

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on February 12, 2008 in Room 423-S of the Capitol.

All members were present except:
Steve Morris- excused

Committee staff present:
Raney Gilliland, Kansas Legislative Research Department
Jason Thompson, Office of Revisor of Statutes
Matt Todd, Office of Revisor of Statutes
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:
Michael Anschutz, Russell County Farmer
Bud Burke, Kansas Legislative Director, Southwestern Association
John Bottenberg, Farm Equipment Manufacturers Association (FEMA)
Hank Brucker, Customer Service Manager, Landoll Corporation
Douglas S. Hoopes, Senior Marketing Manager, Krause Corporation
Duane Simpson, Chief Operating Office and Vice President, Kansas Agribusiness Retailers Association

Others attending:
See attached list.

Chairman Taddiken opened the hearing on SB 502–Farm equipment, warranty repair work, transportation expenses.

Raney Gilliland, Kansas Legislative Research Department, reviewed SB 502. This bill deals with the issue of repair work performed on farm equipment sold on or after July 1, 2008. It would require the farm equipment dealer to pay for any transportation expenses related to repair work. The expenses would be limited to the cost of sending repair service personnel to the location of the farm equipment or the cost of hauling the equipment to the service location or both, if those costs were necessary. This bill would also require the farm equipment manufacturer to reimburse the dealer for any transportation expenses related to that repair work.

Mr. Gilliland stood for questions.

Chairman Taddiken recognized Dr. Barry Flinchbaugh and students from Kansas State who were visiting the meeting.

Senator Lee introduced SB 502 at the request of Michael Anschutz, a farmer from her district. She noted that South Dakota has passed a law regarding this issue and distributed a copy to each Committee member (Attachment 1).

Chairman Taddiken noted that SB 502 references K.S.A. 16-120, which defines farm equipment and a copy was provided for each member of the Committee (Attachment 2).

Michael Anschutz, Russell County Farmer, testified in support of SB 502 (Attachment 3). Some farmers are required to drive many miles to get to their dealer for repair. He believes that it is the manufacturer's responsibility to compensate the dealers for charges they incur while performing necessary warranty repairs onsite where a qualified technician is required.

Mr. Anschutz answered questions from the Committee.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on February 12, 2008 in Room 423-S of the Capitol.

Bud Burke, Southwestern Association, gave neutral testimony on **SB 502 (Attachment 4)**. If manufacturers were required to reimburse dealers for transportation on items still under warranty, the price of the equipment would increase to offset the unknown cost to the manufacturer for transportation. It would be difficult to determine how to define the limits on what the manufacturer would pay regarding transportation.

Mr. Burke took questions from the Committee.

John Bottenberg, representing Farm Equipment Manufacturers Association, (FEMA) presented testimony in opposition to **SB 502 (Attachment 5)** because it would impose an unfair burden on their manufacturing members.

Mr. Bottenberg took questions.

Hank Brucker, Customer Service Manager, Landoll Corporation, testified in opposition to **SB 502 (Attachment 6)**. He said this legislation would make the manufacturer solely responsible for excessive warranty costs. The increased warranty costs would force the manufacturer to implement more restrictions and limitations on their warranty policies, ultimately negatively affecting the retail customer. He also said a shorter warranty period could impede product development. State regulation would reduce the competitive advantage of the specialty manufacturers in Kansas potentially costing the state of Kansas jobs.

Mr. Brucker stood for questions.

Douglas S. Hoopes, Krause Corporation, presented testimony in opposition of **SB 502 (Attachment 7)**. He stated that by legislating additional warranty costs to the manufacturer, the result will be higher prices for the machines or reduced warranty for the customer.

Mr. Hoopes answered questions from the Committee.

Duane Simpson, Chief Operating Officer and Vice President, Kansas Agribusiness Retailers Association (KARA), testified in opposition of **SB 502 (Attachment 8)**. Nothing in the law prevents manufacturers from offering transportation costs as part of their warranties or equipment dealers from offering it as a customer service. He noted that farmers are not prohibited from negotiating transportation costs into their warranty protection. If the state of Kansas mandates dealers to cover those costs, the dealers may be forced to increase the price of their equipment in order to pay for the new government mandate.

Mr. Simpson offered to stand for questions.

