

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

February 5, 1979

The eleventh meeting of the Agriculture, Livestock and Irrigation Committee was called to order on the above date in Room 415 of the State Capitol Building by Chairman Galt at 12:30 p.m.

ROLL CALL: All members were present with the exceptions of Senators Hager and Conover.

The witnesses that were present to testify are attached.

CONSIDERATION OF SENATE JOINT RESOLUTION 10: Senator Ed Smith, district 1 was the sponsor of the bill. This resolution would provide for a special exemption from emission requirements for light duty vehicles. He did not think that pickups that are used for agricultural purposes should require catalytic convertors because they are a fire hazard especially in a wheat field. He stated that at first the resolution was going to be just for agricultural uses but a lot of vehicles on Forest Service and BLM land should not have catalytic convertors either. The resolution requests Congress to exempt these types of vehicles. Senator Smith said that many of the state's farm organizations are in favor of the resolution. Bob Biggerstaff, Montana Assoc. of Conservation districts submitted testimony in support of this resolution. There were no other proponents and no opponents.

CONSIDERATION OF SENATE BILL 279: Senator Harold Dover, District 24 was the sponsor of this bill. This bill proposes to create a gasohol distillation plant and to do research in all phases of gasohol. There would be a 2¢ assessment per bushel of wheat and 2¢ per hundredweight on barley. This assessment would be refundable if the producer requested it within 90 days of the sale. Senator Dover's testimony is attached per exhibit #1.

Dr. Ed O'Hara, said there are many products that can be converted to fuel and there needs to be research done in these areas. Montana does have many products that can be converted. The price of the alcohol alone is more than gasoline and he felt it was important to find a market for the by-products. He stated there is a risk in this production, but that the risk is not in the conversion of grain to alcohol, but in what to do with the by-products. He felt this bill would delete some of the risks.

Mr. Don Buldford, Buldford Engineering, said this is the beginning of the way for agriculture to become fuel self-sufficient. The by-products from wheat are very valuable. The residues can be used for livestock feeding and human consumption. He said it appears very definitely that the fuel situation in

Montana is going to become serious. He stated in 1975 only 17% of the crude oil used in Montana was manufactured here.

Mr. George Bousliman, presented a proposed amendment to the bill, see attachment #2. Throughout the bill the word department is inserted for division. He said this is to stay in conformance with reorganization. Another amendment would strike all reference to committee and insert department, meaning the department of agriculture.

Mr. Neutgens, Wolf Point, arose in support of the bill. He said the ethanol project is very important to our state. This bill is the way we can give an incentive to get the program off the ground. He felt state support was essential.

Dennis Vingen, Montana Gasohol Council, stated that last year 12 gas stations near Wolf Point introduced gasohol to their customers. They sold 40,000 gallons of gasohol to their customers. The response from the customers were that their engineers performed much better, produced fewer emissions, fewer carbon monoxide emission, better gas mileage by about 3 miles per gallon.

Mr. Jack Gunderson, Department of Agriculture, said the department was in support of the proposed amendments and felt they made the bill better. He felt it was important to the state. He felt if the research emphasis was placed on the food aspect it would be good. At the present he didn't feel it was economical feasible unless the by-products could be marketed.

LeRoy Musick from Hilger said the State Gasohol Council supports the bill as is. If a plant could be built it would be good for the economy in the state and the nation.

This concluded the proponents.

Next the opponents were heard from.

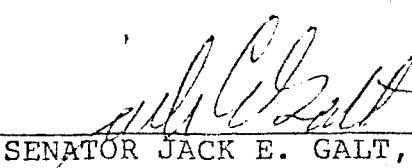
Terry Murphy, representing the NFO, Farmers Union and Farm Bureau said they were opposed to Section 12 of the bill. They were against the 2¢ assessment. He asked the committee to look into the funding aspect of the bill. The 2¢ would be 8 times the amount taken off for the Wheat Commission. He stated if this was a resolution calling for research they could support it. He felt if the bill was passed many farmers would be requesting a refund within the 90 day period.

Stephen Gunderson speaking for himself a farmer, felt the 2¢ was too much, and he did not think it was economical feasible at this time. He felt the research should be directed toward the by-products and not toward ethanol.

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Senator Dover in closing said that when the bill was first drafted this was the only way to finance the research. Now he has introduced another bill for the financing to come from the coal tax fund and the Governor in his budget has allowed for some money for gasohol. He asked the committee to consider this bill in connection with the other bills. He stated that this program would only be for 7 years. During the 7 years it would generate 25 to 30 million dollars from the 2¢ per bushel. One plant could produce enough gasohol to meet the needs of about 1/3 of Montana. There is a strong demand for gluten, one of the by-products. Presently, gluten is selling from 35 to 60 cents per pound. Six to seven pounds of gluten is generated from one bushel of wheat, 12 pounds of wheat germ and 2.5 gallons of alcohol. In the eastern part of the U.S. anhydrous alcohol is selling for \$1.23 per gallon, and that is why a market has to be found for the by-products.

