

**STATEMENT OF
KANSAS AGRICULTURAL AVIATION ASSOCIATION
TO THE
SENATE AGRICULTURE COMMITTEE
SENATOR STEVE MORRIS, CHAIR
REGARDING S.B. 281**

February 15, 1999

Chairman Morris and Members of the Committee, I am Chris Wilson, Executive Director of Kansas Agricultural Aviation Association (KAAA). KAAA is a statewide professional association of those involved in the aerial application of agricultural chemicals.

We appreciate the Committee's introduction of S.B. 281 and the opportunity for a hearing on the bill today. KAAA supports S.B. 281, which would establish an agricultural input lien law. The language of the bill is modeled after the Nebraska agricultural input lien laws. Oklahoma, South Dakota and Iowa also have a similar approach. Kansas passed an agricultural input lien law in 1984, which is a first priority lien, but requires lender approval for establishing the lien. That law is rarely used. Nebraska also has a law almost identical to the existing Kansas law, but then added the one which is embodied in S.B. 281 and before you for consideration today. This is not a first priority lien, but allows the input provider to file a lien in the county on the growing crops for the amount which he has contributed to the production of the crop. When properly filed, the lien is perfected and comes before subsequent - but not prior - lienholders.

We believe this bill would serve two purposes:

1. It gives the input supplier a workable option for securing the credit he has extended to producers.
2. It would assist producers by providing this added security, encouraging input providers to extend credit in the form of inputs for the production of crops.

KAAA has proposed this bill because our members and neighbors who work in Nebraska and Oklahoma have reported to us that this has been a successful law in their states. Those who

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Attachment 1*

**STATEMENT OF
KANSAS SEED INDUSTRY ASSOCIATION
TO THE
SENATE AGRICULTURE COMMITTEE
SENATOR STEVE MORRIS, CHAIR
REGARDING S.B. 281**

February 15, 1999

Mr. Chairman and Members of the Committee, I am Chris Wilson, Director of Member Services of Kansas Seed Industry Association (KSIA). KSIA is the professional trade association of those who develop, grow, and process Kansas seed for the agricultural and turf industries.

We support S.B. 281, which would establish an agricultural input lien. In some states, there is a seed lien which is a statutory, first priority lien. However, that is not what is contained in S.B. 281. It is simply a lien which allows the input provider to get in line as of the date the lien is filed and maintains the legal principle of first in time, first in right. We support this bill because we think it would provide a useful tool for input providers. And it may ensure that some producers receive the seed and other inputs they need to plant a crop. While most of our account receivable are current, there is a growing uneasiness about what may lie ahead this year. This is an easy, and we believe uncontroversial step, which may be taken to assist the current economic situation in a small way.

Thank you for your consideration of S.B. 281.

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LICENSED TO PRACTICE IN
KANSAS AND MISSOURI

MEMORANDUM

TO: Members of Senate Agriculture Committee

FROM: Alan F. Alderson, ^{ASA} Legislative Counsel, Western
Retail Implement and Hardware Association

RE: Senate Bill No. 281

DATE: February 15, 1999

Western Retail Implement and Hardware Association appreciates the opportunity to present its testimony in support of Senate Bill No. 281. Western Retail Implement and Hardware Association is 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.

Senate Bill No. 281 will address a problem that has been in existence for farm equipment dealers for a number of years. Those of you who have been on this committee for a few years may recall that Western Association requested a similar bill in 1993. There were aspects of the original 1993 legislation which were objectionable to the Kansas Bankers Association and Senator Corbin had asked our Association to work with the Kansas Bankers Association to see if a compromise could be reached. That was done, in fact, and, during the 1994 legislative session, a substitute bill was prepared and passed out of this committee. It passed on the floor of the senate by a 40 to 0 vote, but the Chairman of the House Agriculture Committee never brought the bill up for a vote and the legislation died as a result.

It is my understanding that Senate Bill No. 281 has been drafted with the blessing of the Secretary of Agriculture and at the request of a number of groups who would benefit thereby. Western Association was specifically given an opportunity to have input on the drafting and you will notice that Section 1, subsection (b)(1) and subsection (c) specifically authorize the filing of liens to persons who either furnish machinery and equipment for application of

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Attachment 2*

fertilizer, soil conditioner or agricultural chemicals or who furnish machinery and equipment for planting, cultivating, growing, producing, harvesting, drying and storing crops or crop products.

