

EXHIBIT 18
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HB 344



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Montana Grain Elevator Association – Testimony **Opposing HB 344** – February 12, 2013 Krista Lee Evans, Exec. Dir.

MGEA is a trade association with over 125 member locations in Montana. These locations include small family owned seed dealers, farmer owned cooperatives, small locally owned corporations, and larger corporations. HB 344 affects every commodity dealer in the state and the net that has been thrown is large. The grain handling industry in Montana is providing well-paying jobs in Montana. Not only through the everyday in shop operations but through construction projects across the entire northern tier of Montana. Why penalize an industry that is bringing economic development and much needed jobs to our state through unnecessary bills like HB 344?

The proponents of HB 344 have not identified a problem that they are trying to solve by increasing the bonding requirements as well as the costs for Montana's commodity dealers. MGEA would argue that the purpose of the commodity dealer bond has and should remain as a tool to ensure that entities acting as commodity dealers in Montana have a certain financial health. The intent is to keep riskier, less solvent companies from setting up shop in Montana and putting our industry at risk. At the existing rate this is the only reasonable explanation for the purpose of the bond. It is hard for me to believe that growers in Montana would feel that 5% coverage is providing a significant amount of protection in the event of a failure. If the growers need/want grower protection then let's talk about options and alternatives – such as an insurance pool similar to the hail insurance program or an indemnity fund. Failures that have been brought up either happened before the existing statutory structure or happened in other states. Why should Montana companies pay the price because a Montana grower chose to sell their crop in a different state that doesn't have the same statutory protections that exist in Montana.

It isn't just the increase in the cost of obtaining a higher bond – it is whether or not a company can even obtain a bond. The increase in the bond from 2% to 5% more than doubles the cost of bonding for dealers. For smaller companies this will likely be impossible to obtain. The other option is for dealers to secure a letter of credit which simply decreases the companies operating capital and therefore affects the number of bushels purchased, the amount of infrastructure improvements made, and the number of employees at each location. The increase in the cap will affect a few of my members but the 2% to 5% increase will have a widespread impact on all my membership – large and small.

The existing statutory structure is working. MGEA supported Sen Steinbeisser's SB 74 (2011) which required that commodity dealers meet more stringent financial reporting criteria. This increased scrutiny comes at a cost to commodity dealers but we were and are willing to come to the table to make sure that only financially stable companies do business in Montana.

Competition is good for business and good for growers. There is widespread concern in the grain handling industry that the requirements in HB 344 will force smaller companies out of business. It is unfortunate that the grain industry is heading the same direction as the beef packing industry where the only companies remaining in the industry are the large corporate players.

Why is it the commodity dealer's responsibility to provide notice on availability of insurance when the beneficiary of the delayed payment contract is clearly the grower. The primary purpose of delayed payment contracts is to assist growers in moving income into a different tax year. While there may be a small benefit to the company it makes no sense that we provide insurance information to the grower. That would be similar to a funeral home providing information on life insurance. If the risk is too high for a grower they have two options – (1) they can choose to not use delayed payment contracts or (2) they can research and purchase their own insurance to cover their own risk. This is an unreasonable request as there are many commodity dealers in Montana that don't even do delayed payment contracts.

HB 344 is simply bad for business and bad for jobs in Montana. HB 344 is a solution looking for a problem and we respectfully request that you table HB 344.