

HOUSE BUSINESS & INDUSTRY COMMITTEE

Chairman, Rep. Jerry Metcalf, called the Business & Industry Committee to order on January 12, 1983, at 9:00 a.m. in Room 420 of the Capitol Building, Helena, Montana. All members were present except Bob Ellerd, Harrison Fagg and Hal Harper who were excused.

HOUSE BILL 82

REP. REX MANUEL, District 11, sponsor, introduced SENATOR HIMSL, District 9, Chairman of the Audit Committee doing the Sunset Audit Review. Sen. Himsl said their main concern was complaints that milk prices are too high, and that de-regulation was the answer but when they went through the findings they came up with a different conclusion which resulted in their endorsement of House Bill 82. (Exhibit #1) He said the benefits for abolition of control do not appear compelling enough to out weigh the dangers the disruption of the system might have, hence the committee recommendation for re-establishment of the Board of Milk Control.

Rep. Manuel then explained the "housekeeping" changes in the bill. Page 7, Sec. 4-5 repeals the several marketing areas and creates one state-wide marketing area. Page 16, New Section, repeals bonding which he said is costly to the producer and is passed on to consumers and is ineffective anyway.

K. M. KELLY, Montana Dairy Industry, retired, said his main support statement would be in regard to deleting the bonding requirement. He could remember only three occasions when bonding money was sought and all three ended up in the Supreme Court and costing more in legal fees than the original cost of the bond. He said he was sure if this law was allowed to self-destruct on July 1, 1983, we would see many independent dairymen go out of business. He said our prices are comparable with prices around the country.

GEORGE SCHULTZE, Chairman of the Montana Dairymen's Association, said our fathers saw a need in the dairy business for controls which gave us improved quality in our milk products. He said we have the highest quality milk in the nation and that the Montana Dairymen's Association totally support HB 82.

JO LOHTI, citizen, said that samples taken before and after the creation of the Milk Control Board showed the Board to be of great value in protecting the quality of the product. She wasn't sure they should do away with the bonding section.

A show of hands in the Committee room indicated the majority of those present were in favor of House Bill 82.

JO BRUNNER, Women Involved in Farm Economics, said that they believe the Board is a necessary and beneficial instrument in the pricing and the distribution of milk in the state and is a

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Business & Industry Committee

needed protection for our milk producers and for the consumer.
(Exhibit #2)

ESTHER RUUD, Montana Cattlemen's Association, said this bill would insure Montana consumers good quality milk and will help keep Montana dairymen in business.

CHRIS JOHANSEN, Montana Farmer's Union, said his organization endorses HB 82.

JEANNE RANKIN, Montana Farm Bureau, said her members believe in the continuation of the Milk Control Board and its pricing of milk. It helps to provide producers with a stable market, she said.

REP. TED NEUMAN, District 33, said the standing rule around the Legislature is "if it's not broke - don't fix it" and he said this system is working well and should be supported.

OPPONENTS: none

QUESTIONS:

REP. FABREGA: What was the reason for doing away with bonding?
Sen. Himsel: It was very ineffective. Rep. Fabrega: Mr. Kelly, does the Board have a sinking fund to accommodate those who you may have to deal with instead of going to court? Mr. Kelly: No, we don't have such a fund. In order to establish a claim against the Bonding Co., we have to prove that someone defaulted. The costs just exceed the cost of the bond, so it's useless. We can increase the cost of the bonding but by the time it was necessary to increase a bond, the person couldn't get bonding. He goes broke and we never get our money. There is usually no problem with getting our money. Rep. Manuel: We are finding out that bonding is not effective in protecting the producers. It's costly at around 6 per cent of the amount of the bond.

REP. HANSEN: You're trying to protect the few independent dairies we have left. Haven't we lost many dairies under this system also?
Mr. Kelly: In 1958 we had 65 processing plants. Even though they sold out as processors, most of them are still in business but in a different part of the business - they produce. If they couldn't operate by the prices set by the Board, they went by the wayside.

Rep. Hansen: There is no surplus market of milk in Montana?
Mr. Schultze. I am not aware of any surplus in Montana.

Rep. Fabrega: Is there any bar from entering the dairy business today? Mr. Kelly: As long as he can qualify and pass inspection and find a market. RALPH PARKER, Fort Shaw, said we have discouraged production in Montana by having a Class 2 price of \$10.82.

