

Approved: \_\_\_\_\_  
Date

## MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairperson Eugene Shore at 9:00 a.m. on March 15, 1994 in Room 423-S of the Capitol.

All members were present except: Representative Lawrence - Excused  
Representative Rutledge - Excused

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

Conferees appearing before the committee: Samuel L. Graham, Animal Health Department  
Alan Alderson, Western Retail Implement and Hardware Association

Chairman Shore called the meeting to order. Committee minutes of March 9, 10 and 11, 1994 have been distributed and if no corrections are received by 5:00pm today, they will be considered approved.

The hearing opened on **HB 3072**: Kansas Animal Health Department, brand inspection, public livestock markets.

### PROPOSERS:

Samuel L. Graham, DVM, Acting Livestock Commissioner, Animal Health Department, attachment #1, explained that when brand inspection at livestock markets was privatized, the intent was for each participating market to sign an agreement with the Animal Health Department. A contract was developed, but not signed by all markets. This bill would direct the Animal Health Department and participating markets to enter into a contract and give the state the right of approval of brand inspectors.

Responding to questions, Dr. Graham said there are not currently problems in the market. The contract has been rejected or altered primarily because of disagreement on the specified per diem rate. Currently, six out of approximately 62 markets voluntarily offer brand inspections. Dr. Graham provided a copy of the contract for the committee record, attachment #2, and said he thought discussions with market operators and individualized contracts should help in getting them signed.

Right now, brand inspection is taking place locally, without state involvement, and Dr. Graham said he would probably approve of the current inspectors as they were state employees before privatization. But as those inspectors are replaced, there is a need to approve new inspectors and insure that they are trained, perform quality work and have the authority to sign official documents. Dr. Graham did not think local veterinarians would be qualified to inspect brands.

There were no opponents. Hearings closed on **HB 3072**.

The hearing opened on **Substitute for SB 305**: Leased equipment included in the definition of a crop production input for liens on personal property.

### PROPOSERS:

Alan F. Alderson, Legislative Counsel, Western Retail Implement and Hardware Association, attachment #3, said this bill was requested because dealers wanted to make leased equipment available to their customers, but there was no way to secure the lease payments. As originally drafted in 1993, implement dealers would have been able to file liens without notice to a lending institution. The Kansas Bankers Association (KBA) was

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE, Room 423-S Statehouse, at 9:00 a.m. on March 15, 1994.

strongly opposed to this, so compromise legislation was proposed to give implement dealers the same status as seed dealers have under the Agricultural Inputs Lien Law. Leased equipment would be defined as an agricultural input and a lien would be possible by filing a notice with any bank already having a lien on growing crops. The lender has five days to accept the lien, advance money or provide written refusal. Mr. Alderson said this is a valuable method to get a dialogue going between the farmer, lender and dealer. The KBA no longer has opposition to this bill.

Responding to questions, Mr. Alderson and Jack Selzer, Western Retail Implement and Hardware Association, (speaking from the audience), said this bill establishes a lien on the crop only, requires the permission of the farmer and lending institution, prioritizes liens as "first in time, first in right" and was designed specifically for lease arrangements, but may not preclude lease-purchase agreements.

Chairman Shore said his banker pointed out that lenders are already extending credit for such things as leased equipment when the operating loan is made. Mr. Alderson responded that is true, but filing notice of a lien will get discussions going between the lender and farmer. The lender can accept the lien, refuse the lien or extend additional credit.

There were no opponents. The hearing closed on Substitute for SB 305.

Chairman Shore announced that the sub-committee on SB 800 will be meeting today at 10:00am in the East Lounge. The meeting adjourned at 10:00am. The next meeting is scheduled for March 16, 1994.



## STATE OF KANSAS

### Animal Health Department

TO: House Appropriations Committee  
FROM: Samuel L Graham, DVM *SLG*  
Acting Livestock Commissioner  
RE: HB 3072  
DATE: March 15, 1994

When brand inspection at livestock markets was privatized, the intent was for each market participating in the program to sign an agreement with the Animal Health Department. This contract would state the responsibilities of all parties and give the state of Kansas the right of approval of Brand Inspectors. There was a contract developed but it was not signed or returned by four of the participating markets and altered and returned by two markets.

The result is that brand inspection, at livestock markets, is being conducted outside of the umbrella of state government and that state brand inspection certificates are being signed by inspectors who probably lack authority to do so. Passage of House Bill 3072 would direct the Animal Health Department and participating markets to enter into a contract which would insure that the intent of KSA 47-1011a is fulfilled. For this reason I support passage of HB 3072.

