

MINUTES OF THE MEETING  
AGRICULTURE, LIVESTOCK AND IRRIGATION  
MONTANA STATE SENATE

February 11, 1987

The Agriculture, Livestock and Irrigation Committee meeting was called to order on the above date, in Room 415 of the State Capitol, at 1:00 p.m. by Senator Lybeck as Chairman, Boylan was in Natural Resources Committee presenting a bill.

ROLL CALL: Senators Galt and Boylan excused, all other members present.

FURTHER CONSIDERATION OF SB 142: Senator Thayer announced he had amendments for SB 142 which would put back the national or state chartered savings and loans and state chartered credit unions. He said the bill would be unconstitutional the way it is presently written. He said Mr. Bennett could explain this more fully. Amendments, exhibit #1.

Senator Bengtson said we should wait for the sponsor to be present for the explanation as he was not aware of the amendments.

Senator Lybeck said the committee wouldn't be taking any action on this bill because committee members were absent and the sponsor of the bill was not present.

FURTHER CONSIDERATION OF SB 277: Senator Lybeck presented amendments and said Senator Hofman was in agreement with the amendments. Amendments, exhibit #2.

K. M. Kelly, MT Dairy Industry Processors, explained the amendments, at the request of Senator Lybeck, saying it removes the requirement that 75% of all producers and distributors have to vote in order to make it a valid referendum, and changes the language to say a majority of those voting must vote in favor in order for it to be valid. It also says that a majority voting for the order must produce a majority of the milk produced in Montana. This bill requires 26 1/2% would have to produce a majority of the milk assigned to the pool because all milk will not be pool milk.

COMMITTEE QUESTIONS: Senator Jergeson asked how this would work. Mr. Kelly said the intent is that whoever votes on the referendum can't railroad it on the rest of the producers without a majority of producers but must also have a majority of the milk produced. It is impossible if only 50% of the producers voted and 26% were in the majority. The referendum would fail. It would be marginal if 38% had 50% of the milk assigned to the pool. The Board can call a second referendum if necessary; 50% of the milk has to be represented in order

to validate the referendum.

Senator Lybeck said he didn't have any problem with the language of the amendments.

CONSIDERATION OF SB 278: Senator Weeding was chairing the Natural Resources Committee and could not be present to introduce SB 278. Senator Jergeson opened the bill for hearing, calling upon proponents.

PROPOSERS: Mike Gofena, Northern Plains Resource Council, in favor. Exhibit #3.

Senator Weeding, SD 14, coming in late, handed the committee a fiscal note, exhibit #4, saying this was not the final note. The bill is a grain marketing compact and a binding agreement between MT and other signatory states. Nebraska, Minnesota and Iowa have enacted the Grain Marketing Compact. Kansas has enacted it but it had expired because of a sunset provision in the bill and renewal legislation is being proposed. The following states have proposed legislation: SD, MT, OK, TX, WYO, CO, KA, MO, WI, ILL, IN, OH and possibly NMX. Article II defines the commodities covered. Any state raising any of these products is eligible. This is congressional enabling legislation. As soon as 5 states enact it, it becomes a functioning vehicle. It provides for a 4 member state commission; one member appointed by the governor, one senator, one representative and a representative of the attorney general's office. Originally it was thought the commission would do investigative work on the grain standards and would require subpoena power. This is not the case and the subpoena power will not be there. It does require a \$25,000 a year initial membership fee for the first two years. Once the compact commission is funded, it will be assessed on a production basis. It requires one meeting a year minimum. It requires that delegates submit annual reports to the governor and the legislature. States can withdraw by notification or failure to pay the dues, but are reliable for any debts. He said people are looking at the grain scandals and the grain standards are hard to get a handle on. Our wheat competitors have more stringent standards than the U.S. Embargoes have been disastrous to the grain market. He said it would be harder to ignore 15 states and thought the compact would re-establish our stature and importance to the national economy.

Terry Murphy, Pres., MT Farmer's Union, in support. Exhibit # 5.

Joseph Moore, Legislative Co ordinator, MT Peoples Action, in favor. Exhibit #6.

OPPOSERS: Randy Johnson, Exec. V. President, MT Grain Growers Assoc., said the MT Farm Bureau was in opposition. Exhibit #7.