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Business & Industry Committee

We are now receiving almost \$2 less than the Federal Support price for that product that would be going to the C.C.C. plus we have no place to process surplus milk in Montana. My distributor hauls clear to North Dakota and makes no profit on it. We have a very delicate balance on supply and demand in Montana.

REP. PAVLOVICH: If there were no controls, how many producers would be put out of business? Mr. Kelly: Speculating, I'd say 20 in Kalispell, 15-30 in Havre and 8 or 10 in eastern Montana because of where they're located. They're too far away for some other plant to pick them up.

REP. HANSEN: Would the price rise if it was decontrolled? Mr. Kelly: For a while the price would drop, like it did in Georgia and Louisiana when they decontrolled. Soon, though it began to rise. Milk under a price war becomes less available. In Montana in the bigger cities, the price would temporarily drop but it would eventually seek it's own level.

REP. KITSELMAN: Wyoming decontrolled two years ago. What is the price now down there? Is it greater? Mr. Kelly: It's around 3 or 4 cents higher than Montana's price. You might find some Saturday specials but generally, the price is higher.
REP. METCALF: Was your survey at only one store in each of the Wyoming cities? Mr. Kelly: Generally, yes.

EXECUTIVE SESSION:


REP. ELLISON moved that HOUSE BILL 82 DO PASS. Rep. Fabrega stated that he has done 180° turn in his position on this matter, mainly because of the Initiative that was put before the people last summer which fell flat on its face. Also that he doesn't feel the Board creates a monopoly on the dairy business. Rep. Ellison said the reason the Board receives so much flak is because of its constant price setting. Rep. Metcalf replied the pricing function of the Board will always be controversial, but he felt that they perform some other functions such as sanitary and licensing and keeping the markets going and that those are the valuable functions of the Board and we do need to reinstate it.

REP. PAVLOVICH: Question. DO PASS HOUSE BILL 82 passed unanimously.

The meeting adjourned at 10:10 a.m.



JERRY METCALF, CHAIRMAN



Linda Palmer, Secretary

STANDING COMMITTEE REPORT

January 12

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MR. **Speaker:**

We, your committee on **BUSINESS & INDUSTRY**

having had under consideration **HOUSE** Bill No. **82**

A BILL FOR AN ACT ENTITLED: "AN ACT TO REESTABLISH THE BOARD OF MILK CONTROL UNDER EXISTING STATUTORY AUTHORITY AND RULES; REQUIRING A HEARING BEFORE LICENSE SUSPENSION OR REVOCATION; CREATING A STATEWIDE MARKET AREA; DELETING RATE OF RETURN FROM THE PRICING FORMULA; REPEALING BONDING REQUIREMENTS; AMENDING SECTIONS 2-8-103, 81-23-204, AND 81-23-302 THROUGH 81-23-304, MCA; REPEALING SECTIONS 81-23-205 AND 81-23-301, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Respectfully report as follows: That **HOUSE** Bill No. **82**

DO PASS

VISITORS' REGISTER

HOUSE Bus + Industry COMMITTEE

BILL HB 82

Date 1/12/83

SPONSOR Manuel

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Esther Reed	Maeta	Montana Cattlemen	✓	
Ruth Montoya	Shepherd	mt. Dairyman's Assn	✓	
James Heimbecher	Billings	Montana Dairyman	✓	
J. Robert Lee	Billings	Mont. Dairyman	✓	
Ken Braaten	Kalispell	mont. Dairyman	✓	
Harry Mitchell	GTF	✓	✓	
Tim Hule	Corvallis	Mont. Dairyman	✓	
Jim Lanning	Kalispell	Quality Supply Co	✓	
Kath Zg	Bozeman	Callahan Dairies Inc	✓	
Harvey	Bozeman	Dairygold	✓	
Del Kamman	Manhattan	Dairygold	✓	
F.M. Felby	Helena	Dairy Industry	✓	
Sam Mate Hugel	Kalispell	Indiv. Econ.	✓	
George Schube	Billings	Mont Dairyman's Assn.	✓	
BILL ASHER	Bozeman	APA, PCA + SCPA	✓	
Ed McHugh	Helena	Clear Leaf Dairy	✓	
Chris Johansen	Gr. Falls	Mont James Union	✓	
Carol Krumm	Helena	M. D. A	✓	
Ralph Parker	Bozeman	M D A	✓	
Bill Ross	State (Milk Cont. Div)	Andrew J. Murray		
Annis Dost	Helena	Quality Supply Co	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

#B82

Jö Brunner W.I. FE.

