

## Testimony for Combined Coal Tax Shared Account Hearing

Jan. 6, 2005, 8 am - 12 noon  
Room 317-C of State Capitol

Good Morning. Mr. Chairman, members of the committee, for the record my name is Nancy K. Peterson, Director of the Montana Department of the Agriculture.

I'd like to begin by thanking this committee for the opportunity to present information on the Montana Department of Agriculture's – Growth Through Agriculture program and Agriculture Marketing & Business Development activities.

The Montana Growth Through Agriculture program and Montana Agriculture Development Council were created in 1987, under Title 90-9 of Montana Code Annotated and has been with the department since 1989.

The Montana Growth Through Agriculture program has been one of the recipient programs of the Combined Coal Tax account funds allocated to the programs and agencies before you today.

While many of you are familiar with the Growth Through Agriculture program and the Agriculture Development Council, I would like to quickly present some basic information about the program and its impacts. This information is also presented in greater detail in the packets we have provided you this morning.

The Montana Agriculture Development Council has oversight responsibility for the Growth Through Agriculture program, and is administratively attached to the department. The department provides for day-to-day operations management support for the program.

The council consists of 7 members, with the present council listed in Section 1 of your packets.

The council accepts applications for funding 4 times each fiscal year.

Eligible projects are those that propose to develop new or innovative agriculturally focused business enterprises, value-added agricultural marketing projects, or those that serve to enhance agricultural and rural economic growth through job creation and improvements to the State's agricultural industries.

Conventional/Production agriculture projects have not been the focus of the program.

Dependent upon a project's stage of development, the council may offer successful applicants with one of three types of awards:

- Investments without Repayment (Grants) – typically for those projects in their infancy or without a realistic ability to take on debt service.
- Investments with Repayment (Return on Investments (ROI)/Deferred Loans) – typically for those projects in early stages of commercialization, with a limited ability to take on debt service, or for working capital, supplies & materials, or minor equipment assistance needs
- Seed Capital Loans (Conventional Loans) – typically for those projects requiring assistance in obtaining capital assets.

Successful applicants may receive up to \$50,000 per award, and up to three awards from the council.

Funding requests must be matched at least 1 to 1 with cash or in-kind matching contributions.

Since 1989, the Growth Through Agriculture program has funded 273 agriculturally focused projects, for a total dollar amount equal to approximately \$8.84 million.

These projects and their outcomes are provided for your review in Section 3 of your packet.

Initial matching contributions towards these projects amounts to roughly \$43.7 million, and based on follow-up surveys with award recipients – the annual economic impact of these projects is estimated to be \$101.3 million – which is a ratio of roughly \$11.45 to \$1.00.

Also of note, award recipients reported that Growth through Agriculture funded projects have resulted in the creation or preservation of about 533 FTE's.

In Section 2 of your packets, we have provided information on the application approval/denial percentages. You may note that a bit more than half of the

applications for funding assistance have been approved over the last the last five years. *(These figures include funding awards for the entire program, not specifically the Combined Coal Tax account funds.)*

The Combined Coal Tax funds go towards the Personal Services expense of the Growth through Agriculture program manager, and a portion of the program's support staff, a minimal amount of funds for operations to cover the expenses of running the day-to-day operation of the program, and the majority of the program funds go towards Grants & Transfers, which includes funds for Montana's overseas trade offices in Japan and Taiwan.

The department has worked hard to make sure that the Growth through Agriculture program is not a "stand-alone" or "fire & forget" effort.

The department's marketing staff members work in support of the Growth through Agriculture program, as well as carrying out their assignments independent of the program.

We've included a summary of the Agriculture Marketing & Business Development activities and accomplishments for the present biennium in Section 4 of your packets.

To date, some of the most notable highlights of the biennium include:

- Continued efforts to expand malting industry infrastructure in the State – Fairfield, Richland County, and SW Montana.
- Pacific Rim trade activities – Trade mission to Japan & Taiwan, Japanese reverse media mission, food ingredients promotions – despite BSE related market closures - extremely favorable publicity on Montana's beef industry generated in Japanese publications as a result.
- Beef cattle genetics promotion & specialty crop evaluation in Argentina – sales made as a result of just that mission are estimated at \$121,000.
- Business & Marketing Assistance Outreach – organized business and marketing consultations or export workshops – nearly 160 individuals assisted. Records also indicate that the marketing staff has fielded around 840 requests for assistance to date this biennium.

- Food & value-added products marketing campaigns – Natural & Organic Buyers Connection & Restaurant Connection – estimated sales of roughly \$912,000 that came at a cost to the department of roughly \$15,700.

In Section 5 of your packets, you will find a selection of letters and articles that we've received as a result of these activities.

Thank you for allowing us this time with you.

Are there any questions we may try to answer?