SLG:ta  
legis/HB 3072

*HOUSE AGRICULTURE*  
*3-15-94*  
*Attachment #1*

# STATE OF KANSAS

## Animal Health Department

### KANSAS ANIMAL HEALTH DEPARTMENT BRAND INSPECTION CONTRACT

THIS AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1993, by and between the KANSAS ANIMAL HEALTH DEPARTMENT (hereinafter referred to as the "Department") and \_\_\_\_\_ (Livestock Market) (hereinafter called the "Brand Inspection Contractor").

WHEREAS, the Brand Laws of the state of Kansas are administered by the Livestock Commissioner (hereinafter referred to as "the Commissioner") pursuant to K.S.A. 47-416; and

WHEREAS, the Commissioner may, pursuant to K.S.A. 47-437, when brand inspectors are available, provide brand inspection in areas that are not designated "Brand Inspection Areas", and

WHEREAS, several livestock markets within the state of Kansas have requested that brand inspection be provided for all cattle sold at their premises; and

WHEREAS, the Kansas Animal Health Department desires to authorize such livestock markets to provide brand inspection and collect fees from consignors of cattle for sale at such livestock markets to pay for such brand inspection.

NOW, THEREFORE, in consideration of the mutual covenants contained herein the parties agree as follows:

Section A. The Brand Inspection Contractor agrees to:

1) Employ a qualified brand inspector to perform brand inspections on all cattle sold at its livestock market facility.

2) Collect from each consignor of cattle fifty cents (\$0.50) per head brand inspection fee and remit one-fifth (1/5) of all brand inspection fees collected to the Kansas Animal Health Department on the first day of each month.

3) Supervise the brand inspector employed by the Brand Inspection Contractor to assure that all brand inspections are done pursuant to the brand inspection guidelines attached hereto and market Exhibit "A".

House AGRICULTURE  
3-15-94  
Attachment #2

Section B. The Kansas Animal Health Department agrees to:

1) Adopt such rules and regulations governing brand inspections as the Commissioner shall deem necessary for the proper enforcement of the Brand Laws of Kansas. The Commissioner, his employees or authorized agents and brand inspectors shall aid in investigation and prosecutions of violations of the Brand Laws of Kansas.

2) Train and certify all brand inspectors employed by the Brand Inspection Contractor.

3) Investigate all alleged violations of the Kansas Brand Laws reported by brand inspectors and take appropriate actions to enforce all provisions of the Kansas Brand Law.

Section C. It is mutually agreed:

1) That the Brand Inspection Contractor, in the performance of the terms of this Agreement, shall act in an independent capacity and not as an official or employee or agent of the state of Kansas.

2) That this Agreement will be in full force and effect until terminated by either party upon ninety (90) days written notice.

3) That the Brand Inspection Contractor may employ brand inspectors on any basis that is mutually acceptable to the Brand Inspection Contractor and the brand inspectors; provided however, the minimum payment by the Brand Inspection Contractor to a brand inspector shall be Eighty Dollars (\$80.00) per day.

4) That any Brand Inspection contractor whose operations do not generate sufficient funds, from four-fifths (4/5) of the brand inspection fees on an annual basis, to pay the salary and other expenses incurred in employing such brand inspectors may apply to the Commissioner for compensation in an amount equal to the difference between the amount paid for salaries and other expenses incurred in employing brand inspectors by the Brand Inspection Contractor and four-fifths (4/5) of the brand inspection fees collected by the Brand Inspection Contractor. The parties hereto further agree that this compensation to the Brand Inspection Contractor shall be paid out of that portion of the brand inspection fee that is received by the Commissioner (i.e., one fifth [1/5] of all brand inspection fees).

IN WITNESS WHEREOF, this Agreement has been executed by and on behalf of the parties hereto, on the day and year set forth herein.

