

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION

Call to Order: By **CHAIRMAN KEITH BALES**, on January 22, 2003 at 3:15 P.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Keith Bales, Chairman (R)
Sen. Ken (Kim) Hansen (D)
Sen. Sam Kitzenberg (R)
Sen. Walter McNutt (R)
Sen. Linda Nelson (D)
Sen. Gerald Pease (D)
Sen. Corey Stapleton (R)
Sen. Mike Taylor (R)
Sen. Joseph (Joe) Tropila (D)

Members Excused: Sen. Dale Mahlum, Vice Chairman (R)

Members Absent: None.

Staff Present: Jennifer Stephens, Committee Secretary
Doug Sternberg, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 213, 1/14/2003
Executive Action: SJ 8

HEARING ON SB 213

Sponsor: SEN. LINDA NELSON, SD 49, MEDICINE LAKE

Proponents: Herb Karst, President, Montana Grain Growers
Barbara Broberg, Women Involved in Farm Economics
(WIFE)
Chris Christiaens, Montana Farmers Union
Ralph Peck, Director, MT Department of Agriculture
Nancy Schlepp, MT Farm Bureau
Darin Arginbright, grain grower

Opponents: None

Opening Statement by Sponsor:

SEN. LINDA NELSON, SD 49, MEDICINE LAKE, explained that SB 213 increases the wheat and barley check-off from a penny a bushel on wheat to up to \$.02 and from \$.015 per hundred weight on barley to up to \$.03. She also explained that this particular program for wheat has been in place 1967; barley was added in 1973. The program has changed over the years, but the goal of benefitting Montana wheat and barley producers remains the same, she said.

SEN. NELSON thinks the current funding variable has been ineffective for 16 years, mainly because responsibilities have increase greatly and simple inflation has eroded the effectiveness of each dollar. She also assures the committee that the whole allowable increase will not be levied. The check-offs are set high because she finds it pointless to pass a bill for a quarter of a cent and then come back to the committee in a couple of years and pass a new bill for a new allotted increase.

Proponents' Testimony:

Herb Karst, President, Montana Grain Growers, submitted written testimony, **EXHIBIT(ags13a01)**. He also offered to answer any questions.

Barbara Broberg, WIFE, stands in support of SB 213. She also explained she is in charge of a noodle program that gives school-aged children information about the Montana wheat and barley industry. She emphasized how important it is that fees are increased so money can still go to support such programs.

Chris Christiaens, Montana Farmers Union, stands in full support of SB 213. He also explained that the wheat and barley committee works with the producers to know when prices need to be increased.

Ralph Peck, Director, MT Department of Agriculture, submitted written testimony, **EXHIBIT (ags13a02)**.

Nancy Schlepp, MT Farm Bureau, stands in favor of SB 213.

Darin Arginbright, grain grower, urged the committee to support SB 213. He noted that he always felt the check-off funds were his best means of promoting his product. In addition, he feels the research has also been of great benefit to his own personal farm.

Informational Testimony:

Dan Kidd, Chairman, Montana Wheat and Barley Committee and **Jim Christiansen** rose to the podium to answer any questions.

Questions from Committee Members and Responses:

SEN. STAPLETON said that anytime a bill is proposed to double revenue, it catches his eye. He asked **Mr. Kidd** if the proposed increase would generate funds annually. **Mr. Kidd** explained that the committee has the authority to raise or lower the assessment they are given, according to need. Right now, he explained they were capped at \$.01 on wheat and \$.015 on barley. He also mentioned a time when the wheat and barley committee lowered an assessment when reserves were filled. The last few years, he has seen the revenue decline so much that an increase is necessary. He also said the fee needed to increase because research fees are also predicted to increase.

SEN. STAPLETON asked **Mr. Christiansen** to summarize the process the wheat and barley committee goes through to set the new assessment. **Mr. Christiansen** explained that the committee holds a public hearing before the assessment is changed. He also said that he and the rest of the board anticipates that they will probably go with 2.5 mils (\$.025) on wheat and 3.5 mils on barley. He said that it took them from 1985 to 1996 to get to the last maximum that was set, which was 10 mils and 15 mils.

SEN. STAPLETON asserted that just because it's a good program, we shouldn't automatically double the budget. He asked if the wheat and barley committee was working with the commerce department. **Mr. Christiansen** said there is coordination between the two groups to the extent that both groups know who is an expert on what.

SEN. TAYLOR asked to see a balance sheet from the grain and barley committee. **Mr. Christiansen** passed out a budget sheet, **EXHIBIT (ags13a03)**. **SEN. TAYLOR** asked **Mr. Christiansen** to

summarize the budget sheet. **Mr. Christensen** explained that the budget was \$600,000 below the 10 year average due to the drought. The big cuts were taken from Montana State University, giving them \$267,000 for the year. The highest allotment to the university was in 1996, with a total of \$795,000. The second biggest cut, he explained, was under market development, now \$246,000. In summary, he said it wasn't a typical budget, but it showed the different categorize the committee deals with.

SEN. TAYLOR asked how much more was 2.5 mils more on wheat. **Mr. Christiansen** answered approximately \$156,000 per mil on wheat, \$19,000 per mil on barley, with a total of \$450,000 roughly.