K. M. Kelly, representing the MT Grain Elevator Assoc., in opposition. Exhibit #8.

COMMITTEE QUESTIONS: Senator Jergeson, in reference to Mr. Kelly's statement regarding states setting minimum prices for wheat, asked where the bill referenced that. Kelly replied he said it could lead to that. He said when you talk about economics you could be talking about prices.

Senator Jergeson thought he was speculating about what the bill could lead to. He did not think that could ever happen without approval of the state legislatures. Kelly said if you were trying to get more money it seemed possible. Jergeson replied that \$2 for wheat was detrimental to farmers.

Senator Kolstad asked if the money in the fiscal note was a general fund item. Senator Weeding said it would have to be an appropriation, the fiscal note is written on the assumption there would be 5 meetings with 4 members attending 3 days each. After talking with other states, it will probably be one organizational meeting the first year and an in-state meeting would take place before that, which would make 2 meetings the first year - one in state, one out of state - and probably 3 meetings the second year for a total of 2 out of state and one in state. It would be \$25,000 the first year. He said there was talk of it being pro-rated by volume and production according to states. Kansas would pay more than MT, WY or NMEX.

Senator Kolstad, referring to the top of page 3, showing the appointment of the people, said most of the legislative interim committees consist of bipartisan members. In what manner will one senator be appointed. Senator Weeding said a procedure would have to be developed and addressed as a committee bill.

Senator Bengtson asked Randy Johnson what the procedure the Japanese and Taiwanese use to negotiate the buying of MT wheat. Do they pit one state against another, and would the multi state approach serve the purpose better. Johnson answered that the Japanese don't actually come to MT to buy grain. They like to go to the various states and visit the farms and see how the wheat is grown, what the people are like who raise the grain, etc. Those are public relations trips. The Taiwanese do make one trip which is also a PR thing. Japan's basic procedure for buying wheat is that every Tuesday night Japan tenders to every grain seller in the world an offer to buy a specific kind of wheat that meets certain qualifications. That tender goes to everyone. They choose to buy the grain that meets the standards they require and the pricing requirements they are looking for.

Senator Beck was surprised that the major grain producing organizations in the state were against the bill. Senator Weeding thought it might be a turf battle. He said he was a charter member of the Grain Growers and they organized to

try to clean up the problems with grain contamination. He said now, the MT Grain Growers Assc. says there is nothing wrong when there is 5 times more contamination in MT grain than Canadian or Australian grain. He said the Japanese would like to buy MT or ND wheat but the grain trade is not willing to put those lots together. The MN delegation suggested that this compact could negotiate between the shipper and the elevator companies to develop quality grain lots for the oriental or any other market.

Senator Thayer asked how many organizations are actively trying to market U.S. products. Johnson replied that every crop grown, which is of major economic significance, has a commodity organization in the state and a related national organization.

Senator Thayer asked how much of the criticism from foreign buyers is just a way of keeping prices down and getting the U.S.A. to make more concessions, rather than basing it upon facts. Johnson said it is a buyer's market. There is a surplus of wheat. Mr. Johnson felt \$25,000 per state would do no more than open an office. He said we do not have \$2 wheat in MT, we have \$4.38 wheat. Looking at the quality of MT wheat, if they are not up against the payment limitation, producers are netting around \$5, and the same goes for barley.

Senator Jergeson asked Randy Johnson if he could see a copy of the study commissioned by the U.S. Wheat Assoc., which he had cited earlier. Johnson did not think the study was available, but he will check on it.

Senator Lybeck asked Terry Murphy how this compact would aid in farm prices. Murphy said it would help coordinate to the state's financial advantage but does not replace the promotional efforts of the U.S. Wheat Associates or anyone else. It gets the facts out on the grain business starting on the farm and ending up at the open buyer. It helps the governments of all the states involved to see that they get their equitable share of the profits.

Senator Weeding, in closing, said that the primary opposition in most of the states was minimum pricing. This has never been the intent of the compact group. Regarding minimum pricing, it was the MT grain growers and commodity groups that favored the administration proposal to lower the price of wheat to \$2 a bushel. It was \$4.50 two years ago. The MN delegation said the primary function of the compact is grain grading modification to allow and insure premium prices for premium quality commodities. A U. S. export marketing compact could enhance development and expansion of total export markets, regional development, and provide a sharing of ideas for solutions of common problems, regional agricultural product transportation planning development, and re-

