necessary changes through the appropriate channels.

New Section 6, 7, and 8

The KDA's weights and measures program currently has the authority to inspect commercial weighing devices and scales used for contract sales are generally commercial (K.S.A. 83-145). In addition, when weighing of measuring devices are used for commerce, those devices are subject to the provisions of Weights and Measures Act. Current statute requires that scales, such as those referenced in New Section 7(a), must be tested annually by a licensed service company. The Department believes that no additional protection is provided in reference to state inspected scales. It is the Departments position that the proposed amendment would be redundant and could confuse the current authority.

New Section 9

The KDA supports the position taken by the Secretary of Transportation in opposition of New Section 9.

In conclusion, the KDA respectfully requests the passage of HB 2102 to assist in implementation of an efficient responsible regulatory program.



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E. Dean Carlson
Secretary of Transportation

Bill Graves
Governor

**TESTIMONY BEFORE
SENATE AGRICULTURE COMMITTEE**

**REGARDING HOUSE BILL 2102
WEIGHTS AND MEASURES**

March 14, 2001

Mr. Chairman and Committee Members:

I am Dean Carlson, Secretary of the Kansas Department of Transportation (KDOT). On behalf of the department I appreciate the opportunity to testify on House Bill 2102. I am here to speak in opposition to New Section 9, which was amended into the bill on the floor of the House of Representatives. This amendment provides that on and after July 1, 2001, the Secretary of Transportation is prohibited from requiring that plans and specifications, for any proposed highway or bridge project, be submitted to the Department of Transportation utilizing the metric system of measurement.

Let me give you a brief history on why we are using the metric system for our projects. In the early 1970s Congress required that the United States change to the metric system. The effort was to be industry led. For a variety of reasons this effort failed and metric conversion was abandoned. In 1988 Congress passed the Omnibus Trade and Competitive Act. Recognizing that the buying power of the federal government could lead the conversion effort, Congress required that anything purchased with federal dollars would be performed in metric units. KDOT, like many other state DOTs and the Federal Highway Administration, was opposed to this requirement and did not begin the conversion immediately. In 1990 President George Bush issued an Executive Order establishing the metric system as the measuring system of the United States. The Federal Highway Administration then had no choice but to require state DOTs to construct federal-aid highway projects using the metric system. When it became clear that Kansas would have to convert to the metric system to receive federal-aid dollars, Kansas became more committed to conversion. In 1991 the Federal Highway Administration established a metric conversion deadline of October 1997. As you can imagine, this was going to be a major undertaking for the department, especially during a time when KDOT staff was

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *2-1 thru 2-3*

working to keep the Comprehensive Highway Program on schedule. KDOT had the option of using the metric system on federal-aid projects while keeping U. S. customary units on state-funded projects. However, this would have required KDOT to develop and maintain dual Plan Standards, Specifications, and other design and construction guidelines, as well as requiring our personnel to work in two-measurement systems. The NASA space program has shown costly errors tend to occur when using more than one measurement system. KDOT elected to use the metric system for all projects let and administered by KDOT.

Before KDOT began converting to the metric system, the department realized many highway products would not be available in metric units. To account for this, KDOT set the metric standard to fit many of the existing highway products. For example, it would be logical to set a metric pipe standard at 500-mm, however, for everyone's benefit we set the standard at 600-mm which is within the tolerance for the conventional two-foot pipe. In the Transportation Equity Act of 1998, Congress abolished the October 2000 deadline set by the Federal Highway Administration, essentially making metric conversion a state option. A number of state DOTs reverted to the U. S. customary system. Since KDOT had nearly completed the conversion process, KDOT chose to continue using the metric system.

KDOT let its first metric projects in October 1995. The department was very concerned with the potential of increased costs for projects designed and built using metric units. Upon reviewing its lettings for the following two years, the department was unable to substantiate noticeable cost increases relating to the metric system. KDOT was also very concerned that our contractors would make errors in bids resulting in financial hardship. To offset the potential for errors, KDOT offered our employees, local units of government, and the highway industry, courses on the use of the metric system. This training was well attended by all affected parties. To date only two contractors have asked to withdraw their bid after the letting because of an error due to using the metric system. Under the present statutes, we have allowed this withdrawal as a clerical error.

The KDOT transition from the U. S. customary system, to the metric system has taken seven years. From the beginning of this fiscal year through the January 2001 letting, KDOT has let 13 projects in U. S. customary units and 205 in metric units.

Now that we have been working with the metric system, many of our personnel prefer the simplicity of the metric system to the U. S. customary system. Contractors and Consulting Engineers who are committed to using the metric system also have found the simplicity beneficial. Industry has reported that using the metric system results in fewer errors.

As I indicated earlier, a considerable effort has been made by KDOT to make the transition to metric. Early in the conversion process the department recognized that a large part of our expense would be converting computer systems. The department further realized that delays in converting computer systems would make conversion more costly

as new systems were being developed. KDOT estimates that the department has spent \$4.5 million dollars on our conversion to the metric system.

As House Bill 2102 is proposed, KDOT finds New Section 9 to have a very negative effect on the completion of scheduled projects. It takes two to eight years to go through all of the required processes to develop a highway or bridge project. A tremendous number of projects are in various stages of development. To change these from metric units to U. S. customary would require a great amount of time, resources, and additional money, associated with increased administrative expenses and inflationary adjustments. At this late date, a change back to the U. S. customary system most certainly will cause the Comprehensive Transportation Program to not be completed on time and within budget. Therefore, we oppose the inclusion of New Section 9 in the bill and urge the committee to remove this section from House Bill 2102.

KAPA

Kansas Aggregate
Producers' Association

Edward R. Moses
Managing Director

TESTIMONY

Date: March 14, 2001
By: Wendy Harms, Associate Director
Kansas Aggregate Producers' Association
Regarding: HB 2102
Before: Senate Committee on Agriculture

Good Morning Mr. Chairman and Members of the Committee:

My name is Wendy Harms, Associate Director of the Kansas Aggregate Producers' Association. The Kansas Aggregate Producers' Association is an industry wide trade association comprised of over 250 members located in all 165 legislative districts in this state, providing basic building materials to all Kansans. I appreciate the opportunity to appear before you today in support of HB 2102 as amended by the House.

