

## HOUSE BUSINESS AND INDUSTRY COMMITTEE

Chairman, Jerry Metcalf, called the Business & Industry Committee to order on January 14, 1983, at 8:00 a.m. in the Auditorium of the Scott Hart Building, Helena, Montana. All members were present except Rep. Ellerd, Rep. Fabrega and Rep. Hart who were excused.

### HOUSE BILL 69

REP. HANNAH, House Dist. 67, sponsor, opened by saying HB 69 is designed to affect two or three major areas in the milk industry in Montana at the wholesale and retail level. He referred to it as a very logical bill. The key issue in the bill is maintaining producer protection, he said. This bill is designed to strike a middle ground between the producer and the consumer. It also would set up a statewide pool which is explained on page 35 of the Sunset Audit report on the Board of Milk Control. (Exhibit #1) He said the most important thing to remember about this bill is that the producer controls would remain in place. Very little impact would be felt by the producers of Montana if this bill were to pass.

REP. NORDTVEDT, District 77, said that milk control in Montana does not mean the state is keeping the price down for the consumers but that we are keeping the price up for consumers. We are not setting maximum prices today, we are setting minimum prices.

DICK VARNER, Board of Milk Control Audit Committee, reported findings from the Audit Committee that in other states the larger cities and supermarkets had much lower prices than in smaller communities and convenient stores. In Idaho & South Dakota prices in the larger cities were lower than the minimum Montana price while the smaller cities and convenient stores were higher than Montana's. Montana is a net exporter; Wyoming is a net importer of milk. Their prices tend to be higher than Montana's.

DAVID FIELD, Libertarian Free Trade Committee, stated that dairy-men are businessmen and should be treated the same as other businessmen in a competitive market. He said we shouldn't be supporting a few operations at the cost of the rest of the consumers.

### OPPONENTS:

K. M. KELLY, Helena, registered lobbyist, said he was representing both the producer and the processor of milk products. He said without a declaration from the Legislature that milk is a commodity in the public interest, policing the industry would be of very little use. Secondly, that this law has little reference to "jobbers". Thirdly, it takes away the producers right to say how his product is going to be marketed. He said we all agree that some of the large producers probably don't need the protection of the state. But what about the small businessman? They should be able to compete fully for

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Business & Industry Committee

their share of the business. They need protection in the market place. There are about 140 small "jobbers" which are small businesses. Many have taken over where big operations no longer find a profit. I think some would go out of business if this bill passes.

JO BRUNNER, Women Involved in Farm Economics, said her organization was comprised mostly of general consumers with only 5 people being dairy related. They wholeheartedly oppose House Bill 69 and believe the controls are needed to insure the constant safeguard for clean, healthy milk. (Exhibit #2)

JAY VODIANA, consumer, said if this bill passes we will get alot of milk from other states and wipe out everything but the strongest operations in this state.

DAVE HULS, Creamery, Hamilton, Mont., said the consumer isn't all that concerned about this issue as the Initiative didn't even make the ballot last year.

BOB STEVENS, Montana Grain Growers, Dutton, wanted to go on record as in opposition to HB 69.

GEORGE SCHULZE, Montana Dairymen's Association, recommended that the Committee take the advice of the Audit Committee for the Board of Milk Control and give this bill a "Do Not Pass." He stated that all the facets of the regulatory process are designed solely for the purpose of, and have as their primary effect, the protection of the public. (Exhibit #3)

JEANNE RANKIN, Montana Farm Bureau, believes that the policies governed by the Milk Control Board protects the consumer from inferior milk products while at the same time providing producers with a stable market.

REP. GLENN SAUNDERS, Dist. 72, opposes HB 69 and said that to do away with a part of a program that has apparently been working well for everyone from producer to consumer is, in his experience, a serious mistake. (Exhibit #4)

ED MCHUGH, Clover Leaf Dairy, Helena, said that in every state there has been chaos in the dairy industry when decontrol happens. It will happen here too. The average price of milk in America is \$1.25 a half gallon...Montana has \$1.24 today. Grocery stores are now getting 10% margin for milk products and their cost of operating is 20% - they aren't going to lower their margin, they are going to raise it.

FRED BROWN, Whitehall, said agriculture is the most important industry in Montana and he believes a free market in milk cannot exist in the western part of the United States.

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Business & Industry Committee

REP. HANNAH: We believe the price of milk will be reflected by the demand for milk. The more government we have, the more problems we have. We are still maintaining protection for producers. Montana is one of three states that set wholesale prices and one of four that sets retail prices. We are in a vast minority. The majority of the country is not in chaos over no controls - why would we be? I have prepared an amendment to this bill that I believe would handle any problems we might have with this bill. (Exhibit #5)

QUESTIONS:

REP. KADAS: Will this bill in any way protect businesses in the state that might go out of business from outsiders? Rep. Hannah: I don't see any.

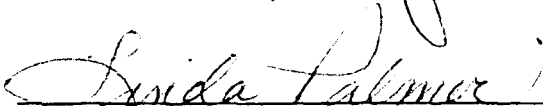
REP. LYBECK: Rep. Hannah, are you aware of the huge surpluses that are building up in the dairy business? And are you aware that Montana does not contribute to that surplus? Rep. Hannah: Yes, I am aware. Rep. Lybeck: If it's not broke, why fix it? Rep. Hannah: We could go to a federal order. I admit that there is a problem with a federal market order. We will be controlling from a local level, however. Washington D.C. will not be controlling our market. I see this as being broken and we can fix it with this bill.