SEN. TAYLOR asked how many members make up the wheat and barley membership. **Mr. Kidd** said approximately 2000, of those 1500-1600 are active members. **SEN TAYLOR** further asked how many grain growers are in the state of Montana. **Mr. Kidd** recalls about 6,000 total grain growers, including anyone with 10 acres, 3,000-4,000 of those grain growers he would categorize as commercial grain growers.

SEN. TAYLOR asked if the assessments were raised, would more money go back to the university projects and state testing stations. **Mr. Kidd** said yes, more money could be filtered back to the university and testing stations.

SEN. TAYLOR asked if the check-off for the beef passed. **SEN. BALES** said that case was still in court. He also noted the judge in South Dakota ruled it unconstitutional; the judge in Montana ruled it constitutional so both are being repealed to appellate courts. It will probably make its way to the supreme court he added.

SEN. TROPILA asked if money would be filtered to the Montana grain laboratory from the wheat and barley committee. **Mr. Peck** answered that the wheat and barley committee has always been supportive of the state grain laboratory.

SEN. BALES asked how much has the drought reduced your revenue and when the state recovers from the drought, how will that effect the budget. **Mr. Christiansen** explained that the funding collected one year pays the budget for the following year, so the budget is technically always a year behind. That way the committee always knows the bank balance when the budget is written. **Mr. Christiansen** said the budget was \$1.8 million before the drought, now it is \$1.25 million. Even without the drought, inflation has taken away a lot of the buying power. He also asked that it be noted that check-off is being questioned all over The country. Also, most state's check-offs are non-

refundable. Montana's is refundable and is not federal, but state. In addition to this fact, he says the refund rates are the lowest in the nation, with a little over 2% asking for a refund. No state can come within half of that.

SEN. STAPLETON asked **SEN. NELSON** if she would be supportive of setting the check-off at 12 mils for wheat and 18.5 mils for barley. **SEN. NELSON** said she supports the wheat and barley committee in doubling the check-off because she doesn't think the committee has to come back to the legislature every two years to fluctuate their prices. She asserts that they are given "wiggle-room" to move their prices up and down according to need. **SEN. NELSON** also trusts them because they are representing her as a producer and will hear from her if she doesn't like what their doing. Also, if they abuse their privilege of setting the check-off limit, people will demand a refund.

SEN. STAPLETON agreed that there can be a high level of trust with this particular committee, but other agencies are just as trustworthy and we don't always allow for them to double their revenue. He used the transportation industry as an example.

SEN. TAYLOR asked **Mr. Christiansen** how many employees he had. He answered 4. **SEN. TAYLOR** also asked **Mr. Christiansen** how the money in centralized services was spent. **Mr. Christiansen** said the money goes to the general fund. **SEN. TAYLOR** also asked about the travel budget. **Mr. Christiansen** said that money was necessary to get employees to certain board meetings. **SEN. TAYLOR** said that the budget might need to go through finance and claims because there is so much money involved. **Mr. Christiansen** explained that unlike the gas tax, the check-off fee is refundable. Second, even if wheat prices haven't changed much the last 50 years, the state is now growing two and a half times more wheat than it did 50 years ago.

Closing by Sponsor:

SEN. NELSON strongly feels that the assessment increase would benefit the state. She asserted again that even though the bill allows an increase of up to \$.02 a bushel for wheat and \$.03 a bushel for barley, the wheat and barely committee has promised not to instate the entire fee all at one. She also wanted to stress that the fee is refundable and the farm organizations support the bill.

EXECUTIVE ACTION ON SJ 8

SEN. TAYLOR asserted that he was going to support SJ 8, but he had some concerns. He explained that in the near future, genetically modified wheat might help Montana, especially with drought being such a problem. He also asserted that money should be spent on research. He also mentioned the committee would be cancelling out its decisions if they funded research for genetic modification technology but refused to grow it.

SEN. NELSON added that she was very pleased that the farm organizations came forward and supported the bill because last time there was a very weak resolution that was not supported. She felt the lack of support sent the wrong message to Montana's pacific rim buyers. She feels that by adopting SJ 8, it will send the right message.

SEN. STAPLETON said his concern is the resolution does not go to the pacific rim at all. The resolution just stays in the state.

SEN. NELSON explained that when the department of agriculture visits these countries, the message goes with them.

SEN. BALES expressed that there is a lot of misconception concerning genetic engineering. As he explained, genetic engineering in agriculture has been taking place for many, many years. He gave the example of hybrid wheat and apples. He guessed that these products had just as hard of a time being accepted by the market when they first came out. He also expressed that it might be in the wheat and barley committee's best interest to dissipate the fear factor built around genetically modified grains. He ended by asserting that SJ 8 is the best plan for the Montana grain industry at this present time.

Motion/Vote: **SEN. BALES** moved that **SJ 8 DO PASS. Motion carried 9-1 with STAPLETON voting no.**

ADJOURNMENT

Adjournment: 4:10 P.M.

SEN. KEITH BALES, Chairman

JENNIFER STEPHENS, Secretary

KB/JS

EXHIBIT (ags13aad)