



# **Economic Affairs Interim Committee Report**

Presented by:

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Montana Department of Agriculture

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## **Department Mission:**

**To protect producers and consumers and to enhance and develop agriculture and allied industries.**

## **DEPARTMENT OVERVIEW**

The Department of Agriculture, as directed by the 1889 and 1972 Montana Constitutions, was implemented under the authority of the Executive Reorganization Act of 1971.

The department has three divisions, each headed by an administrator. Those divisions include:

- *Agricultural Development Division*, responsible for administering programs directed at the promotion and enhancement of Montana agriculture;
- *Agricultural Sciences Division*, responsible for product registrations, training, and administration and enforcement of regulatory laws; and
- *Central Services Division*, responsible for the internal operations of the department.

The Montana Department of Agriculture operates 30 programs, many funded entirely through producer fees. These include regulatory programs that protect producers, consumers and the environment, as well as development and marketing programs to foster growth in Montana agriculture.

The department has twelve boards, councils and committees attached to it, six of those for administrative purposes only.

The director's office also serves as an advocate for Montana agriculture in national and international forums and works to make the department's programs accessible to the public.

Nationally, Montana ranks near the top in many areas of production including cattle, wheat, barley and sugar beets. Exceeding two billions dollars annually in cash receipts, agriculture remains the number one industry in Montana.



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## **I. ECONOMIC DEVELOPMENT**

### **A. Growth Through Agriculture Program**

The Growth Through Agriculture Program has invested more than \$9.4 million in Montana businesses, which have added 533 new fulltime-equivalent positions. The department provides assistance through matching funds and technical assistance to individuals and businesses pursuing value-added and niche market opportunities. The number of applications received in the last nine months has increased by 70 percent over the same period one year ago.

### **B. Energy**

In response to recent legislation, high energy prices and other factors, the agriculture industry is showing increased interest in energy development. The Growth Through Agriculture program is assisting groups interested in ethanol projects and has committed Growth Through Agriculture funds to projects evaluating the feasibility of wind and biodiesel operations. The department is coordinating a biofuels breakout session at the Montana's Energy Future Symposium to be held October 18-19, 2005 in Bozeman.

### **C. Made in Montana Show**

In support of SB 329, we, the Department of Agriculture and the Montana Department of Commerce, have committed to providing the City of Great Falls with assistance to manage the Made In Montana Show scheduled for March 9-11, 2006.

### **D. Commodity Specific Programs**

Using legislation passed in 1999, Montana Cherry growers recently successfully petitioned the department and voted to establish a Cherry Research and Market Development Program, which went into effect in early August of this year.

In late July, the department received a petition from the Montana pea and lentil growers requesting that the department create a pulse crop (peas, lentils, and chickpeas) research and market development program. Under the Montana Commodity Research and Market Development Act, producers may vote to establish check-off assessment programs to support marketing and research activities.



E. Rail

Director Peterson has been appointed to serve on the Rail Service Competition Council authorized by HB 769. The council is charged with developing a coordinated plan to increase rail service competition in Montana. New grain shipping rates announced by BNSF Railway widen the gap in costs between 110-car shuttle elevators and smaller elevators. The new rates charge 52-car elevators the equivalent of at least 14 cents per bushel more than shuttle elevators for grain hauled to West Coast ports. Smaller elevators in Montana are being forced out of the market for buying grain, under the rate differentials. This will likely lead to more line closures and economic problems for smaller towns as farmers are forced to haul grain to larger elevators.

## II. **LEGISLATION AND RELATED ISSUES**

A. Noxious Weed Trust Fund and Related Programs

HB 266 authorized the department to increase the Noxious Weed Trust Fund with reverted grant funds, and to protect it from being used for other purposes. In FY05, the program received applications requesting \$3.4 million for the available \$2.1 million in funding from all sources.

The department continues to work closely and in collaboration with other agencies to assist state and federal weed management efforts. Governor Schweitzer recently signed an executive order creating the Montana Noxious Weed Summit Advisory Council. The council will provide advice to the Governor on statewide weed management policies, promote weed management principles and practices consistent with current science, and promote integrated weed management practices to meet weed management objectives.

B. Feed Sampling

The Commercial Feed Program samples and analyzes feed manufactured in and brought into Montana. Increasing activity to protect the public and industry with regard to Bovine Spongiform Encephalopathy (BSE) has added greatly to this responsibility. This year the department received general funds to offset some of the increased costs. The department's Analytical Laboratory Bureau in Bozeman has completed preliminary work to purchase equipment and implement polymerase chain reaction (PCR) technology, which would allow testing to determine the species of animal tissues found in feed samples.



C. Anhydrous Ammonia

HB 440, which provided a one-time appropriation of \$80,000, directed the department to purchase, distribute and register locks for anhydrous ammonia dealers to secure tanks and prevent thefts of anhydrous ammonia for methamphetamine production. Approximately 58 anhydrous storage tanks and 800 nurse tanks are used in Montana. The department has had demonstrations from two interested manufacturers and is working on a request for proposals to purchase the locks.

D. Homeland Security/Emergency Response

The department is updating its emergency response procedures to reflect the changing mission of state and federal government after 9/11. Staff have spent increasing amounts of time working with local, state and federal agencies to comply with federal Homeland Security directives, and may need to request one FTE to coordinate these activities. The department's funding is largely derived from fees for services. Homeland Security is one of several public safety and consumer protection functions for which the department does not receive funding.

E. State Grain Laboratory

The Montana State Grain Laboratory, the only federally certified grain lab in the state, has been experiencing financial difficulty the past several years due to extended drought and competition from the private industry.

The department may request clarification of the intent of SB 213 from the 2003 Session, so that some of the increased revenue generated by SB 213 could be used to help fund the activities of the State Grain Laboratory. The department also may seek an amendment to 80-4-711, MCA, to clarify that sample analysis reported by the Montana State Grain Laboratory is "final and binding" with respect to barley as well as wheat.

F. E-Government

In accordance with state and department information technology plans, the 2005 Legislature provided the department \$25,000 per year in expenditure authority to move toward developing electronic government applications. The department has met with the Department of Administration, Information Technology Services



Division, and Montana Interactive to target system capabilities and to access methods available to our end users. We are proceeding through the planning processes and hope to implement the seed program by June 30, 2007.

G. Vehicle Lease vs. Purchase Study

The department entered into a vehicle lease agreement with the state Motor Pool program of the Department of Transportation for the current biennium. The department will receive fuel, maintenance, and liability insurance. We are preparing a cost comparison to reflect actual charges for both this lease and a vehicle purchased by the department in fiscal year 2006. Information obtained will be presented during the next legislative session.