Meeting adjourned.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: 2-12-08

| NAME | REPRESENTING |
|--------------------|---------------------------------|
| Duane Simpson | Ks Agribusiness Rotarians Assoc |
| JOHN C. BOTTERBERG | FEMA |
| Doug Hoopes | Krause Corporation |
| HANK BRUCKER | LANDOLL CORPORATION |
| Dad Widen | K-State Ag Econ |
| Greg Foote | K-State Ag Econ |
| Sarah Martin | K-State |
| Andrew Erickson | K-State |
| Janell Ree | K-State |
| Jeff Piro | K-State |
| Taylor Stabel | K-State |
| Vincent Hofer | KSU |
| David Hale | KSU |
| Paul Larson | K-SU Ag Econ |
| Bud Burke | Southwestern Assoc |
| Victor Meyer | Pinegar Smith |
| John Donley | KY Lusk Ass'n |
| Hay Gori | K-State Extension |

SB 12

Westlaw.

SDCL § 32-39-1

SOUTH DAKOTA CODIFIED LAWS
 TITLE 32. MOTOR VEHICLES
 CHAPTER 32-39. COMPENSATION OF AGRICULTURAL EQUIPMENT DEALERS
 → 32-39-1. Agricultural equipment manufacturer--Warranty procedure

Every manufacturer of agricultural equipment, as exempted from registration and licensing by §§ 32-5-1.3 and 32-5-1.4 , shall properly fulfill any warranty agreement and fairly compensate, as provided in § 32-39-2 , each of its dealers for labor, parts, and transportation of equipment. The manufacturer shall pay all claims made by a dealer for such labor, parts, and transportation of equipment within thirty days following their approval. The manufacturer shall either approve or disapprove the claim within thirty days after its receipt. If a claim is disapproved, the dealer who submitted it shall be notified in writing of its disapproval within the thirty-day period. Any claim rejected for technical reasons may be put into proper form by the dealer and resubmitted by the dealer within thirty days. Any claim not specifically disapproved in writing within thirty days after the receipt of the claim is deemed to be approved and payment shall be made within thirty days. The manufacturer may audit the claims for one year after payment and may charge back to the dealer the amount of any false or fraudulent claim.

Current through the 2007 Regular Session and Supreme Court Rule 07-07

© 2007 by the State of South Dakota

END OF DOCUMENT

© 2008 Thomson/West. No Claim to Orig. US Gov. Works.

Senate Agriculture Committee
 2-12-08
 Attachment 1

SDCL § 32-39-2

SOUTH DAKOTA CODIFIED LAWS
TITLE 32. MOTOR VEHICLES
CHAPTER 32-39. COMPENSATION OF AGRICULTURAL EQUIPMENT DEALERS
→ **32-39-2. Warranties--Schedule--Compensation**

The schedule of compensation for warranty work governed by § 32-39-1 shall include reasonable compensation for diagnostic work, as well as repair service, parts, labor, and transportation of equipment for warranty repairs. Reimbursement for transportation of equipment to the dealership for needed warranty repairs and the return of the equipment is at the dealership's retail rate if the customer is within the dealer's designated area of responsibility. Time allowances for diagnosis and performance of warranty work and service shall be adequate for the work to be performed. The hourly labor rate paid the dealer for warranty services may not be less than the rate charged by the dealer for like services to nonwarranty customers for nonwarranty service. Reimbursement for parts used in the performance of warranty repair may not be less than the amount paid by the dealer to acquire the parts plus a reasonable allowance for handling, which may not be less than thirty percent.

Current through the 2007 Regular Session and Supreme Court Rule 07-07

© 2007 by the State of South Dakota

END OF DOCUMENT

© 2008 Thomson/West. No Claim to Orig. US Gov. Works.

1-2

Westlaw

SDCL § 32-39-3

SOUTH DAKOTA CODIFIED LAWS
TITLE 32. MOTOR VEHICLES
CHAPTER 32-39. COMPENSATION OF AGRICULTURAL EQUIPMENT DEALERS
→ **32-39-3. Dealer--Definition**

For the purposes of this chapter, a dealer is any person whose sales of the manufacturer's equipment is equal to or exceeds thirty percent of the dealer's gross agricultural equipment sales during the preceding calendar year. The term, dealer, does not include a dealer whose principal business is the sale of off-road construction equipment.

Current through the 2007 Regular Session and Supreme Court Rule 07-07

© 2007 by the State of South Dakota

END OF DOCUMENT

© 2008 Thomson/West. No Claim to Orig. US Gov. Works.