Unlike Missouri and many eastern states blessed with abundant sources of limestone in formations with thick ledges, the Kansas mining industry is forced to mine from several small widely scattered quarries. The common practice is to locate a portable crusher at the site and then produce and stockpile one to two years worth of inventory in a period of three to four months.

Customers then purchase this inventory and it is weighed by a set of scales permanently left at the site. The scales sited at these locations, while adequate the task of weighing rock in 100 lbs increments, are usually unable to meet modern testing and tolerances which require accuracy to within ± 20 lbs. The costs of sustained maintenance or complete replacement (up to \$50,000) to achieve a ± 20 lbs tolerance when only ± 50 lbs, is needed, is prohibitive. In a small quarry, this could add up to \$2.50 a ton to the price.

The high fixed operating costs and low sales volumes associated with these quarries simply make it more uneconomical to continue operations. To address this situation, we requested and received an amendment to HB 2102 granting our industry a limited exemption from the tolerance requirements mandated by the National Institute of Standards and Technology (NIST) Handbook 44 which Kansas adopts by reference. Please note this amendment would only allow a relaxation of the standard up to 50,000 lbs after 50,000 lbs, where most transactions occur, we are in full compliance with the NIST Handbook 44.

I have with me here today Mr. Marvin Zielsdorf of N.R. Hamm Quarries and Mr. Jim Waggle of W.H. Scale Co. to answer any questions you may have regarding this issue. In closing, I would simply request your favorable recommendation on HB 2102 as amended. Thank you.

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *3*



Since 1894

To: The Senate Agriculture Committee
Senator Derek Schmidt, Chairman

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

Subject: Testimony for HB 2102 - Relating to Weights and Measures

Date: March 14, 2001

Mr. Chairman, and Committee members, the Kansas Livestock Association is opposed to HB 2102. Our concerns with this legislation relate solely to new sections 6-8 on pages 10 and 11 of the bill. This language was added during consideration of the bill on the House floor.

New section six (page 10) adopts new definitions for "active contractor", "passive contractor", and "production contract". The provisions of new section seven (pages 10 & 11) states it would be an unfair practice to (a) refuse a "contract producer" or a contract producer's representative the use of "state inspected" scales for weights to determine contract payments and (b) refuse to allow a contract producer or a contract producer's representative to observe the weighing of a commodity if the weight is used to determine a contract producer's compensation. New section 8 (page 11) provides remedies for a producer against a contractor or processor who violates the unfair practices of new section 7.

We have concerns about these new sections because (1) we believe they are unnecessary and are currently addressed by state and federal laws and regulations, (2) the language on page 10, line 40, recognizes only state inspected scales are appropriate and creates a potential interstate trade conflict, and (3) the three definitions in new section six encompass terms that are inherent in other pending complex contract grower protection bills which are not even needed within the context of new sections 7 and 8.

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *4-1 thru 4-8*

Existing state and federal laws/regulations:

Attached to our statement is a copy of KSA 83-206, which relates to the powers and duties of the Secretary of Agriculture in Kansas in the administration of the weights and measures inspection program. Please note the language of subsection (f).

(f) Inspect and test, to ascertain if they are correct, weights and measures and point-of-sale systems commercially used: (1) In determining the weight, measure or count of commodities or things sold, or offered or exposed for sale, on the basis of weight, measure or count; (2) in computing the basic charge or payment for services rendered on the basis of weight, measure or count; or (3) in recovering stored information related to the price of any item or commodity which is sold or offered for sale at retail.

It's our understanding scales used in this state, for the purposes described in HB 2102, are considered commercial scales which are subject to the Kansas weights and measures statutes and regulations.

The second attachment is pages from the Code of Federal Regulations under the Packers and Stockyards Act. One regulation, 201.73-1 Instructions for weighing livestock, includes language that duplicates the provision of HB 2102 allowing a producer to be present when their commodity is weighed. Please note that (e) Weigher's responsibilities, numbers 3 & 4, gives all livestock producers the privilege of observing the balancing, weighing, and recording of the weights of their livestock. In fact, this protection is more detailed and offers more protection to producers than the language of HB 2102. Our point in providing this information is to stress that existing state and federal laws/regulations are adequate and subsection (b), of new section seven, is duplicative and unnecessary.

Interstate transactions:

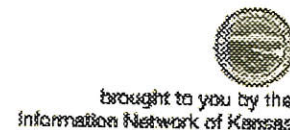
Subsection (a) allows a producer to request the use of "state inspected" scales to determine contract payments from a contractor or processor. This provision is fine if the contractor or processor's delivery point is within the borders of Kansas. I'm sure it is not the author's intent to give producers the ability to force their commodity to be weighed on state inspected scales when the commodity is delivered to a contractor or processor in another state. In many of these situations federal inspected and regulated plants have their scales inspected by federal inspectors. Some producers have contracts that base payment on the meat yield of livestock after they are slaughtered. In this situation it would be quite burdensome to require a processor in another state to load the carcasses back on a truck, drive back to the state where the livestock were grown or fed, to be weighed by a Kansas inspected scale. I contend this provision is unnecessary and could cause problems with interstate transactions.

New definitions:

We urge the legislature to be very careful in adopting new definitions for contractors and production contracts. The three definitions in new section 6 are similar to those found in other bills adopting substantial new laws regulating contractual agreements in agricultural. Part of our concerns with these bills, and the inclusion of these three definitions, is the potential conflict and confusion with the Kansas Uniform Commercial Code that governs all contractual agreements. Furthermore, these definitions could easily cast a net on producers operating in various alliances or cooperative agreements. I am continually amazed at the type of arrangements and contracts being made among beef cattle producers. These definitions will likely have a broader implication than what the authors' envision.

In summary, we feel new sections six, seven, and eight are unnecessary and their impact could have unintended consequences. We respectfully ask you to remove the House floor amendments if you desire to advance the bill out of the Senate Agriculture Committee.