KANSAS ANIMAL HEALTH DEPARTMENT

\_\_\_\_\_  
LIVESTOCK COMMISSIONER

By: \_\_\_\_\_

\_\_\_\_\_  
Title

BRAND INSPECTION CONTRACTOR

\_\_\_\_\_  
NAME OF COMPANY

By: \_\_\_\_\_

\_\_\_\_\_  
Title

Enclosure: Exhibit A: Brand Inspection Guidelines

DO:RDW:es  
walker\contract

ALDERSON, ALDERSON, MONTGOMERY & NEWBERY

ATTORNEYS AT LAW

2101 S.W. 21ST STREET

P.O. BOX 237

TOPEKA, KANSAS 66601-0237

W. ROBERT ALDERSON, JR.

ALAN F. ALDERSON

STEVEN C. MONTGOMERY

C. DAVID NEWBERY

JOSEPH M. WEILER

JOHN E. JANDERA

DARIN M. CONKLIN

DANIEL W. CROW

TELEPHONE:

(913) 232-0753

FAX

(913) 232-1866

OF COUNSEL

DANIEL B. BAILEY

MEMORANDUM

TO: Members of House Agriculture Committee

FROM: Alan F. Alderson, Legislative Counsel,  
Western Retail Implement and Hardware Association

RE: Substitute for Senate Bill No. 305

DATE: March 15, 1994

I am appearing today on behalf of the Western Retail Implement and Hardware Association, a six state association of farm equipment dealers and hardware stores. There are approximately 250 farm equipment dealer members located in the State of Kansas.

Substitute for Senate Bill No. 305 was requested for introduction in the Senate Agriculture Committee by Western Association, but has drastically changed in character since its original introduction in the 1993 session. The genesis of the legislation was a survey done by the Association in which it was indicated by a number of members that very little farm equipment leasing is taken place in the State of Kansas because dealers are concerned about not having any way to secure their payment on the leased equipment. Many dealers indicated that they would be willing to lease equipment if there was some mechanism which would permit having a degree of security.

As originally drafted, Senate Bill No. 305 would have amended existing statutes which now apply to custom cutters and would have allowed implement dealers to perfect harvesting and threshing liens on growing crops on which the leased equipment had been used. The Kansas Bankers Association presented strong testimony in opposition to the original proposal and Senator Corbin asked that, during their interim period, the Western Association work with the Kansas Bankers Association to see if a compromise could be reached. We did exactly that and, in addition, we surveyed several of the counties in which wheat production is the highest to determine the extent to which crop liens are now being filed. As a result of the work done over the interim, and at the suggestion of staff at the Kansas Bankers Association, we presented to the Senate

HOUSE AGRICULTURE  
3-15-94  
Attachment #3

Agriculture Committee a proposal under which the original bill was scrapped and, in lieu thereof, a new mechanism would be put in place under which implement dealers would be given the same status as seed and dealers have under the so-called Agricultural Inputs Lien Law.

The amendments to the Agricultural Inputs Lien Law would merely define leased equipment used for planting, cultivating, growing, producing, harvesting, drying and storing crops or crop products as being crop production inputs -- just like agricultural chemicals and seeds are defined at the present time. A lien is then made possible under the Agricultural Inputs Lien Law by the filing of a notice with any bank already having a lien on growing crops, notifying that lender of its intent to furnish agricultural production inputs and the crops which would be covered by the lien. A notice must be mailed by certified mail or other method evidencing date of receipt and must be clearly marked to draw itself to the bank's attention. Within five (5) business days of the receipt of the lien notification statement, the lender is required, by certified mail, to issue a letter of commitment to advance part or all of the costs of the equipment or a written refusal to furnish such letter.

I candidly admitted to the Senate Committee that the Agricultural Inputs Lien Law has not worked very well for the seed and fertilizer dealers. Our dealers believe that it has a better chance to work for them, however, because of the machinery input being in much closer proximity to the harvest than the for seed and fertilizer people. In other words, the bankers are more likely to know whether there will be enough money to be received on the crops to go around.

In any event, our dealers also believe that the primary benefit of the Agricultural Inputs Lien Law would be to start a dialogue between the banker, the farmer and the dealer. In a way, it would force a discussion between these people which would result in money being provided from one source or another. Our dealers believe this is a valuable change from present law, under which there is really no mechanism to either initiate action which will create a lien or cause the banks to figure out a way to extend credit under existing security agreements.

The Kansas Bankers Association have assured us, and have assured the Senate Agriculture Committee, that it has no opposition to Substitute for Senate Bill No. 305. Leasing of this expensive equipment is becoming more popular in southern states and, as the equipment becomes even more costly, may be the wave of the future in the Midwest. We want to be able to facilitate making this equipment available through leases by



providing our dealers with some mechanism to assure receipt of payment. We believe Substitute for Senate Bill No. 305 will be of great assistance in this process. The bill passed the Senate on a vote of 40 to nothing, and we are unaware of any opposition to it. Even if it proves unworkable, we see no harm that could come from it, and believe that it is a purely voluntary measure for both the dealer and the farmer.

I would be glad to ask to answer any questions you may have.