



Timeless Seeds, Inc
P.O. Box 881
Conrad, MT 59425
www.timelessfood.com

Tel 406 278-5722
FAX 406 278-5720

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To the members of the
Economic Affairs Interim Committee
of the Montana Legislature
re: Value Added Agriculture

Mr. Chairman and members of the committee:

The following is a supplement to remarks I made orally before the Committee in Great Falls, MT.

My name is David Oien. I am a third generation Montana farmer from Conrad. I am also a co-founder and the manager of Timeless Seeds, Inc. a 20 year old specialty grain business. We are known nationwide and even internationally for our unique and high quality lentils, peas, flax, and cereal grains. Timeless sells both domestically and overseas, we supply natural food distributors, food manufacturers, and repackagers. Additionally, our award-winning retail line is found on the shelves of over 100 natural food and conventional grocery stores in Montana, New England, the East & West Coasts and a variety of other locations across the country.

The following programs have been helpful, and in some cases, essential, for the growth of our business from a part-time on-farm operation to a full-time business employing individuals in 2 locations (Conrad and Ulm) as well as offering part-time employment to over a dozen developmentally disabled adults in operating our retail packaging line at Quality Life Concepts in Conrad.

1. **Growth Through Agriculture Program (MT Dept. of Ag)**—for providing financing when banks would not for the development of our branded value-added retail line, as well as for a feasibility study which led to a \$750,000 expansion project (financed by private equity and debt capital via Great Falls Development Authority). Over the years, this program has aided hundreds of small value-added businesses. Now, every Quarter GTA is receiving more worthy project

- proposals than it can fund. GTA is an innovative and important program for building a value-added agriculture that includes small to mid-size, Montana-based businesses. It would be foolish not to extend this program beyond its 2010 sunset, and increase this program. It is a program that works.
2. **Marketing and Business Development Bureau (MT Dept. of Ag).** The staff in the marketing office have provided us the opportunity to inexpensively participate in a number of industry trade shows, identify potential customers and markets nationwide.
 3. **Organic Certification Program (MT Dept. of Ag).** This program is very important to the development of the organic industry in Montana. The astounding growth of organic markets around the globe provide tremendous opportunity for agricultural producers and processors in Montana.
 4. **International Trade Office (MT Dept. of Commerce).** This office has offered invaluable technical assistance in enabling Timeless to enter and serve both Asian and European markets. For the past 10 years, overseas sales have accounted for 10 to 25% of our revenues.
 5. **Montana Trade Offices in Taiwan and Japan.** These offices have been absolutely critical for our ability to enter the Asian markets. Both Mei Mei Wang (Taiwan) and Mako Sagaguchi (Japan) are highly motivated and skilled promoters of Montana sales to Asia. Without these offices, a small company like Timeless simply would not be selling Montana-grown and processed products to Taiwan, China, Malaysia and other Asian destinations.
 6. **Montana Manufacturing Extension Center.** This is a phenomenally professional and effective organization offering invaluable service to the manufacturing (including food manufacturing) sector of Montana. I welcome their current effort to add focus to food and agri-products businesses. MMEC was critical in helping us evaluate our expansion project and in helping us on an ongoing basis to improve our efficiency. MMEC is a stellar example of public-private partnerships.
 7. **Mission Mountain Food Enterprise Center in Ronan.** Has been a regular source of advice and direction as we move our business increasingly in the direction of value-added products. One or two similar Centers in Eastern Montana could certainly foster new products, development of existing products, and new businesses in our part of the state.
 8. **Great Falls Development Authority and the Small Business Development Center.** GFDA and SBDC have been critical partners in facilitating and supporting our recent expansion.

All the above programs have been very important to Timeless over the years. But to really take advantage of the opportunities in the value-added food marketplace, this state needs to more completely build a more integrated technical-assistance and funding infrastructure. Implementing these programs into an integrated and viable infrastructure would take considerable vision, effort, and work to bring about and fund. But together with the above programs, they would launch Montana into the value-added arena. These larger programs would include:

1. **Food nutrition and processing curricula at our universities** that would provide both the technical expertise to Montana citizens and labor force training for industry that would support and encourage a bona fide food processing infrastructure.
2. **Montana Food Development Center**—starting with the models provided by the Mission Mountain Center provide, but going way beyond that to the focused, vertically integrated examples provided by the Nebraska Food Development Center in Lincoln, NE and the Alberta Food Processing Center in Leduc, Alberta. This Center would need to have a single, sufficiently funded and strategically located facility (on or near a University campus) that would have the staff and expertise take a food product from conception, through product development, manufacture and packaging, and ultimately to the marketplace. This Center could be “fed” the most promising products and businesses which had been mentored and brought along to the commercialization stage by regional Centers like Mission Mountain.
3. **Food scientist and food nutritionist positions at our universities and technical schools** who would work not only with the crop development specialists, but also with agricultural producers and processors in developing value-added food products.
4. **Food marketing expertise.** This is a huge need. I would recommend creating Montana Marketing Extension Center to provide the same professional technical expertise and results-oriented focus as the Montana Manufacturing Extension Center does in the arena of engineering, process flow, and costing for manufacturers. As a former member of MMEC’s board of advisors, I can tell you MMEC is an extraordinary organization, a true gem of public/private partnership. A similar endeavor focused on marketing would be of invaluable assistance in successfully launching hundreds of value-added food products for dozens of existing and new businesses.
5. **Integrated investment incentives for businesses of every scale.** While there are currently a myriad of financing programs at Department of Commerce, Department of Agriculture, and well as at federal agencies, these are often mutually exclusive or incompatible, and have intrinsic barriers for smaller and start up enterprises. A viable food processing infrastructure would include the entire spectrum of scale and size, from the multi-national corporation with ample resources of its own to a cottage industry wishing to take the next step. As often as not, the enterprise that really does not need assistance is offered millions of dollars of incentives, while the enterprise that only needs a little is offered nothing at all.
6. **Having venture capital at the table as stakeholders** in the development of a more viable value-added food industry. We have been exporting wealth out of this state for a century. Some of it is finally coming back in the form of wealthy individuals and socially-responsible venture capital. By its nature, the food industry tends to be much lower return on investment than high tech industry and pharmaceuticals, but I’m confident that with the right incentives venture capital could be encouraged to support what banks and public financing cannot or do not.

7. **Increasing the use of Montana-grown food in schools, state institutions, restaurants.** Increasing energy and transportation costs, as well as enhanced awareness of food safety and nutrition issues argue strongly for supporting efforts that develop not only local food production and processing, but also more localized consumption. While the Montana market is a tiny fraction of the global opportunity for the state's food industry, we are a nearby market of nearly 1 Million people that could, in fact, support literally dozens small and mid-scale Montana food manufacturers.

In summary, I can say there is both tremendous opportunity and substantial barriers for Montana to begin to turn around its rural, agriculture-dependent economy in the Golden Triangle and eastern Montana. If a small company like Timeless, in a small rural town in Montana can sell its products in the local grocery store, in the world's largest natural foods supermarkets in New York City and Los Angeles, and even in Asia and Europe, there's no reason a hundred others couldn't as well. But if it takes everybody 20 years to do it, it won't happen in time to save what's left of Conrad or Circle or Wolf Point. There are ways to shorten that timeline. But it will take vision, it will take cooperation, it will take work both in the private and public sector. For the sake of rural eastern Montana, what it can't take is another 50 years.

Please feel welcome to contact me at any time.

David N. Oien