Thank you.



[accessKansas Home](#) > [Government](#) > [Legislative](#) > [Kansas Statutes](#) > Kansas Statute No. 83-206

83-206

Chapter 83.--WEIGHTS AND MEASURES Article 2.--STANDARDS AND ENFORCEMENT

83-206. Same; powers and duties of secretary of agriculture. In the administration of the weights and measures inspection program, the secretary shall:

(a) Administer and enforce the provisions of chapter 83 of the Kansas Statutes Annotated, and amendments thereto or any rules and regulations adopted thereunder.

(b) Conduct investigations to ensure compliance with chapter 83 of the Kansas Statutes Annotated, and amendments thereto or any rules and regulations adopted thereunder.

(c) Delegate to appropriate individuals or private or public entities any of these responsibilities for the proper administration of chapter 83 of the Kansas Statutes Annotated, and amendments thereto or any rules and regulations adopted thereunder.

(d) Test annually the standards of weight and measure used by any city or county within the state, and approve the same when found to be correct.

(e) Inspect and test weights and measures kept, offered or exposed for sale.

(f) Inspect and test, to ascertain if they are correct, weights and measures and point-of-sale systems commercially used: (1) In determining the weight, measure or count of commodities or things sold, or offered or exposed for sale, on the basis of weight, measure or count; (2) in computing the basic charge or payment for services rendered on the basis of weight, measure or count; or (3) in recovering stored information related to the price of any item or commodity which is sold or offered for sale at retail.

(g) Approve for use, and may mark, such weights and measures and point-of-sale systems as the secretary finds to be correct, and reject and mark as rejected such weights and measures and point-of-sale systems as the secretary finds to be incorrect. Weights and measures and point-of-sale systems that have been rejected may be seized if not corrected within the time specified by the secretary or if used or disposed of in a manner not specifically authorized. The secretary shall reject and may seize the weights and measures and point-of-sale systems found to be incorrect that are not capable of being made correct.

(h) Weigh, measure or inspect packaged commodities kept, offered or exposed for sale, sold, or in the process of delivery, to determine whether they contain the amounts represented and whether they are kept, offered or exposed for sale in accordance with chapter 83 of the Kansas Statutes Annotated, and amendments thereto, or rules and regulations promulgated pursuant thereto. In carrying out the provisions of this section, the secretary shall employ recognized sampling procedures by incorporating applicable procedures designated in the national institute of

standards and technology handbooks.

(i) Allow reasonable variations from the stated quantity of contents, which shall include those caused by loss or gain of moisture during the course of good distribution practice.

(j) Perform such other duties as may be necessary to carry out the provisions of chapter 83 of the Kansas Statutes Annotated, and amendments thereto or any rules and regulations adopted thereunder, or as may be otherwise authorized by law.

(k) Be authorized to enter into such contracts and agreements with individuals or private or public entities as may be necessary, in the judgment of the secretary, to fulfill the duties and responsibilities established in chapter 83 of the Kansas Statutes Annotated, and amendments thereto or any rules and regulations adopted thereunder. Any contract entered into by the secretary pursuant to this section shall not be subject to K.S.A. 75-3739, or amendments thereto.

History: L. 1985, ch. 345, § 6; L. 1992, ch. 175, § 3; L. 1994, ch. 83, § 2; L. 1996, ch. 146, § 14; Apr. 18.

(c) When the scales used for weighing livestock, livestock carcasses or live poultry are tested and inspected by an agency of a State or municipality or other governmental subdivision, the forms ordinarily used by such agency for reporting test and inspection of scales shall be accepted in lieu of the forms prescribed for this purpose by the Administrator if such forms contain substantially the same information.

(Approved by the Office of Management and Budget under control number 0580-0015)

[19 FR 4531, Jul. 22, 1954, as amended; further amended at 24 FR 3183, Apr. 24, 1959; 26 FR 1626, Feb. 24, 1961; 32 FR 7700, May 26, 1967; 44 FR 45361, Aug. 2, 1979; 49 FR 37374, Sept. 24, 1984; 54 FR 16355, Apr. 24, 1989]

§ 201.73 Scale operators to be qualified.

Stockyard owners, market agencies, dealers, packers and live poultry dealers shall employ qualified persons to operate scales for weighing livestock, livestock carcasses or live poultry for the purpose of purchase, sale, acquisition or settlement, and they shall require such employees to operate the scales in accordance with the regulations.

[19 FR 4531, Jul. 22, 1954, as amended; further amended at 24 FR 3183, Apr. 24, 1959; 26 FR 1626, Feb. 24, 1961; 32 FR 7700, May 26, 1967; 44 FR 45361, Aug. 2, 1979; 49 FR 37374, Sept. 24, 1984; 54 FR 16356, Apr. 24, 1989]

§ 201.73-1 Instructions for weighing livestock.

Stockyard operators, market agencies, dealers, and packers who operate scales on which livestock is weighed in purchase or sales transactions are responsible for the accurate weighing of such livestock. They shall supply copies of the instructions in this section to all persons who perform weighing operations for them and direct such persons to familiarize themselves with the instructions and to comply with them at all times. This section shall also apply to any additional weighers who are employed at any time. Weighers must acknowledge their receipt of these instructions and agree to comply with them, by signing in duplicate, P&SA Form 215¹ provided by the Packers and Stockyards Programs. One copy of the form is to be filed with a regional office of the Packers and Stockyards Programs and the other retained by the agency employing the weighers.

46
(a) *Balancing the empty scale.* (1) The empty scale shall be balanced each day before weighing begins, and maintained in correct balance [when] weighing operations continue. The zero balance shall be verified at intervals of not more than 15 drafts or 15 minutes, whichever is completed first. In addition, the zero balance of the scale shall be verified whenever a weigher resumes weighing duties after an absence from the scale and also whenever a load exceeding half the scale capacity or 10,000 pounds (whichever is less) has been weighed and is followed by a load of less than 1,000 pounds, verification to occur before the weighing of the load of less than 1,000 pounds.