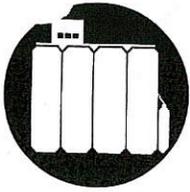
Western Association understands that these would not be priority liens, but we believe a major benefit of the liens will be the ability to start a dialogue between the equipment dealer and the banker. Right now, many dealers are quite reluctant to lease equipment to custom cutters and others because they have no way to insure payment. Legislation such as Senate Bill No. 281 will make it more feasible for farm equipment dealers to make the equipment available through leases by providing the dealer with a mechanism to assure receipt of payment.

Even if, however, the use of these liens proves to be unworkable, we see no harm that would come from it, and believe that it is a purely voluntary measure for both the dealer and the farmer. We also see no risk to bankers or other lending institutions who have already extended credit which is secured by growing crops. In short, we see no downside risk to the enactment of this legislation for the benefit of farm equipment dealers.

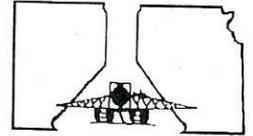
It might also be helpful for you to know that a survey of association members was done prior to the introduction of Senate Bill No. 305 in 1993 and, although we have not had a chance to update that survey, many dealers indicated to us they would be willing to lease equipment if there was some mechanism which would permit a degree of security. Therefore, we do think this legislation will be used and will be beneficial to the Kansas economy by making more farm equipment available, particularly at critical times.

If there is any additional information we can provide you, please don't hesitate to ask.

AFA:sdw\gaa



KANSAS GRAIN & FEED ASSOCIATION
KANSAS FERTILIZER & CHEMICAL ASSOCIATION



STATEMENT OF THE
KANSAS GRAIN & FEED ASSOCIATION
AND THE
KANSAS FERTILIZER & CHEMICAL
ASSOCIATION
BEFORE THE
SENATE AGRICULTURE COMMITTEE
SENATOR STEVE MORRIS, CHAIRMAN
REGARDING S.B. 281

FEBRUARY 15, 1999

KGFA & KFCA MEMBERS ADVOCATE PUBLIC POLICIES THAT ADVANCE A SOUND ECONOMIC CLIMATE FOR AGRIBUSINESS TO GROW AND PROSPER SO THEY MAY CONTINUE THEIR INTREGAL ROLE IN PROVIDING KANSANS AND THE WORLD THE SAFEST, MOST ABUNDANT FOOD SUPPLY.

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Attachment 3

Mr. Chairman and members of the committee, I am Tom Tunnell appearing today on behalf of both the Kansas Fertilizer and Chemical Association (KFCA) and the Kansas Grain and Feed Association (KGFA). KFCA's nearly 500 members are primarily plant nutrient and crop protection retail dealers with a proven record of supporting Kansas producers by providing the latest crop protection products and services available in today's rapidly changing agricultural industry. KGFA is comprised of 1150 member firms including country elevators -- both independent and cooperative -- terminal elevators, grain merchandisers and feed manufacturers all of which rely on the production of Kansas producers for the vital raw ingredients which make our grain and feed industry the envy of the world.

I appreciate the opportunity to appear today in support of S.B. 281 which will provide retail dealers that sell seed, fertilizers, chemicals, machinery and equipment with the ability to file a notice of lien within 120 days of products or services being provided. While we believe S.B. 281 is a step in the right direction, we do believe crop-input providers should be provided the ability to obtain a primary lien on crops produced directly from crop input products they provide such as seed, fertilizers and chemicals. S.B. 281 will not alter the fact that crop-input providers can only perfect a primary lien when a prior lienholder (such as a bank) agrees in writing to subordinate their position.

In the 1980's KFCA shepherded through the Kansas Legislature the Ag Input Lien Law which we felt would have gone a long way to ameliorate the relationship between the lender and farm producer, as well as between farm producer and ag input provider. Unfortunately, due to lender resistance the process outlined in the Ag Input Lien Law has gone virtually unused over the past several years.

Regardless, we do support this bill as it will at least afford agribusinesses the opportunity to obtain some standing. Thank you for the opportunity to appear in support of S.B. 281 and I would be happy to respond to any questions at this time.