Support

X

Jo Lahti see

Support

Jed Neuman Dist 33

Support

Joni D. Munkala. Canada

Support.

Jeanne Rankin M+Farm Bureau

Support

Exhibit #1

Senator Himsl

House Bill 82

(B&I rm 420)

SUMMARY -- Board of Milk Control

1. Montana is an exporter of milk products -- pg 3
2. There are 12 processing plants in Montana -- pg 3
3. Board has 5 public members -- pg 5
4. Board & Bureau is financed by earmarked a/c -- pg 6
5. Board functions:
 - Pg 10 A. Set minimum prices Prod. 60¢ Wholesaler 52¢
Retail 11¢ (1.23)
 - B. ~~Set~~ Hauling rates for milk
 - C. Establish base & quota if needed
 - 1) 2 base plans Missoula & Kalispell
 - 2) No active quota plan
6. Bureau functions:
 - A. Audit distributor payments to producers -- pg 12
 - B. License producers, distributors, jobbers
 - C. Review unfair Labor Practices
7. Federal Milk Market Order system sets prices paid to producer for about 80% of Grade A producers -- pg 17
 - A. To join producers have to petition federal government
 - B. Montana is not in the system -- pg 17
 - C. 95% of Grade A milk has producer price control -- pg 21
8. Deregulated in Wyoming & South Dakota
 - A. Wyo. 9¢ per ½ gal higher -- a shortage state
 - B. S. Dak. & Idaho -- 4¢ lower -- surplus state
 - C. Decontrol -- higher for some -- lower for others
 - D. Effect on plants -- not known -- competition might reduce.

E. Milk is fragile

F. If system breaks down-- 2 years to get
into federal system

9. Benefits for abolition of control do not appear compelling enough to out weigh the dangers the disruption of the system might have, hence the committee recommendation to re-establish the Board of Milk Control.



WIFE Women Involved In Farm Economics

WITNESS STATEMENT

NAME JO BRUNNER

BILL NO. HE 82

ADDRESS 536 3rd St. S Helena

DATE 1/11/83

REPRESENT WOMEN INVOLVED IN FARM ECONOMICS

SUPPORT X OPPOSE _____ AMEND _____

COMMENTS:

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS JO BRUNNER AND I AM REPRESENTING THE WOMEN INVOLVED IN FARM ECONOMICS ORGANIZATION AT THIS HEARING.

MR. CHAIRMAN, THE MEMBERS OF W.I.F.E. SUPPORT THE CONTINUANCE OF THE MILK BOARD. WE BELIEVE THAT THIS BOARD IS A NECESSARY AND BENEFICIAL INSTRUMENT IN THE PRICING AND THE DISTRIBUTION OF MILK IN THE STATE OF MONTANA AND IS A NEEDED PROTECTION FOR OUR MILK PRODUCERS, AND FOR THE CONSUMER. WE WISH TO GO ON RECORD AS CONCURRING WITH HE 82. THANK YOU.



CLOVER LEAF DAIRY

I am Ed McHugh owner, manager of Clover Leaf Jersey Dairy. We have a processing plant in Helena and have jobbers in Butte and Anaconda..

I would first like to complement the Legislative Auditor and staff and in particular Scott Seacat for doing a very professional job in compiling the report on " Board of Milk Control".

We at Clover Leaf Dairy support H.B. 82 and feel that the work and study by the committee has been productive in their recommended changes.

You have copies of the Formula Computations showing that it is heavily weighted on economic factors that reflect our economy. The weak economy of the United States has kept the price of milk down in Montana. In 1980 the $\frac{1}{2}$ gal. milk price went from 1.12 to \$1.18, a 3.4% increase when the inflation rate was 12%. The price went from \$1.18 to \$1.21 in 1981, a 3c raise for a 2.4% increase in a year of 10% inflation. This past year 1982 the price went from \$1.21 to \$1.24 a 3c raise for a 2.4% increase in a year of over 5% inflation.