(2) The time at which the empty scale is balanced or its zero balance verified shall be recorded on scale tickets or other permanent records. Balance tickets must be filed with other scale tickets issued on that date.

(3) Before balancing the empty scale, the weigher shall assure himself that the scale gates are closed and that no persons or animals are on the scale platform or in contact with the stock rack, gates, or platform. If the scale is balanced with persons on the scale platform, the zero balance shall be verified whenever there is a change in such persons. When the scale is properly balanced and ready for weighing, the weigher shall so indicate by an appropriate signal.

(4) Weighbeam scales shall be balanced by first seating each poise securely in its zero notch and then moving the balance ball to such position that a correct zero balance is obtained. A scale equipped with a balance indicator is correctly balanced when the pointer comes to rest at zero. A scale not equipped with a balance indicator is correctly balanced if the weighbeam, when released at the top or bottom of the trig loop, swings freely in the trig loop in such manner that it will come to rest at the center of the trig loop.

(5) Dial scales shall be balanced by releasing all drop weights and operating the balance ball or other balancing device to obtain a correct zero balance. The indicator must visually indicate zero on the dial and the ticket printer must record a correct zero balance.

(6) Electronic digital scales should be properly warmed up before use. In most cases, it is advisable to leave the electric power on continuously. The zero load balance shall be verified by recording the zero balance on a scale ticket. The main indicating element and the remote visual weight display shall indicate zero when the balance is verified. The proper procedure for balancing this type of scale will vary according to the manufacturer. Refer to the operator's manual for specific instructions.

¹ Form filed as part of original document.

(b) *Weighing the load.* (1) Before weighing a draft of livestock, the weigher shall assure himself that the entire draft is on the scale platform with the gates closed and that no persons or animals off the scale are in contact with the platform, gates, or stock rack.

(i) On a weighbeam scale with a balance indicator, the weight of a draft shall be determined by seating the poises at such positions that the pointer will come to rest within the central target area or within 1/4 (0.25) inch of the zero mark.

(ii) On a weighbeam scale without a balance indicator, the weight shall be determined by seating the poises at such positions that the weighbeam, when released from the top or bottom of the trig loop, will swing freely and comes to rest at the approximate center of the trig loop.

(iii) On a dial scale, the weight is indicated automatically when the indicator moves around the dial face and comes to rest.

(iv) On an electronic digital scale, the weight of a draft is indicated automatically when the weight value indicated stabilized.

(2) The correct weight of a livestock draft is the value in pounds indicated when a correct load balance is obtained. The weigher should always concentrate his attention upon the beam tip, balance indicator or dial indicator while weighing and not concern himself with reading the visible weight indications until correct load balance is obtained. On electronic digital scales, the weigher should concentrate on the pulsing or flickering of weight values to assure that the unit indicates a stable weight before activating the print button.

(c) *Recording the weight.* (1) The weight of each draft shall be recorded immediately after the load balance is obtained and before any poises are moved or the load is removed from the scale platform. The weigher shall make certain that the printed weight record agrees with the weight value visually indicated when correct load balance is obtained. He shall also assure himself that the printed weight value is distinct and legible.

(2) The weight printing device on a scale shall be operated only to produce a printed or impressed record of the weight value while the livestock load is on the scale and correctly balanced. If the weight value is not printed clearly and correctly, the ticket shall be marked void and a new one printed before the livestock is removed from the scale.

(d) *Scale tickets.* (1) Scale tickets used to record the weight values of livestock in purchase or sales transactions shall be used, at any given scale, in the order of their consecutive serial numbers unless otherwise marked to show the order of

their use. All tickets shall show the date of the weighing and the name or initials of the weigher performing the weighing service.

(2) No scale tickets shall be destroyed or otherwise disposed of because they are soiled, damaged, incorrectly executed, or voided. They shall be preserved and filed to comprise a complete serial number sequence.

(3) No scale ticket shall be used to record the weight of a livestock draft for "catch-weight," inventory, transportation charge or other nonsale purposes unless the ticket is clearly marked to show why the weight was determined.

(4) When weight values are recorded by means of automatic recording equipment directly on the accounts of sale or other basic records, such record may serve in lieu of a scale ticket.

(e) *Weigher's responsibilities.* (1) The primary responsibility of a weigher is to determine and accurately record the weight of livestock drafts without prejudice or favor to any person or agency and without regard for livestock ownership, price, condition, fill, shrink, or other considerations. A weigher shall not permit the representations or attitudes of any persons or agencies to influence his judgment or action in performing his duties.

(2) Unused scale tickets, or those which are partially executed but without a printed weight value, shall not be left exposed or accessible to unauthorized personnel. All such tickets shall be kept under lock when the weigher is not at his duty station.

(3) Accurate weighing and correct weight recording require that a weigher shall not permit his operations to be hurried to the extent that inaccurate weights or incorrect weight records may result. Each draft of livestock must be weighed accurately to the nearest minimum weight value that can be indicated or recorded. Manual operations connected with balancing, weighing, and recording shall be performed with the care necessary to prevent damage to the accurately machined and adjusted parts of weighbeams, poises, and printing devices.

(4) Livestock owners, buyers, or others having legitimate interest in a livestock draft must be permitted to observe the balancing, weighing, and recording procedures, and a weigher shall not deny them that right or withhold from them any information pertaining to the weight of that draft. He shall check the zero balance of the scale or reweigh a draft of livestock when requested by such parties.

(f) *Sensitivity control.* (1) A scale must be sensitive in response to platform loading if it is to yield accurate weights. It, therefore, is the duty of a weigher to assure himself that interferences, weighbeam friction, or other factors do not impair sensitivity. He should satisfy himself, at least twice each day, that the scale is sufficiently sensitive, and if the following requirements are not met, he should report the facts to his superior or employer immediately.

(2) A weighbeam scale with a balance indicator is sufficiently sensitive if, when the scale is balanced with the pointer at the center of the target, movement of the fractional poise one graduation will change the indicator rest point 1/4 inch (0.25) or the width of the central target area, whichever is greater.