gional pressure and ideas for responsible federal farm legislation. Multiplied activity of similar agricultural legislation by multiple states would be more effective than any state acting singly. Development of a regional or national clearing house source would be desirable for input cost saving and natural resource saving innovations, agricultural products and by-product development, processing, promotion and sales and innovation in agricultural resources such as soil and water stewardship. Alluding to Mr. Johnson's remarks about there being nothing wrong with the current marketing system, he questioned why so many were going broke. He said that 5 years ago we were selling 53% of the world export in grain and we are now down to 30%. He said Canadian wheat has .5% dockage allowance while we have 3 1/2%. He said Mr. Johnson said we should go to congress as individuals but yet, the big outfits have a better chance. He did not think the traditional farm organizations had been able to help and the multi-state compact may be a solution. He said our markets were the giveaways, we should be going for the orient and foreign markets. Senator Weeding told the committee he would have an amended fiscal note by tomorrow.

There being no further business, the meeting was adjourned.



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PAUL F. BOYLAN, Chairman

ROLL CALL

AGRICULTURE

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-11-87

NAME	PRESENT	ABSENT	EXCUSED
ABRAMS, Hubert J.	✓		
BENGTSON, Esther G.	✓		
BECK, Tom	✓		
JERGESON, Greg	✓		
KOLSTAD, ALLEN C.	✓		
LYBECK, Ray	✓		
STORY, Peter R.	✓		
THAYER, Gene	✓		
GALT, Jack VICE CHAIRMAN			✓
BOYLAN, Paul CHAIRMAN			✓

Each day attach to minutes.



AMENDMENTS TO SENATE BILL NO. 142

Grey Copy.

Amend on page 1, line 21, following the word "bank," add the following:

"NATIONAL OR STATE CHARTERED SAVINGS AND LOAN, NATIONAL OR STATE CHARTERED CREDIT UNIONS,"

Further amend page 1, line 24, following the word "entity" add the following language:

", OR ANY OTHER PERSON, FIRM, CORPORATION, PARTNERSHIP, ASSOCIATION OR ENTITY,"

SENATE AGRICULTURE

EXHIBIT NO. 1

DATE 2-11-87

BILL NO. SB142

PROPOSED AMENDMENT TO SENATE BILL 277

Amend Senate Bill 277 on page 7, lines 6 through 9, by striking everything after "distributors." on line 7 through "and the" on line 9, and inserting in lieu thereof "The"

Further amend on page 7, line 10, by striking "those" and inserting in lieu thereof "the producers, producer-distributors and distributors"

SENATE AGRICULTURE

EXHIBIT NO. 2

DATE 2-11-87

BILL NO. SB 277

Chairman, Members of the committee. For the record, I'm Mike Goffena, testifying on behalf of Northern Plains Resource Council in support of SB 278.

SB 278 would establish an Interstate Compact Commission authorized to conduct studies and investigate agricultural grain marketing practices. Once studies identify and verify problem areas, the Commission could make recommendations to correct these problems.

The Commission could, for instance, investigate and make recommendations regarding grain standards and pricing practices. We know problems exist, but there is not a good <sup>vehicle</sup> ~~mechanism~~ to address those problems.

NPRC believes this legislation is important because it would give grain producers a vehicle to address problems at the state rather than at the national level. Too often agricultural policies are developed in Washington, D.C. without meaningful input from the agricultural sector. As a result, those policies may not well serve the interests of farmers and ranchers. Because members of the Commission would be accessible and accountable to the agricultural interests they represent, NPRC believes the Commission could be a very powerful tool in developing agricultural policies.

Given budget constraints, we realize the committee may be concerned with the fiscal note necessary to fund the Commission. NPRC believes the (\$25,000) necessary to fund the commission to coordinate efforts with other states in developing solutions to this agricultural crisis is a small price to pay.

**SENATE AGRICULTURE**

EXHIBIT NO. 3

DATE 2-11-87

BILL NO. SB 278

# 3

In order to establish the Compact/Commission at least 5 grain producing states must pass identical legislation by July 1, 1988. Three states - MN, NE, IA <sup>Missouri Nebraska and Iowa</sup> have already enacted this legislation. 13 states are introducing compact legislation this session.

NPRC urges the committee to join other states in establishing a state controlled vehicle to develop agricultural policy by supporting SB 278.

Thank you.

SENATE AGRICULTURE

EXHIBIT NO. 3

DATE 2-11-87

BILL NO. SB 278

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB278, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act adopting the interstate compact on agricultural grain marketing; providing for an interstate commission to conduct studies and investigations of agricultural grain marketing practices, procedures, and controls; establishing funding for the operation of the commission during the initial biennium of the compact; and providing an effective date.