The Board of Milk Control is doing a good job for the Producers, Processors, Distributers and Consumers of Montana. A healthy Montana Dairy industry will protect Montana jobs and keep a reasonably priced high quality milk on the consumers table.

I hope you will give H.B. 82 a do pass recommendation.

January

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DISTRIBUTOR FORMULA
November, 1979-Amendment

NOVEMBER, 1969 BASE = 100
AND AN INTERVAL OF 5.3
CONSISTS OF FIVE 5 - ECONOMIC FACTORS:

FACTOR DATE	FACTOR	%	CONVERSION FACTOR	CURRENT VALUE	WEIGHTED VALUE
<i>Oct 1982</i>	*WEEKLY WAGES - Total Private **(Revised & seasonally adjusted)	50%	272.57 .4035187	268.94	108.5223191
<i>Nov 1982</i>	WHOLESALE PRICE INDEX (U.S.)	28%	.2607076	300.40	78.31652304
<i>Nov 1982</i>	PULP, PAPER & ALLIED PRODUCTS (US)	12%	.1142857	289.60	33.09713872
<i>Nov 1982</i>	INDUSTRIAL MACHINERY (U.S.)	6%	.0556586	281.30	15.65276418
<i>Nov 1982</i>	MOTOR VEHICLE & EQUIPMENT (U.S.)	4%	.0376294	257.50	9.68957050
TOTAL - - - - -			100%		*** 245.2823552

*Amended on November, 1979 to use 5 factors instead of 7.
**The reported revised weekly wage - total private is seasonally adjusted by dividing each months revised figures by the following factors:
Jan. - .9770; Feb. - .9760; March - .9795; April - .9838; May - .9934;
June - 1.0067; July - 1.0292; August - 1.0274; Sept. - 1.0221;
Oct. - 1.0135; Nov. - 1.0027; Dec. - .9887.

Handler Incremental Deviation from last official reading of present Formula.
(December, 1973 = 122.10; Formula Base = November, 1969; Interval = 5.3)

FORMULA INDEX	HANDLER MARGIN INCREASE OR DECREASE	FORMULA INDEX	HANDLER MARGIN INCREASE OR DECREASE
111.90 - 116.14	0.00	249.70 - 253.94	0.26
117.20 - 121.44	0.01	255.00 - 259.24	0.27
122.50 - 126.74	0.02	260.30 - 264.54	0.28
127.80 - 132.04	0.03	265.60 - 269.84	0.29
133.10 - 137.34	0.04	270.90 - 275.14	0.30
138.40 - 142.64	0.05	276.20 - 280.44	0.31
143.70 - 147.94	0.06	281.50 - 285.74	0.32
149.00 - 153.24	0.07	286.80 - 291.04	0.33
154.30 - 158.54	0.08	292.10 - 296.34	0.34
159.60 - 163.84	0.09	297.40 - 301.64	0.35
164.90 - 169.14	0.10		
170.20 - 174.44	0.11		
175.50 - 179.74	0.12		
180.80 - 185.04	0.13		
186.10 - 190.34	0.14		
191.40 - 195.64	0.15		
196.70 - 200.94	0.16		
202.00 - 206.24	0.17		
207.30 - 211.54	0.18		
212.60 - 216.84	0.19		
217.90 - 222.14	0.20		
223.20 - 227.44	0.21		
228.50 - 232.74	0.22		
233.80 - 238.04	0.23		
239.10 - 243.34	0.24		
244.40 - 248.64	0.25 <i>Feb 83</i>		

NOTE: This chart is amended to reflect a two cen (\$0.02) reduction in the Distributor's margin based on a half (1/2) gallon of whole milk, as Ordered by the Board of Milk Control on September 15, 1979.

*** Indicates AN INCREASE in the Distributor margin of \$.01 Effective February 1 19 83

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OFFICIAL COMPUTATION FORMULA INDEX

January 5, 1983

PRODUCER FORMULA

August '81 Amendment
 November, 1969 = 100
 And An Interval = 4.5
 Consists Of Seven (7) Factors:

FACTOR DATE	FACTOR	%	CONVERSION FACTORS	CURRENT VALUE	WEIGHTED VALUE
Nov 82	UNEMPLOYMENT - U.S. (6.67 (3.8 - C) + 100) .05	5%		10.80	2.66530000
Nov 82	UNEMPLOYMENT - MONTANA (6.67 (6.1 - C + 100) .10	10%		9.90	7.46540000
Oct 82	WEEKLY WAGES - TOTAL PRIVATE (Revised and Seasonally adjusted)	15%	272.57 .13297873	268.94	35.76329965
Nov 82	PRICES RECEIVED BY FARMERS - MT. Oct. 1969 Index - 106. ('77 = 100)	15%	.22960139	138.00	31.68499182
Dec 15, 82	MIXED DAIRY FEED	20%	.32258065	160.00	51.61290400
Dec 15, 82	ALFALFA HAY	12%	55.00 .48000000	61.00	29.29440000
Nov 82	PRICES PAID BY FARMERS - U.S. ('77 = 100)	23%	.41990335	156.00	65.50492260

TOTAL - - - - - 100% * 223.99141807

Nov. 1982 MINNESOTA-WISCONSIN SERIES = \$ 12.52
 PLUS + \$ 3.00
 TOTAL = \$ 15.52

NOTE: The reported revised weekly wage - Total Private is seasonally adjusted by dividing each months revised figures by the following factors: Jan.-.9770; Feb.-.9760; March-.9795; April-.9838; May-.9934; June-1.0067; July-1.0292; August-1.0274; Sept.-1.0221; Oct.-1.0135; Nov.-1.0027; and Dec.-.9887.

FORMULA INDEX	PRICE PER CWT.	FORMULA INDEX	PRICE PER CWT.
161.0 - 164.6	- - - - \$10.79	228.5 - 232.1	- - - - \$14.24
165.5 - 169.1	- - - - \$11.02	233.0 - 236.6	- - - - \$14.47
170.0 - 173.6	- - - - \$11.25	237.5 - 241.1	- - - - \$14.70
174.5 - 178.1	- - - - \$11.48	242.0 - 245.6	- - - - \$14.93
179.0 - 182.6	- - - - \$11.71	246.5 - 250.1	- - - - \$15.16
183.5 - 187.1	- - - - \$11.94	251.0 - 254.6	- - - - \$15.39
188.0 - 191.6	- - - - \$12.17	255.5 - 259.1	- - - - \$15.62
192.5 - 196.1	- - - - \$12.40	260.0 - 263.6	- - - - \$15.85
197.0 - 200.6	- - - - \$12.63	264.5 - 268.1	- - - - \$16.08
201.5 - 205.1	- - - - \$12.86	269.0 - 272.6	- - - - \$16.31
206.0 - 209.6	- - - - \$13.09	273.5 - 277.1	- - - - \$16.54
210.5 - 214.1	- - - - \$13.32	278.0 - 281.6	- - - - \$16.77
215.0 - 218.6	- - - - \$13.55	282.5 - 286.1	- - - - \$17.00
219.5 - 223.1	- - - - \$13.78	287.0 - 290.6	- - - - \$17.23
224.0 - 227.6	- - - - \$14.01 <u>Feb 1983</u>		

* Indicates No Change in Producer

WITNESS STATEMENT

NAME JEANNE RANKIN BILL No. HB 82
ADDRESS Bozeman DATE January 12 -ES
WHOM DO YOU REPRESENT MONTANA FARM BUREAU
SUPPORT XXXXX OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

MR. CHAIRMAN,

The Montana Farm Bureau would like to go on record supporting House Bill # 82. Our members believe in the continuation of the Milk Control Board. and its pricing of milk. We believe its programs and policies protect consumers from inferior milk products; while at the same time providing producers with a stable market.

Jeanne Rankin

SUMMARY OF HOUSE BILL 82 - INTRODUCED BY REPS. MANUEL
AND ELLERD BY REQUEST OF THE
LEGISLATIVE AUDIT COMMITTEE

This bill extends the life of the State Board of Milk Control until July 1, 1989.

Unless this bill is passed and approved, the Milk Control Board will expire on July 1, 1983, and the supervision it exercises over the dairy industry under Title 81, Chapter 23, will cease.

Re-enactment of the law authorizing the Milk Control Board is necessary because the Board is covered by the Sunset Law (2-8-103) which schedules the demise of various state agencies unless the legislature, after review of a specific agency's activities, determines that its continuance is essential.

The Milk Control Board was subjected to a Sunset audit by the Office of the Legislative Auditor in the 1981-82 interim.