(3) A weighbeam scale without a balance indicator is sufficiently sensitive if, when the scale is balanced with the weighbeam at the center of the trig loop, movement of the fractional poise two graduations will cause the weighbeam to come to rest at the bottom of the trig loop.

(4) Adjustable damping devices are incorporated in balance indicators and in dial scales to absorb the effects of load impact and assist in bringing the indicator to rest. The weigher should be familiar with the location and adjustment of these damping devices and should keep them adjusted so that the pointer will oscillate freely through at least one complete cycle of movement before coming to rest at its original position.

(5) Friction at weighbeam bearings may reduce the sensitivity of the scale, cause sluggish weighbeam action and affect weighing accuracy. A weigher should inspect the weighbeam assembly daily to make certain that there is clearance between the weighbeam and the pivot bearings.

(6) Interferences or binding of the scale platform, stock rack, gates or other "live" parts of the scale are common causes of weighing inaccuracy. A weigher should satisfy himself at the beginning of each weighing period, that all such "live" parts have sufficient clearance to prevent interferences.

(g) *General precautions.* (1) The poises of weighbeam scales are carefully adjusted and sealed to a definite weight at the factory and any change in that weight seriously affects weighing accuracy. A weigher, therefore, should be certain that poise parts do not become broken, loose or lost and that no material is added to a poise. Balancing or weighing shall not be performed while a scale ticket is in the slot of a weighbeam poise.

(2) Stops are provided on scale weighbeams to prevent movement of poises back of the zero graduation when balancing or weighing. When the stops become worn or broken and allow a poise to be set behind the zero position, this condition should be reported and corrected without delay.

(3) Foreign objects or loose material in the form of nuts, bolts, washers or other material on any part of the weighbeam assembly, including the counter-balance hanger or counter-balance weights, are potential sources of weighing error. Loose balancing material must be enclosed in the shot cup of the counter-balance hanger, and counter-balance weights must not be of the slotted type which can readily be removed.

(4) Whenever for any reason a weigher has reason to believe that a scale is not functioning properly or not yielding correct weight values, he shall discontinue weighing, report the facts to the parties responsible for scale maintenance, and request inspection, test, or repair of the scale.

(5) When a scale has been adjusted, modified, or repaired in any manner which may affect the accuracy of weighing or weight recording, the weigher shall not use the scale until it has been tested and inspected and found to be accurate.

(6) Count-off men, gate men, or others assigned to open or close scale gates or to drive livestock on or off the scale, shall perform those functions as directed by the weigher's signals or spoken instructions. They shall prevent persons or animals off the scale from being in contact with any part of the scale platform, stock rack, or gates while the scale is being balanced or used for weighing. They shall not open gates or remove livestock from the scale until directed by the weigher.

(Approved by the Office of Management and Budget under control number 0580-0015)

[39 FR 40277, Nov. 15, 1974, as amended at 49 FR 39516, Oct. 9, 1984; 61 FR 36282, July 10, 1996]

§ 201.76 Reweighing.

Stockyard owners, market agencies, dealers, packers and live poultry dealers shall reweigh livestock, livestock carcasses or live poultry on request of any authorized representative of the Secretary.

[19 FR 4532, Jul. 22, 1954, as amended; further amended at 24 FR 3184, Apr. 24, 1959; 44 FR 45361, Aug. 2, 1979; 49 FR 37374, Sept. 24, 1984; 54 FR 16356, Apr. 24, 1989]



TOPEKA

HOUSE OF
REPRESENTATIVES

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COMMITTEE ASSIGNMENTS
CHAIRPERSON: HOUSE AGRICULTURE &
NATURAL RESOURCES BUDGET
MEMBER: HOUSE APPROPRIATIONS
HOUSE ENVIRONMENT
HOUSE AGRICULTURE

TESTIMONY-HB2103
SENATE AGRICULTURE COMMITTEE

March 14, 2001

Chairman Schmidt and Committee Members

Thank you for the opportunity to appear in support of HB2103 that will expand the funds available for the Agricultural Production Loan Program by \$50 million.

During the 2000 Legislature session, I introduced and supported the enacting legislation that has made this program available to farmers today. As enacted, the legislation made \$50 million in state funds available for agriculture operating loans at a reduced interest rate. The demand for these funds was documented in the fact that the initial \$50 million was exhausted immediately. State Treasurer Tim Shallenburger has indicated that even by doubling that amount to \$100 million, the demand may still exceed the available funds.

HB2103 would modify a section of current law that allows the Director of Investments to invest state moneys by changing the limitations to the lesser of 13 percent (from the current 10 percent) or \$120 Million from the current \$80 Million. In addition, it would require the interest rate to be recalculated on the first business day of July in addition to the current recalculation requirement on the first business day of January.

Kansas farmers have experienced the combination of low commodity prices, drought, and increasing debt load this past year. They continue to find it difficult to obtain the financing they need because of existing debt and in many instances are paying interest rates that reflect their relatively high debt to asset ratio. The ripple effect of the stress in the agricultural community is also being reflected by reduced business in the rural areas.

The expansion of the Agricultural Production Loan Program that provides funds at a reduced cost to producers, is an excellent opportunity for the State of Kansas to show their support for Agriculture. HB2103 passed the House by a vote of 111-14.

Senate Agriculture Committee

Date *March 14, 2001*

Attachment #

5



PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

**RE: HB 2103 – Adding \$50 Million to the Kansas
Agricultural Production Loan Deposit Program.**

**March 14, 2001
Topeka, Kansas**

**Prepared by:
Leslie Kaufman, Associate Director
Public Policy Division
Kansas Farm Bureau**

Chairman Schmidt and members of the Senate Committee on Agriculture, Kansas Farm Bureau certainly appreciates this opportunity to express strong support for extending the low interest production loan program for agricultural producers. My name is Leslie Kaufman. I serve as the Associate Director of the Public Policy Division for Kansas Farm Bureau.