1-3

Westlaw

SDCL § 32-39-4

SOUTH DAKOTA CODIFIED LAWS
TITLE 32. MOTOR VEHICLES
CHAPTER 32-39. COMPENSATION OF AGRICULTURAL EQUIPMENT DEALERS
→ **32-39-4. Warranties--Dealers--Manufacturers**

The provisions of this chapter do not apply to any warranty agreements between manufacturers. The provisions of this Act do not apply to any oral agreements between a dealer and a manufacturer to provide warranty service.

Current through the 2007 Regular Session and Supreme Court Rule 07-07

© 2007 by the State of South Dakota

END OF DOCUMENT

© 2008 Thomson/West. No Claim to Orig. US Gov. Works.

1-4

Kansas Legislature

[Home](#) > [Statutes](#) > [Statute](#)

[Previous](#)

[Next](#)

16-1202**Chapter 16.--CONTRACTS AND PROMISES****Article 12.--FARM EQUIPMENT DEALERSHIP AGREEMENTS****16-1202. Definitions.** As used in this act:

(a) "Farm equipment" means equipment including, but not limited to, tractors, trailers, combines, tillage implements, bailers and other equipment, including attachments and repair parts therefor, used in planting, cultivating, irrigation, harvesting and marketing of agricultural products, excluding self-propelled machines designed primarily for the transportation of persons or property on a street or highway.

(b) "Farm equipment manufacturer" means any person, partnership, corporation, association or other form of business enterprise engaged in the manufacturing, assembly or wholesale distribution of farm equipment.

(c) "Farm equipment dealer" or "farm equipment dealership" means any person, partnership, corporation, association or other form of business enterprise engaged in the retail sale of farm equipment.

(d) "Dealership agreement" means an oral or written agreement of definite or indefinite duration between a farm equipment manufacturer and a farm equipment dealer which provides for the rights and obligations of the parties with respect to the purchase or sale of farm equipment.

History: L. 1986, ch. 2, § 2; July 1.

Senate Agriculture Committee
2-12-08
Attachment 2
2/12/2008

Testimony for SB502, farm machinery warranties
Prepared by Michael Anschutz, Russell County Farmer
February 12, 2008

Good morning Senators. My name is Michael Anschutz, I have been a farmer for the past eleven years in Russell County. First of all, I would like to thank Senator Janis Lee for her attentiveness on this issue, and for the opportunity to express my concerns to this committee. This issue came to my attention last year when my father had a warranty claim on his new tractor. I'll try to be as brief as possible; please stop me if you need any specific details. Last September, one of our new tractors developed a problem with the steering. Being that the tractor was still under warranty, I was not overly concerned and called the dealership to explain the problem. The service manager explained to me that the first step would be to send a technician out to evaluate the problem and recalibrate the computer to see if this fixes the problem. A few days later the technician came to the farm and performed the required tests and calibration. This failed to fix the problem, and a second trip to the farm was required to replace the steering valve, which ultimately did fix the steering. A few weeks we started receiving bills amounting to about \$900. I called the dealership for an explanation and was told that although the tractor is under warranty, the warranty does not include service calls to the farm. Apparently, the manufacturer of the tractor will not reimburse the dealer for any costs associated with diagnostics, mileage, or in the event the machine becomes immobile, transportation of the machine back to the dealer's shop. Now, I am sure all of you are familiar with farm machinery and know two things for sure; it is both large and slow. Because of recent dealer closings, some farmers are required to drive many miles to get to their nearest dealer. In my case, the dealer is about 45 miles away, and it is impractical, in my

Senate Agriculture Committee
2-12-08
Attachment 3

opinion, to drive these large, slow machines in to have warrantable repairs performed, especially if a mechanic can perform the necessary repairs onsite with not too much difficulty. To illustrate how ludicrous this could get, I could literally buy a new \$300,000 combine and have the engine lock up while making my first pass through the field, and I would have to pay the dealer to come out with their semi-truck to haul the machine in to be fixed. Having said all of this, I would like to add that I am not unreasonable. If the dealer was a couple miles down the road, I would not have a problem bringing in the machine if it was safe to do so. I also do not expect on farm service to repair a faulty windshield wiper blade, something most farmers are capable of doing on their own. But I do believe it is the manufacturer's responsibility to compensate the dealers for charges they incur while performing necessary warranty repairs onsite where a qualified technician is required. I have visited with other people in the area about this and have found similar stories and frustrations. One of our local townships, for example, received a bill for fixing the air conditioner on their new road grader totaling about \$1600. The grader was under warranty, but the dealership was over 50 miles away and had to make several trips to correct the problem, which ended up being a faulty rotary switch that turns on the air conditioner. I want to thank you again for the opportunity to participate today and offer my cooperation in providing any supplemental information you request.



