SENATE AGRICULTURE
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8

Good Afternoon Chairman Brown and members of the committee.

For the record I am Ron de Yong, Director of the Department of Agriculture.

I would like to introduce key staff that will be in front of your committee more frequently than I and are available as resources for the committee.

----- Joel Clairmont is Deputy Director and Administrator of our Agriculture Development Division. Joel has a scheduling conflict and is unable to be here today. He will be your resource on agriculture business and marketing issues.
-----Greg Ames is Administrator of our Agricultural Sciences Division and will be handling questions on regulatory and invasive species issues.
-----Cort Jensen is our department attorney. You may see Cort a little more than Joel and Greg this session.
----- Libbi Lovshin, our Central Services Administrator, is not here and generally attends only finance and appropriations hearings, but she is available as a resource on our department's finances.

I would like to start with a brief overview of agriculture in Montana. Agriculture is Montana's largest industry and provides an economic foundation for the state. Our two largest agricultural enterprises are beef and wheat and both have been earning record revenue of over a billion dollars each year the last few years. Our department has been encouraging greater diversification of enterprises for producers and consequently Montana has become the largest producer of peas and lentils in the nation the last two years. Montana producers accomplished this without reducing their income from wheat since much of the pea and lentil production is on land that previously would have been summer fallowed.

Producers also have the opportunity to earn significant income through the rapidly expanding local food movement. Montana consumers currently consume approximately three billion dollars' worth of food every year, but only 10% of it is produced and marketed in Montana. If we can increase that to 20%, which is what our two major universities have done; we would put an additional 300 million dollars in the producers' pocket. The foundation that the department has in place to bring this about has two components. We have four food and ag development centers that help farmers wishing to add value to their raw product with business plans, marketing plans, obtaining the necessary health and safety permits, and the opportunity to process a short run to get everything working correctly. The second component to producing and marketing 10% more of the food we consume is to provide seed money in "Growth Through Agriculture" grants or loans to those projects that are most worthy.

In the remainder of my talk I would like to speak about one MDA budget item, our one single legislative proposal, and then some other legislative items that may be brought forward from the agricultural community.

The Montana Department of Agriculture (MDA) is one of the smallest state agencies and has one of the smallest budgets even though we are responsible for Montana's largest industry. Governor Bullock's budget restores our baseline which is critical for us. We serve the agriculture industry which can be very volatile depending on weather and prices. Just because everything in a particular account was not spent this year does not mean it won't be needed next year.

Now I would like to move to our agency legislation and other possible agricultural legislation. Our agency has only one piece of legislation and it simply renames the Agriculture in Montana Schools fund so that it can be distinguished from the Agriculture in Montana Schools organization. When you pay your state income taxes you have the opportunity to donate money to a fund that we would now like to call Agriculture **Literacy** in Montana Schools fund to differentiate it from the Agriculture in Montana Schools organization. Representative Ed Lieser will be carrying HB 52.

The agriculture community is discussing possible legislation to increase bonding requirements for commodity dealers. Producers would receive greater protection if bonding requirements were increased from 2% to 5% of the estimated value of agriculture commodities purchased per year, with the maximum necessary coverage increased from $1 million to $3 million. There is some disparity amongst agriculture organizations as to whether these requirements should be by dealer or by location. Adding a deadman's clause that does not require a producer with contracted commodities to deliver to a dealer undergoing bankruptcy is another component of the discussion.

The Department of Revenue has a bill to transfer the collection of hail insurance premiums from their department to the Department of Agriculture. Currently MDA manages the Hail Program and uses DOR offices around the state to collect the premiums. DOR receives 2% of the premium for this service. We support this legislation and will collect premiums and write policies electronically starting in 2014 if the legislation passes. Those producers that will not be able to do it electronically will have access to a revenue office or perhaps an extension service office.

Since I brought up the hail board I should also mention the Montana Grain Growers Association (MGGA) passed a resolution to legislatively double coverage from the Montana Hail Board from $50 to $100 per acre dry land and from $76 to $152 per acre irrigated.

There is also possible legislation to have the Montana Wheat and Barley Committee elected rather than appointed by the governor. A concern with electing the board is that producer's requests for refunds of their check-off deductions are much higher in states where boards are elected than they are in Montana.

Discussion has occurred on reducing liability for producers conducting agro-tourism or farm and ranch educational tours by including those activities with recreational activities under gross negligence in Montana law.

SB 95 will change our apiary laws, which will impact bee keepers, landowners, and funding for the department's efforts to maintain healthy hives.

There are also discussions within the agricultural community on other issues that may make it to the legislature, but I have covered some of the major areas.

I want to end with two miscellaneous items. The State Grain Lab is doing well. We have made it through the transition from retiring experienced graders to a much younger crew that is still qualifying for additional licenses. Our new transition involves the dramatic increase in peas and lentils and the necessity of a satellite office in Plentywood for the increased workload.

A new effort by the department is having a dramatic impact on students across Montana. In 2009 the department hired a gifted instructor to write cutting edge agricultural curriculum for our Montana Agriculture in the Classroom activities. This curriculum can be used by teachers to meet math, science, and social science requirements. This instructor teaches approximately 500 teachers a year, distributes material to over 3000 teachers per year, which has an impact on thousands of new students each year. The program is running on donations at this time.

Thank you for your time. This was a quick summary, but I wanted to leave time for questions.