The 2000 Session of the Kansas Legislature approved, and Governor Bill Graves signed, Sub. for HB 2527 creating the Kansas Agricultural Production Loan Deposit Program. The reduced interest agricultural production loan program was a high priority for Farm Bureau in 2000 and continues to be a high priority in 2001. The 435 farmers and ranchers representing the 105 county Farm Bureaus adopted policy at the 82nd Annual Meeting of Kansas Farm Bureau stating:

“We support the low-interest agriculture production loan program and request adequate allocations to assist financially stressed agricultural producers during times of low commodity prices, weather related losses and sanctions on export markets.”

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *6-1 thru 6-3*

HB 2103 proposes to add another \$50,000,000 to the production loan program by increasing the total aggregate amount to \$100,000,000. In fact, we ask you to consider an even larger authorization.

We believe adequate allocations for the loan program is fully justified when several factors are considered. First, the \$50 million that was authorized last July was gone the first few hours the program became available. Second, a number of conditions that are not under the control of agricultural producers, including grain prices, weather conditions and export opportunities, are continuing to negatively impact net farm incomes. Third, since agriculture continues to be the backbone of the Kansas economy, the incomes of farmers and ranchers have an important impact on state revenues. Fourth, a number of bankers participating in the Agricultural Bankers Survey conducted by Kansas Farm Bureau listed interest rates as a concern and suggested "lower interest rates" would be a positive for agriculture.

Don Garlow, a fourth generation farmer, bank loan officer and member of the KFB Resolutions Committee provided testimony to this Committee early in the session recommending the production loan program be expanded (see attachment). In utilizing the program for several farm customers, Garlow pointed out, ***"Farm cash flows are tight and quite 'interest rate sensitive', so any ability to reduce interest expense is extremely helpful."***

Kansas Farm Bureau strongly recommends HB 2103 be approved and advanced to the full Senate.

Thank you!

To: Ag Committee Members
From: Don Garlow, Vice President, Peoples Exchange Bank
Re: Kansas Ag-Link Deposit Loan Program
Date: January 31, 2001

I am Don Garlow from Cloud County. I am a fourth generation farmer. My farm consists of irrigated and dryland crops. My son-in-law and one non family member provide most of the labor for our farm. In addition to my farming, I am a loan officer for Peoples Exchange Bank. We are a small, rural bank situated in North Central Kansas. Our three facilities are in Clyde, Belleville, and Concordia. These locations are convenient to serve our customer base who reside primarily in Cloud, Republic, and Washington Counties. Agricultural loans make up the majority of our loan portfolio.

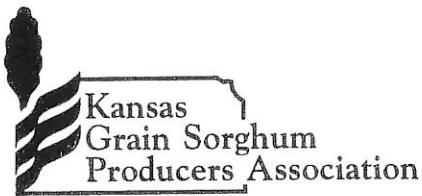
Peoples Exchange Bank utilized the Ag-Link Deposit Loan Program with several of our farm customers. Each loan officer reviewed his respective customer base to see which loans would meet the criteria for the program. Early on the morning that the applications were to be accepted we faxed the requests in and then anxiously waited. Knowing that only \$50,000,000. were available, we wondered if all of our requests would be funded. They were. Later however, we learned of farmers who could have qualified but did not get these loans because their banks either chose not to participate or were too slow in getting the requests in.

The simplicity of the program has been a plus. The fact that the program was not accompanied with an overabundance of paperwork was refreshing. While the 40% D/A requirement excluded many of our operators from using the program, we have few other complaints. The credit decision and administration (and risk for that matter) remained where it should: the bank writing the loan. The risk to the State of Kansas is nil. The only cost is the reduced earnings of the funds which were made available to the banks at a discount to in turn be loaned to the farmer at a savings. Farm cash flows are tight and quite 'interest rate sensitive', so any ability to reduce interest expense is extremely helpful.

In our case, the interest reduction was from our base rate last summer of 11.1% down to 8.74%, or a savings of 2.36%. The individual loan customers received loans ranging from \$18,000 to \$60,000. Where the loans were a one time draw as opposed to a revolving line of credit, we reviewed each loan to obtain a static need level and that was the amount requested. Most of our customers showed their operating credit needs would pay off during the year prompting us to request a six month funding for their loans. A few showed a need for the entire year. Obviously the savings was greater for the more dollars used over a longer time frame. For example: a \$50,000 loan with interest reduction of 2.36% = a savings of \$1,180. We did not write any multi-year loans because we felt that in most cases there were equipment purchases that were being carried on short term loans as opposed to true carry-over debt situations from operating losses. In fact, it would be rare that an operating loan should (or could) be repaid over a multi-year period, because operating expenses are repetitive at least annually, and if unable to be cash-flowed annually would spell disaster for the viability of the farm.

It is my understanding that there are unfunded loan requests today. Several million dollars of the original \$50,000,000. have been repaid and in turn loaned out to new applicants. As long as the banks involved in the loans are strong and secure the state funds will never be jeopardized. The only cost to the state is giving up some potential earnings on those dollars. For example: on \$200,000,000. a 2% reduction on earnings would represent a total of \$4,000,000. On the other hand, given our bank's numbers, the savings to farmers would represent a total of \$4,720,000. or a net gain to the Kansas economy of \$720,000. Any money that can be injected into the farm economy is urgently needed. The combination of low commodity prices, high energy prices, and the resulting increased fertilizer costs are putting undo pressure on an already strained economy. It is my opinion that some of the criteria could be modified within the program to allow the borrowers to utilize the loan more like a true operating line (i.e.- a revolving line of credit), or modify the language to allow funding of longer term assets such as machinery and breeding livestock with the five to seven year loans.

Has the program been worthwhile? In my estimation, yes. Is there sufficient need and demand to expand the program? In my opinion, yes. This appears to be a low cost method of putting dollars in the farm sector of our State's economy.



**Testimony Regarding House Bill No. 2103
Before the Senate Agriculture Committee
March 14, 2001**

Good morning Chairman Schmidt and members of the Senate Agriculture Committee, my name is Greg Krissek. I am Director of Operations for the Kansas Corn Growers Association. I appreciate the opportunity to make brief comments in support of HB 2103. My comments also reflect the position of the Kansas Grain Sorghum Producers Association.