ASSUMPTIONS:

1. Assume four (4) Montana Commissioners.
2. Assume Interstate Marketing Commission office located out-of-state; Illinois used to estimate travel.
3. Assume four (4) commission members travel to five (5) commission meeting per year out-of-state (3 days, 2 nights) and two (2) trips out-of-country (8 days, 7 nights) to promote and develop market relations.
4. Assume major research/development activities contracted out.
5. Assume \$50 per day per diem paid to commission members.
6. Assume non-voting member attends commission meetings, but no foreign travel.
7. Assume general support.

1st year  
2 members  
1 out of state  
1 out of state  
2nd year  
3 members  
1 out of state  
2

FISCAL IMPACT:

	FY88		FY89	
	Current Law	Proposed Law	Current Law	Proposed Law
Expenditures:				
Personal				
Operating -				
Supplies	0	600	0	600
Communication	0	1,800	0	1,800
Travel	0	28,750	0	28,750
Dues	0	25,000	0	25,000
TOTAL	\$ 0	\$ 61,550	\$ 0	\$ 61,550

**NOT FOR DISTRIBUTION**

Funding:

General Fund

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

The bill does not attach the commission to any state department.

DATE 2-11-87

BILL NO. SB 278

David L. Hunter DATE 2/9/87  
CECIL WEEDING, PRIMARY SPONSOR DATE 2/10/87

Fiscal Note for SB278, as introduced.

#14

TESTIMONY OF TERRY MURPHY, PRESIDENT OF MONTANA FARMERS  
UNION IN SUPPORT OF SENATE BILL 278

Mr. Chairman & committee: My name is Terry Murphy. I'm here today representing Montana Farmers Union as a proponent of SB 278, by which Montana would join other grain producing states in ratifying the Interstate Grain Compact.

Senator Weeding has explained the basic structure, so I won't repeat his testimony. This IS important legislation, make no mistake about it. I'm sure you're going to be told that this is dangerous, expensive, and probably un-American.

Let me list some of the Interstate Compacts that Montana is already a member of: YELLOWSTONE RIVER COMPACT, COMPACT ON MENTAL HEALTH, DRIVER LICENSE COMPACT, INTERSTATE COMPACT ON JUVENILES, INTERSTATE COMPACT FOR THE SUPERVISION OF PAROLEES AND PROBATIONERS, INTERSTATE COMPACT ON PLACEMENT OF CHILDREN, INTERSTATE CORRECTIONS COMPACT, INTERSTATE LIBRARY COMPACT, INTERSTATE OIL & GAS COMPACT, MULTISTATE TAX COMPACT, VEHICLE EQUIPMENT SAFETY COMPACT, WESTERN CORRECTIONS COMPACT, WESTERN INTERSTATE ENERGY COMPACT, & WESTERN REGIONAL EDUCATION COMPACT.

This is not a complete list. The point is that there is nothing new or mysterious about our state ratifying a compact on a subject important to the Montana economy. The legal structure for an Interstate Grain Compact is just like all these others, no big or scary deal. But, grain marketing & pricing is more significant to Montana, financially, than all these other compact areas combined.

Conservatively speaking, over 100 million bushels of wheat leaves this state every year, and 40 to 50 million bushels of barley joins it.

Each time we increase the average return to the Montana producer by 1 cent per bushel we have increased disposable income in our state by 1½ million dollars. That is the kind of Economic Development Program

SENATE AGRICULTURE

EXHIBIT NO.

DATE

#5  
2-11-85

which can pay large and immediate dividends. Just think, if the grain producing states, through this compact, could get those prices up only 25 cents per bushel, Montana would have an extra \$37½ million per year in circulation. These crops are too vital to the entire economy of this state to leave the whole show in the hands of the National Government, the Grain Trade, and the buyers. As you know, the interior states are being bled dry financially at this time. We must take strong action as an agricultural state to protect and expand our own economy. Let's put the effort where it can get to work right away, by ratifying and taking an active role in the Interstate Grain Compact.

THANK YOU.