638 West 39th Street • P.O. Box 419264 • Kansas City, Missouri 64141-6264 • Phone: 816-561-5323 • Fax: 816-561-1249 • www.southwesternassn.com
Services and Solutions for Successful Equipment and Hardware Retailers.

February 12, 2008

Testimony before the Senate Agricultural Committee re: Senate Bill 502

Prepared by Jeffrey H. Flora, SouthWestern Association CEO

The SouthWestern Association is a retail trade association headquartered in Kansas City, MO. Our organization represents agricultural, industrial/construction and lawn and garden retailers in five Midwestern and Southwestern states - Kansas, Missouri, New Mexico, Oklahoma and Texas.

I have prepared written testimony regarding SB 502 and have asked our Kansas Legislative Director, Bud Burke to present this testimony to the Agriculture Committee.

The SouthWestern Association is taking a neutral position on this proposed legislation. The reasons for our position are:

- The manufacturers who supply our members with product for retail have stated that as a part of warranty reimbursement, transportation is not open for further discussion. If manufacturers were required to reimburse dealers for transportation on items still under warranty, the price of the equipment would increase to offset the unknown cost to the manufacturer for transportation. Thus, dealers and producers in Kansas would pay more for their equipment than would dealers and producers in other surrounding states (where transportation is not reimbursable) and producers would buy from dealers in Colorado, Nebraska, Oklahoma and Missouri and other states vs. Kansas;
- We have trouble determining how we could define the limits on what the manufacturer would pay re: transportation - how many miles away from the dealership, at what mileage rate, etc.?
- We traditionally communicate with the manufacturers on issues such as this and we have negotiated most all of the key points involved in warranty reimbursement. This issue has been discussed and negotiated numerous times - and the dealer association has agreed that this is not an issue open for further discussion at this time. If transportation becomes reimbursable, we believe dealers (and the consumer) would lose on some other issue involving warranty, pricing, etc.
- Finally, we believe that some specialty manufacturers might reduce their warranty periods to offset the cost of the transportation. This would be detrimental to producers and our members.

Thank you for the opportunity to present this testimony.

Sincerely,

A handwritten signature in black ink that reads 'JH Flora'.

Jeffrey H. Flora, CAE
Chief Executive Officer

Senate Agriculture Committee
2-12-08

Attachment 4



Farm Equipment Manufacturers Association

February 12, 2008

**Testimony before the Senate Agricultural Committee
Prepared by Farm Equipment Manufacturers Association
to be presented by John C. Bottenberg in opposition to SB 502**

Mr. Chairman and Members of the Senate Agriculture Committee,

I am John C. Bottenberg, representing the Farm Equipment Manufacturers Association (FEMA).

FEMA has over 675 members in North America, 335 of which are manufacturers. The remainder are companies that supply goods and services to America's agricultural equipment manufacturers.

Twenty-five of our manufacturer members are in the state of Kansas. They manufacture a wide variety of farm equipment, ranging from 45 foot wide tillage equipment to high tech GPS devices.

Our members provide good manufacturing jobs which support families and communities in places like Hiawatha, Sterling, Harper, Salina, Hutchinson, Marysville, Clay Center, Lenexa, Overland Park, Bushton, Haven, Ransom, McPherson, Moundridge, Kingman, Bonner Springs, Hugoton, Galena, Merriam, Dodge City and Levant. Some of our members also have additional manufacturing facilities in various other communities in the state. Many of the raw materials, components and services these manufacturers consume are purchased from additional local Kansas businesses.

The Farm Equipment Manufacturers Association opposes SB 502 because of the unfair burden it would impose on our manufacturing members. At our request, two of FEMA's longtime Kansas members are appearing before you to express their concerns with this bill.

Our members live and die competing for each and every dealer's business. The level and quality of warranty service our members provide their dealers, to a great extent, will determine their success in the marketplace. This competition serves the consumer well by providing a diverse group of products at price levels that allow the farmer to make the decision on what equipment and limited warranty best serves his/her needs and budget.

We are proud to endorse the testimony of Mr. Doug Hoopes, of the Krause Corp, Hutchinson, and Mr. Hank Brucker, of the Landoll Corporation, Marysville.

Thank you for this opportunity to appear before you.