HB 2103 proposes expanding the total aggregate limits for the Kansas agricultural production loan deposit program from \$50 million to \$100 million. We support this legislation for several reasons.

First, as we understand it, after you helped create and fund this program last legislative session, when it was implemented the initial funding amount was obligated in very short order. We believe this indicates a very strong need for the program and an expanding the state funds available to it.

Second, increased energy costs continue to face agricultural producers as we approach this planting season. Fuel, fertilizer, and irrigation costs, where applicable, have increased substantially. Lower operating loan costs, as encouraged by this program, may be one way that farmers can offset a small portion of these other increased costs to their operations.

KCGA and KGSPA support this legislation in its current form and hope that you will consider it favorable for approval by the committee. Thank you for the opportunity to comment and I will try to answer any questions concerning this testimony.



Kansas Bankers Association

800 SW Jackson, Suite 1500

Topeka, KS 66612

785-232-3444 Fax - 785-232-3484 kbacs@ink.org

3-14-01

To: Senate Agriculture Committee

From: Chuck Stones, Senior Vice President

RE: HB 2103

Mr. Chair and Members of the Committee:

The Kansas Bankers Association appreciates the opportunity to appear before you regarding HB 2103. We are fully supportive of adding money to this program.

This program has been very successful. As you are aware this program has assisted about 450 Kansas farmers with an average loan size of about \$115,747. We worked closely with the Treasurers office to make the program workable. As we stated in our testimony over the last two years, this program is a win, win, win, win solution. Everybody in the process, the Kansas Legislature, the State Treasurer, the banks, and the farmers, should feel good about themselves.

We think the fiscal note ignores the economic impact of money being utilized in the marketplace. When money is deposited in local financial institutions and loaned to customers, that money rolls over several times creating an economic impact that is hard to quantify, but is none the less real. The question of this bill is truly a policy decision on your part. Does the State want to reduce the amount of its interest earnings in order to assist Kansas farmers.

We hope the answer is "yes"

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *8*

**Testimony
of
James L. Grauerholz
Sr. Vice President, Administration**

**Farm Credit Bank of Wichita
Wichita, Kansas**

**Before the Kansas Legislature
Senate Agriculture Committee
At the State Capitol in Topeka, Kansas**

March 14, 2001

Mr. Chairman and members of the Committee, my name is Jim Grauerholz. I serve as a senior officer of the Farm Credit Bank of Wichita. Our bank wholesales funds to Farm Credit Associations in Kansas, Colorado, Oklahoma and New Mexico.

I am here today speaking on behalf of all of the Farm Credit System Associations in Kansas and the 14,000 farmers and ranchers they serve. The Farm Credit Associations in Kansas are active participants in the Kansas Agricultural Production Loan Deposit Program. Farm Credit Associations in Kansas have over \$14 million dollars of program loans outstanding representing just over 90 borrowers. This amounts to just over 28% of the total program loans. Our loan officers personally work with the eligible farmers to provide financing through the program. I can tell you the program works, and works very

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *G-1 thru G-4*

well, in assisting farmers who have viable farming operations stay in business when they encounter temporary, but difficult, financial situations.

Last year, the Kansas Legislature first approved the Kansas Agricultural Production Loan Deposit Program. It utilizes an investment of State monies to provide production loan funds at below market rates to deserving farmers and ranchers. These agricultural producers are people who have viable agricultural farming businesses. Even so, they are experiencing the pressures of low prices, high production costs, and in many cases, drought or other production problems. The legislature recognized that agriculture was the foundation of the state's economy. As a result, you provided this valuable program to leverage state monies in a positive way. I applaud your foresight in developing and approving such a program. House Bill 2103, which if enacted would increase the funds available in Kansas to \$100 million, is needed by our farmers, and we believe the program is targeting assistance to the right group.

For example, The Farm Credit Bank of Wichita has studied trends in owner equity of farming operations over many years and has found that in the four states covered in the Wichita Farm Credit District the average debt to asset ratio of farmer borrowers is 35%. This is also true in Kansas. This ratio has been very stable over the past decade. This means that farmers with debt asset ratios too much greater than the 40% eligibility standard utilized by the program might be having viability problems. But it also means that farmers with debt to asset ratios at this level or lower may not need the special

assistance that this program is designed to provide. So we believe the existing requirement for the debt to asset ratio is where it should be.

There is one change we believe needs to be made to the program. Currently, the funds are repriced annually. In an environment where interest rates are declining, like the one we are experiencing now, an annual repricing period means that the farmers in the program may end up paying a rate that is higher than other non-program borrowers. In addition, when rates are rising, it would appear that the state is losing the opportunity to receive a reasonable return on its investment. An amendment to accomplish this was developed by Representative Sharon Schwartz and approved by the House Ag Committee. As a result, this language is included as a part of the Senate Ag Committees' consideration today. Farm Credit supports this improvement in repricing frequency.

I should add that the State Treasurer's office, in my view, has done an excellent job of implementing and carrying out this important program. The people who administer this program have provided sound guidance and procedures to both lenders and agricultural producers. They have also been helpful in answering questions and are flexible, knowledgeable, and courteous.

Your support of programs like this helps Farm Credit and all lenders meet their mission of providing loan funds to all deserving farmers. It also accomplishes your objective of helping Kansas farm families and providing support to rural Kansas communities. It leverages state monies in an appropriate and useful way to stimulate further growth and

economic prosperity in rural Kansas towns and communities, which is good for all Kansans.

Farm Credit strongly supports HB 2103.

Mr. Chairman, I have kept my remarks brief. Thank you for letting me share my thoughts on this important program. I would be happy to answer any questions you or the committee might have.