DISPOSITION OF SJR 10: Senator Aklestad moved that the resolution DO PASS. Motion carried. Senators Conover and Hager absent.


SENATOR JACK E. GALT, Chairman

Date 2-5-79

ROLL CALL

AGRICULTURE COMMITTEE

46th LEGISLATIVE SESSION - 1979

Each Day Attach to Minutes.

BILL SB 279

VISITORS' REGISTER

DATE 2-5

SJR 10

NAME	REPRESENTING	BILL #	(check one) SUPPORT	OPPOSE
Ronnie Virgin	Mt. Log Logging Council	279		
Bob Dufour	Paul (Bob) Dufour	279		
John L. Murphy	John L. Murphy			
GT Neils	Mc. Hassel Council			
Stephen O Gunderson	MT. Logging Assn			
Stephen O Gunderson	Myself	279		
Stephen O Gunderson	Dept of Agriculture	279		
J. W. T. Lutgens	Self Point	279		
Bob Bennett	MACD	SB 10	X	
Carl Doushman	OBPP	SB 279		
Sharon Peterson	26 OFF	S-279	X	
Tom Murphy	N.F.B. Farm Bureau & Farmers Union	SB 279		X
Maria L. Lutgens	Debra Hall, Nickel Plate	279		
Jeff Stever	Self Emp. Ag.			
Alex McAdoo	" " "			
Ed Vandusen	" " "			
Paty Shaw	Lewisburg Chamber of Commerce	279	X	
John E. Lutgens	Lewisburg Chamber of Commerce	279	X	
John E. Lutgens	Lewisburg Rancher	279	X	
John W. Lutgens	John W. Lutgens	279	X	
John W. Lutgens	Shelly Ranch. Farmer	279	X	
John W. Lutgens	Kevin, Mont (Mayor)	279	X	

NAME Bob Bigness BILL NO. 7810ADDRESS 7 E. Grand DATE 4/1/79

WHOM DO YOU REPRESENT _____

SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The Minnesota Association of Conservation Districts passed a resolution at their annual convention asking the Board to take action that would be in line with not requiring oilfield operators on platforms. I would like to go on record as supporting this measure.

SENATE BILL 279

Mr. Chairman, members of the committee. It is being recognized today that agriculture is not merely a food production system but is a domestic renewable energy production system. One form of energy is food which has often times been produced in excess. It has been our practice to pay farmers to shut down part of this massive energy production system because of its over-production of food. However, when agriculture is considered as a total energy production system it offers a great contribution to our energy problems today. Ethanol made from the starches can be mixed with gasoline and give better octane ratings, cleaner burning fuel and better mileage. All of these factors are very important today with our concern of pollution and scarcity of fossil fuel. Up to 30% ethanol can be mixed with gasoline with little or no alterations of the fuel system. However, gasohol has been trade marked which is 10% anhydrous alcohol and 90% unleaded gasoline. Gasohol is being marketed competitively in several states in the central U.S., along the east cost and Alaska. The demand for gasohol is greater than the production today.

Two years ago we were told gasohol was not energy efficient. Little had been done to produce ethanol as a fuel. It was produced for human consumption. In Chicago, at our last National Gasohol meeting engineers and builder of distilleries told us of methods they now have for producing ethanol for fuel that definitely make it energy efficient as well as competitive with our gasoline today. Some of the big pluses for ethanol is its ability to increase octane and to reduce exhaust gas emissions. Cars become gasoholics with

this mixture. The cars give a much better performance because of better ignition and a better burning fuel. EPA has recognized this and approved it as an additive to gasoline and encouraged further study for larger percentages of ethanol to gasoline. The department has also said that if a service station has only 3 pumps (1 regular, 1 premium and 1 for unleaded gasoline) gasohol may replace the unleaded gasoline pump. Also 4¢ of federal gasoline tax is taken off the gasohol.