*Senate Agriculture Committee
2-12-08
Attachment 5*



LANDOLL CORPORATION

1900 North St. • Marysville, Kansas 66508 • Phone (785) 562-5381

THE SENATE COMMITTEE ON AGRICULTURE OF THE KANSAS LEGISLATURE Senator Mark Taddiken, Chairman

February 12, 2008

Testimony of Hank Brucker, Landoll Corporation, Customer Service Manager, in opposition of SB 502.

Mr. Chairman and Members of the Senate Agriculture Committee

I am Hank Brucker, Customer Service Manager for Landoll Corporation. Thank you for the opportunity to present this testimony regarding Senate Bill 502.

Landoll Corporation is a Kansas family business founded by Don Landoll in 1963 in Marysville, Kansas, beginning as a small two person welding operation, and rapidly growing as a specialized manufacturer of a diversified group of products including Agricultural Tillage Equipment.

We currently ship products to customers nationwide and to seventeen countries world wide. We now employ 640 people at our Marysville location and another 40 at our two Beloit, Kansas facilities. Most of these employees are dependable hard working residents of Kansas. The ability to create that number of technical and managerial jobs in a relatively short period of time has been possible, in great measure, to the business climate available to businesses in the state of Kansas.

I come before you today speaking in opposition to the passage of SB 502 because of the problems I will briefly identify.

1. This legislation would place the manufacturer solely responsible for excessive warranty costs. The current warranty process encourages the farmer to buy from dealers closer to home. Additionally, the current process discourages the dealer from selling many miles from home where they can less effectively service the customer. If warranty mileage became the sole responsibility of the manufacturer, as this Bill requires, and the dealer would elect to sell to a larger multi-state market, the associated service costs would become unaffordable to the manufacturer.

2. Increased warranty costs would force the manufacturer to implement more restrictions and limitations to their warranty policies, ultimately negatively affecting the retail customer.

*Senate Agriculture Committee
2-12-08
Attachment 6*



Remember: Quality is always a bargain!



LANDOLL CORPORATION

1900 North St. • Marysville, Kansas 66508 • Phone (785) 562-5381

3. Length of warranty periods would be shortened to minimize exposure, which would be bad for the retail customer. Shorter warranty periods could impede product development, as warranty data is one way manufacturers formally track product reliability and performance.

4. Many specialty manufacturers in the state of Kansas, such as Landoll Corporation, use liberal warranty policies as a strategy to compete with major multi-national tractor companies. State regulation would reduce, if not eliminate, this competitive advantage, potentially costing the state of Kansas jobs.

5. The current system works. It is the dealer's responsibility to disclose to the customer the warranty terms and conditions at the time of sale. The customer knows the content of warranty at the time they purchase the product. A dealer will not continue to sell products from a manufacturer that has excessive warranty issues, or discovers that a manufacturer is not taking care of their needs. The current process thus guides itself by good economics and common sense.

In conclusion, I believe that state regulation is not needed. In fact, it has been the experience of Landoll Corporation that in states where such intervention is in place, the post sale warranty service we are able to provide those customers is negatively affected. When the situation requiring a warranty transaction occurs, the response time to the retail customer is often a serious matter. Our response time to our customers has been harmed by the regulatory requirements imposed by such states.

Please consider the broad and far reaching negative impact this legislation will have on the manufacturer, dealer and retail customer. I respectfully request that you consider halting further action on Senate Bill No. 502 for the benefit of all producers and customers, especially those you represent in our great state of Kansas.



Remember: Quality is always a bargain!

6-2



KRAUSE CORPORATION

P.O. BOX 2707
HUTCHINSON, KS 67504-2707
(620) 663-6161 FAX: (620) 662-5903
www.krauseco.com

**THE SENATE COMMITTEE ON AGRICULTURE
OF THE KANSAS LEGISLATURE
Senator Mark Taddiken, Chairman**

February 12, 2008

**Testimony of Douglas S. Hoopes
In opposition to SB502**

Mr. Chairman and the Members of the Senate Agriculture Committee,

I am Doug Hoopes, representing Krause Corporation of Hutchinson, Kansas.

Krause Corporation is a family-owned manufacturer of farm field tillage equipment and grain drills. Our company is over 90 years old, being headquartered in Hutchinson over the last 80 years. During that time, Krause has provided jobs for 200-300 employees and livelihood for their dependents.

During the 30 years of my employment with Krause, I have held positions in technical service, customer service, sales and marketing. In these roles, I have worked with both dealers and farmers on warranty matters. In addition, I own and operate a small family farm in Harper County. From these perspectives, I understand the needs of the several groups involved in warranty matters.