Agricultural Production Loans
Number and Amounts, by county

<u>County</u>	<u>Number</u>	<u>Total Amount</u>
Barber	11	\$1,050,000
Barton	9	\$863,000
Brown	1	\$200,000
Butler	2	\$288,000
Chase	12	\$1,482,000
Cherokee	1	\$75,000
Cheyenne	2	\$300,000
Clark	4	\$590,000
Clay	3	\$385,000
Cloud	8	\$560,000
Coffey	1	\$150,000
Cowley	2	\$77,000
Decatur	2	\$340,000
Dickinson	22	\$2,392,000
Douglas	1	\$130,000
Edwards	12	\$2,155,000
Elk	3	\$99,000
Ellsworth	8	\$439,000
Finney	7	\$935,000
Ford	3	\$479,000
Geary	5	

Senate Agriculture Committee

Date *March 14, 2001*

Attachment # *10-1 thru 10-7*

Agricultural Production Loans
Number and Amounts, by county

<u>County</u>	<u>Number</u>	<u>Total Amount</u>
Gove	1	\$250,000
Gray	7	\$1,233,000
Greeley	1	\$30,000
Greenwood	3	\$450,000
Harper	8	\$1,260,000
Harvey	10	\$1,532,000
Haskell	1	\$100,000
Hodgeman	12	\$1,691,000
Jefferson	2	\$300,000
Jewell	4	\$458,800
Kearny	3	\$350,000
Kingman	30	\$3,650,000
Kiowa	1	\$160,000
Labette	8	\$1,190,000
Lane	1	\$50,000
Lincoln	4	\$380,000
Logan	2	\$300,000
Lyon	6	\$691,000
Marion	15	\$1,467,000
McPherson	5	\$398,000
Meade	12	\$1,578,000

Agricultural Production Loans
Number and Amounts, by county

<u>County</u>	<u>Number</u>	<u>Total Amount</u>
Mitchell	12	\$1,565,000
Montgomery	8	\$1,127,000
Morris	2	\$157,000
Nemaha	11	\$1,373,000
Neosho	4	\$155,000
Ness	4	\$418,000
Osage	2	\$308,000
Osborne	1	\$140,000
Ottawa	9	\$554,000
Pawnee	5	\$633,000
Pratt	17	\$2,635,000
Reno	27	\$2,477,000
Republic	2	\$115,000
Rice	4	\$379,000
Rush	2	\$190,000
Russell	1	\$17,000
Saline	7	\$771,000
Scott	4	\$590,000
Sedgwick	6	\$695,000
Shawnee	2	\$364,000
Sherman	18	\$1,827,000

Agricultural Production Loans
Number and Amounts, by county

<u>County</u>	<u>Number</u>	<u>Total Amount</u>
Stafford	23	\$2,529,000
Stanton	1	\$61,000
Stevens	1	\$150,000
Sumner	11	\$1,145,000
Thomas	16	\$1,255,000
Wabaunsee	2	\$350,000
Wallace	2	\$275,000
Washington	3	\$125,000
Wichita	10	\$1,125,000
Wilson	1	\$250,000

Agricultural Production Loans
 Number and Amounts, by financial institution

<u>Financial Institution</u>	<u>Number</u>	<u>Total Amount</u>
Baileyville State Bank, Seneca	1	\$160,000
Bank of Holyrood, Holyrood	11	\$463,000
Bank of Tescott, Salina	3	\$400,000
Bankwest, Goodland	3	\$450,000
Bankwest of Kansas, Goodland	1	\$100,000
Bennington State Bank, Bennington	21	\$1,483,000
Centera Bank, Greensburg	1	\$125,000
Centera Bank, Satanta	1	\$150,000
Central National Bank, Junction City	40	\$3,447,000
Citizens Bank of Kansas, Kingman	58	\$6,040,000
Citizens State Bank, Miltonvale	5	\$601,000
Community National Bank, Seneca	6	\$738,000
Exchange National Bank, Cottonwood Falls	15	\$1,752,000
Farm Credit of Garden City, Scott City	6	\$1,340,000
Farm Credit of Western Kansas, Colby	21	\$2,225,000
Farm Credit Services of Northeast Kansas, PCA, Manhattan	3	\$430,000
Farm Credit Services of Southeast Kansas, PCA, Emporia	4	\$365,000
Farm State Bank, Macksville	6	\$735,000
FCS of Central Kansas, PCA, Wichita	21	\$3,887,000
FCS of Central Kansas, Wichita	1	\$230,000
First Bank Kansas, Ellsworth	11	\$1,034,000

Agricultural Production Loans
 Number and Amounts, by financial institution

<u>Financial Institution</u>	<u>Number</u>	<u>Total Amount</u>
First Community Bank, Emporia	5	\$650,000
First National Bank, Goodland	10	\$1,027,000
First National Bank, Howard	3	\$99,000
First National Bank of Clifton, Clifton	1	\$50,000
First National Bank of Conway Springs, Conway Springs	3	\$208,000
First National Bank of Hope, Hope	12	\$1,590,000
First National Bank, Syracuse	2	\$311,000
First National Bank & Trust, St. John	14	\$1,086,000
First State Bank, Edna	19	\$2,653,000
Gold Bank, Leawood	7	\$985,000
Guaranty State Bank & Trust Co., Beloit	3	\$700,000
Hanston State Bank, Hanson	1	\$65,000
Hanston State Bank, Hanston	15	\$1,287,000
Home National Bank, Arkansas City	17	\$3,172,000
Lyndon State Bank, Lyndon	3	\$502,000
Olpe State Bank, Olpe	3	\$406,000
PCA of South Central Kansas, Larned	33	\$6,056,000
PCA of South Central Kansas, Pratt	1	\$51,000
People's Exchange Bank, Clyde	9	\$364,000
People's State Bank, Cherryvale	1	\$179,000
Security State Bank, Scott City	1	\$240,000

Agricultural Production Loans
Number and Amounts, by financial institution

<u>Financial Institution</u>	<u>Number</u>	<u>Total Amount</u>
Security State Bank, Wellington	6	\$582,000
St. Marys State Bank, St. Marys	1	\$250,000
State Exchange Bank, Mankato	1	\$133,800
Stockgrowers State Bank, Ashland	12	\$1,311,000
The Bank of Tescott, Lincoln	1	\$220,000
The Halstead Bank, Halstead	2	\$323,000
The People's Bank, Pratt	25	\$3,215,000
The Peoples Bank, Pratt	1	\$27,000
Western State Bank, Garden City	22	\$1,010,000