One other advantage of ethanol is the main food is still not used. There is a lot of potential for better utilization of ethanol in our gasoline and use of the by-products. For example, if wheat is used to obtain ethanol, the by-products are gluten and high protein. Presently most our gluten is imported from Australia. It is used for making bread. Most of our protein for feed is imported into Montana. We have it all in Montana and could develop products and a market that would provide the needs of Montana, employment for our people, better utilization of our farm production. Many in the world are hungry today, but they don't need starchy food. They need protein and that is the by-product when ethanol is taken out. More work needs to be done to determine food products that the public will accept and can be marketed. One of the biggest problems with the production of ethanol is what can be done with the by-products. Another area that needs research is what is the best agricultural product to raise for making ethanol. These are three areas of research that need to be worked on now (1) best usage of ethanol with crude oil, (2) research into various foods from by-products and developing a market (3) best agricultural product to produce ethanol. To do this it is necessary to have some

ethanol in production and have the necessary research.

Senate Bill 279 is a means of providing the financial resources from agricultural by means of a check off of 2¢ a bushel of wheat -- 2¢ per hundred pounds of barley. The Department of Agriculture would be head of the program. The 2¢ would be taken off the first sale, lien or mortgage of the grain only. The producer can request a refund of his money within 90 days if he does not want to take part in the program. The funds would be used for determining new uses of wheat and barley in relation to gasohol and food production, developing improved gasohol distillation technology, marketing knowledge and markets. It would provide grant money to public or private organizations for projects demonstrating the feasibility of gasohol production and includes the construction and operation of distillation plants.

Any grant proposal over \$500,000 must have legislative approval.

This bill would provide funds to enhance our farm program and help our farmers, help our energy problems and provide more business and jobs in Montana.

I urge your support of Senate Bill 279.

PROPOSED AMENDMENTS TO SENATE BILL 279

1. Title, line 4.

Following: "CREATE A"
Strike: "DIVISION OF"

2. Title, line 5.

Following: "DISTILLATION"

Insert: "PROGRAM TO AUTHORIZE THE DEPARTMENT OF AGRICULTURE"

3. Page 2, line 2 through page 4, line 11.

Strike: Page 2, line 2 through page 4, line 11

Renumber: subsequent sections accordingly

4. Page 4, lines 20, 21 and 22.

Strike: lines 20, 21 and 22 in their entirety

Insert: "(2) 'Department' means the department of agriculture"

5. Page 5, line 15.

Following: "of the"

Strike: "committee"

Insert: "department"

Following: "The"

Strike: "committee"

Insert: "department"

6. Page 5, line 17 and 18.

Strike: lines 17 and 18 in their entirety

Renumber: subsequent subsections accordingly

7. Page 5, line 23.

Strike: "for the division"

8. Page 6, line 3.

Following: "of the"

Strike: "committee"

Insert: "department"

Following: "The"

Strike: "committee"

Insert: "department"

9. Page 6, lines 6 and 7.

Strike: lines 6 and 7 in their entirety

Renumber: subsequent subsections accordingly

10. Page 6, line 23.

Following: "The"

Strike: "division"

Insert: "department"

11. Page 7, line 3.

Following: "The"

Strike: "division"

Insert: "department"

12. Page 7, line 7.

Following: "the"

Strike: "division"

Insert: "department"

13. Page 7, line 8 through page 8, line 8.

Strike: Page 7, line 8 through page 8, line 8 in their entirety

Renumber: subsequent sections accordingly

14. Page 8, line 12 through line 18.

Strike: lines 12 through 18 in their entirety

Renumber: subsequent sections accordingly

15. Page 10, line 6.

Following: "the"

Strike: "committee"

Insert: "department"

16. Page 11, line 18.

Following: "The"

Strike: "administrator of the division"

Insert: "department"

17. Page 11, line 20,

Following: "the"

Strike: "gasohol distillation division"

Insert: "program"

18. Page 11, line 23.

Following: "the"

Strike: "division"

Insert: "department"

19. Page 12, line 6.

Following: "The"

Strike: "gasohol distillation division"

Insert: "department"

20. Page 12, line 13.

Following: "employees."

Strike: "The"

21. Page 12, line 14.

Strike: line 14

22. Page 12, line 15.

Strike: "deputy or assistant"

Insert: "Each employee"

23. Page 12, line 16.

Following: "receipts"

Strike: "for the division"

Insert: "under this act"

Proposed amendments to SB 279 - Dover
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24. Page 12, line 17.
Strike: "each"

25. Page 13, line 3.
Following: line 4
Strike: "division"
Insert: "program"

26. Page 13, line 5.
Following: line 4
Strike: "gasohol distillation division"
Insert: "program"

STANDING COMMITTEE REPORT

.....February 5 1970.....

MR. President.....

We, your committee on..... Agriculture, Livestock & Irrigation.....

having had under consideration Senate Joint Resolution..... Bill No. 10.....

Respectfully report as follows: That..... Senate Joint Resolution..... Bill No. 10.....

DO PASS