Krause Corporation has always been empathetic to the farmer's warranty needs with our products. We have a written, limited warranty on all the products we sell, which we believe is competitive and consistent with warranty provided by other farm equipment companies, both specialized and the large, full-line companies.

Krause Corporation administers warranty in what we feel is a fair and balanced manner. We contract with a number of dealers (over 20 in Kansas) to sell and service our equipment. Those dealers play a key role as our partners in providing the service we expect for our customers and which they deserve.

However, notice that I used the words "fair and balanced". Senate Bill SB502 attempts to legislate the way that warranty is administered. This bill does not take into account that the dealer may sell our machines 10 miles or 100 miles (or further) from his dealership. The proposed bill makes us, as the manufacturer, ultimately responsible for

*Senate Agriculture Committee
2-12-08
Attachment 7*

paying for the dealers reported travel time to the machine, or for hauling the machine to his dealership for repair.

We, as a small manufacturer, do not have a dealer service technician certification program. Often, the dealer employee sent to work on our machines does not have the background or knowledge to repair it on the first call. Accordingly, we have established flat-rate time guidelines for various machine repairs. In the interest of fairness, we do pay the dealer's requested labor rate for these standard repair times. We, as is common practice in our industry, do not pay travel nor transportation costs.

By legislating additional warranty costs to the manufacturer, the result will be higher prices for our machines, or reduced warranty for the customer. We strive to offer machines at competitive prices, and this legislation will only drive those prices up. The insidious part of this legislation is its application to all farm equipment, regardless of its value. We may not be able to continue to offer some of our lowered priced machinery in Kansas due to the high potential cost of warranty created by this legislation, or we will need to increase the price on all of our products.

This will be especially true on the farmstead-type equipment needed and used by Kansas farmers in their production of crops and animals. With potential warranty costs exceeding the profit potential, the costs of this type of equipment may rise dramatically, warranty may not be offered, or the product may not be offered for sale.

We ask that you allow us to continue to offer warranty guided by our dealer contracts and the free market. If our warrantee is not up to our customer's expectation, they will buy other brands. If our dealers are not satisfied with the way our warranty is administered, they will drop our line.

For the good of Kansas farmers, dealers and manufacturers, we respectfully request that you not support SB502.

Thank you for this opportunity to appear before you, and I will be happy to answer any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "Douglas S. Hoopes". The signature is written in dark ink and is positioned below the word "Sincerely,".

Douglas S. Hoopes
Senior Marketing Manager



KANSAS AGRIBUSINESS RETAILERS ASSOCIATION

SAFE AND ABUNDANT FOOD THROUGH SOUND SCIENCE

Statement in Opposition to Senate Bill 502

Senate Agriculture Committee

Senator Mark Taddiken, Chairman

February 12, 2008

Thank you Mr. Chairman and members of the committee, my name is Duane Simpson; I am the Chief Operating Officer and Vice President of the Kansas Agribusiness Retailers Association. KARA is a volunteer organization that represents over 700 agribusiness firms that are primarily retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. On behalf of these members I am testifying in opposition to Senate Bill 502.

While we certainly understand the frustration that led to this bill being introduced, we simply cannot support this type of government intervention in the free market. Nothing in the law prevents manufacturers from offering transportation costs as part of their warranties or even equipment dealers from offering it as a customer service. Nothing in the law prevents farmers from negotiating transportation costs into their warranty protection. However, the cost of transporting farm equipment or sending mechanics to the farm to work on the machinery is real. That cost is different depending on the type of machinery and the distance from the farm to the dealer. If the state of Kansas mandates dealers to cover that cost, they will be forced to increase the price of their equipment in order to pay for the new government mandate.

Manufacturers and dealers that are willing to cover these costs have a competitive advantage over manufacturers and dealers that do not. They can offer a higher level of customer service than their competitors. However, if a farmer decides they do not wish to pay for that higher level of customer service, then they have the option of buying their equipment from a dealer and manufacturer that do not offer this additional warranty coverage.

Our retail dealers try to do everything they can to provide top notch customer service. In some cases, economics simply does not allow them to provide every service their customers might want. The free market will decide if customers truly want these warranty protections and are willing to pay for them. Passage of SB 502 would limit farmers' choices by forcing them to accept and pay for additional warranty coverage they may not wish to have. On behalf of our equipment manufacturers, distributors, dealers and their customers, I urge this committee to resist the urge interfere in the free market and to reject SB 502.

*Senate Agriculture Committee
2-12-08
Attachment 8*