SENATE AGRICULTURE

EXHIBIT NO. #5

DATE 2-11-87

BILL NO. SB 278

# MONTANA PEOPLES ACTION

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208 E. Main  
Missoula, MT 59802  
(406) 728-5297

436 N. Jackson  
Helena, MT 59601  
(406) 449-6597  
February 11, 1987

To the members of the Senate Agriculture Committee:

Testimony in favor of Senate Bill 278

Montana Peoples Action strongly supports SB 278 which establishes an interstate grain compact, for all the reasons that Senator Weeding has pointed out to you.

We would also like to emphasize, what in our opinion, would be particularly beneficial about this bill.

1) This compact would provide a means whereby the grain producers in our state and region, by better communications with one another, could better solve problems that effect the industry and come up with reasonable solutions.

2) The compact would give our producers greater leverage in dealing with the railroads and the grain elevators.

3) Unity amongst the grain producing states could provide power at the national level.

4) The compact would give us the power to deal more effectively and on a timely basis with the problem of grain quality which is of particular importance when competing for foreign markets.

5) It is our opinion that foreign policy issues have dominated the national debate and that ill-conceived and wasteful decisions have been made at the national level that have diverted attention and money away from important domestic concerns. This has seriously effected our agricultural infrastructure at all levels.

SENATE AGRICULTURE #6  
EXHIBIT NO. \_\_\_\_\_  
DATE 2-11-87  
BILL NO. SB 278

The national political leaders have ignored the very real crisis that face our family farms and ranches here in Montana and our region. The compact would provide a vehicle to begin to turn this situation around by sending a message to Congress and the administration that we are united and mean business.

6) There is a serious lack of innovative, creative ideas and leadership to solve the problems facing agriculture in this region. We believe that this compact could be the beginning process in creating ideas as well as leadership.

7) Economic development is a crucial question for our farmers and ranchers and the communities that are so vitally effected by agriculture. We have been ignored by Congress and the administration in terms of economic development, in favor of <sup>u</sup>costal cities that receive fat and wasteful defense contracts. We need to turn this this around. The compact would enable us to take the first step in that direction.

8) Finally, we would urge this committee to look carefully at the Great Lakes Compact which is a living and breathing example of what can be accomplished. Buyers from France and Italy approached the Federal Department of Commerce to explore the possibility of buying a certain grade of coal from the Great Lakes Region, only to be told that the coal could not be shipped from the mines in that area at a cost they would find attractive. The buyers went home. The members of the Great Lakes Compact found out about this incident, recontacted the buyers from France and Italy, explained to them what the facts really were, and closed a deal for the sale of American coal to them.

SENATE AGRICULTURE

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So for all these reasons, Montana Peoples Action respectfully urges this committee to vote "do pass" on Senate Bill 278.

Thank you,

Joseph Moore

Staff Montana Peoples Action

SENATE AGRICULTURE  
EXHIBIT NO. 6  
DATE 2-11-87  
BILL NO. SB 278

(This sheet to be used by those testifying on a bill.)

NAME: Randy Johnson DATE: Feb 11

ADDRESS: 904 25th Ave SW Great Falls

PHONE: 761-4594

REPRESENTING WHOM? Montana Grain Growers Assoc

APPEARING ON WHICH PROPOSAL: SB 278

DO YOU: SUPPORT?  AMEND?  OPPOSE?

COMMENT: This commission is totally unnecessary and is an attempt to get certain unrepresentative states to organize and fund another commission to enter into the farm policy debate. This kind of legislation is an example of why Montana is faced with its current budget deficit.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE AGRICULTURE  
EXHIBIT NO. 7  
DATE 2-11-87  
BILL NO. SB 278  
#7

SB278

MONTANA GRAIN ELEVATOR ASSOCIATION

Mr. Chairman and Members of the Committee:

On behalf of the M.G.E.A. I would offer testimony opposing SB278.

This bill could possibly create a minimum price for agricultural products set at artificially high levels.

With enactment of this legislation the Montana farmer would be unable to compete and sell his commodity on the world market. At a time when the U.S. market share of world grain trade is slipping drastically, this bill takes a step in exactly the wrong direction to help recapture our loss.

If passed SB278 would place a tremendous financial burden on Montana farmers as they would find it impossible to sell any of their grain at the inflated prices required and our bins would be bursting with unsold products.

Current national legislation may not be the answer to our problems but SB278 dramatically aggravates a critical agricultural situation.

We respectfully urge a DO NOT PASS for SB278.

K. M. Kelly

Representing M.G.E.A.

SENATE AGRICULTURE

EXHIBIT NO. 8

DATE 2-11-87

BILL NO. SB # 278