REP. HANSEN: Mr. Kelly, do we get alot of milk from out of state right now? Mr. Kelly: No. Rep. Hansen: What about in-store brands from Safeway and Albertsons? Mr. Kelly: They buy their milk locally and use their own labels.

REP. HANSEN: Mr. Schulze, because you have price controls on milk, it's easier for you to go to the bank and get a loan? Mr. Schulze: Milk controls give our business stability and we can project long range income and the return we are going to get.

The meeting adjourned at 9:15 with Executive Session to be held on this bill Monday, Jan. 17.

  
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JERRY METCALF, CHAIRMAN

  
\_\_\_\_\_  
Linda Palmer, Secretary

## VISITORS' REGISTER

HOUSE

Bus. &amp; Ind.

COMMITTEE

BILL

HB 69

Date

1-14-83

SPONSOR

Hannah

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Ed McHugh	Helena	Core Luf Dairy		✓
Dick Montgomery	Shepherd	M.I.A.		✓
Rab Reed	Warden	M.D.A.		✓
Betty Reed	Warden	M.D.A.		✓
Dave Hule	Hamilton	R.C.C.		✓
Jim Hule	Cowallis	M.D.A.		✓
Ray Salken	Belling	Yeadon Cold		✓
Dick Doyle	Missoula	Medgar Bros		✓
Gene Hugg	Great Falls	Markus Cold		✓
John Gistler	Great Falls	Medgar Cold		✓
Harry Gistler	Belling	M.D.A.		✓
Jan Gistler	Belling	M.D.A.		✓
Bill Asher	Bozeman	APA, PCA + SCPA		✓
Oris O'Connell	Marquette	Farmer		✓
LEONARD SUMAK	SUN RIVER	DAIRY FARMER		✓
DAVE ADAMS	3510 2ND AVE S GTF	CONSUMER		✓
Joanne Rankin	Bozeman	MT. Farm Bureau		✓
William Asher, Jr	BOZEMAN	SELF		✓
Ralph Parker	Logan	M.P.C.		X
E. J. Hartman	Kalispell	Skylar Dairy Inc		✓

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITORS' REGISTER

HOUSE

Bus. & Ind.

COMMITTEE

BILL

HB 69

Date

1-14-83

SPONSOR

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
Elaine Schultze	Kalispell	Dairy Wife		X
Tommy Lybeck	Kalispell	Dairy Wife		X
Harry Moss	Belgrade	Dairy man		X
Wm. Todd	Bozeman	Dairyman		X
Larry Dykman	Bozeman	Dairyman		X
Coreen Miller	Joliet	Dairy wife		X
Pete Weber	Joliet	Dairyman		X
Ron Miller	Joliet Mt.	Dairyman		X
Harriet Moss	Bozeman Mt.	Dairy wife		X
Harold Moss	Bozeman Mt.	Dairy man		X
Jim Brinkman	Connell Mt.	M/D A.		X
Donald Dykstra	Manhattan Mt.	Dairyman, hauler		X
Duane Kamps	Manhattan Mt.	Dairy man		X
Ray Van Dyke	Manhattan Mt.	Dairyman - hauler		X
David Field	Bellevue	Libetarian Free Trade Committee	X	
Keith Ze	Bozeman	Callatia Dairies INC		X
W. I. F. E.		Dairyman		X
Herald Smith	Blgs Mt.	Dairyman		X
Bosalie Smith	Blgs. Mt.	Dairy wife		X
Bill Row	Helena	Mill Cont. Bureau		

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## VISITORS' REGISTER

HOUSE Business & Industry COMMITTEEBILL HB 69Date 1-14-83SPONSOR Hannah

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
K. M. Keller	Helena	Dairy Industry		X
George C. Stokely	Kalispell	Mont. Dairyman's Assn.		X
Barry Baker	Ronan	Dairyman		X
Marianne Pitts	Roberts	Dairy wife		X
Onni Happonen	Roberts	Dairyman		X
Frances Hopper	Roberts, m +	Dairy Person		X
Bert Brinkli	" "	Dairy wife		X
Ray Pitts	" "	Dairyman		X
Ed Brinkli	" "	" "		X
Joe Hopp	Great Falls	Dairy farmer		X
Paul Hopp	Great Falls	Dairy wife		X
Ralph Salomon	Ronan	Dairyman		X
Don Jant	Stevensville	Dairyman		X
Bruce Lillows	Stevensville	Dairyman		X
James Heimlich	Billings	M. D. A.		X
Bill Weber	Billings	M. D. A.		X
Alfred Belton	Bozeman	m +		X
David Siegle	Glendive	M. D. A.		X
Ken Brant	Kalispell	M. D. A.		X
James Fleming	Kalispell	Eq. Supply Co.		X

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Bus & Ind.

HOUSE

COMMITTEE

BILL

Date \_\_\_\_\_

SPONSOR

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



# WIFE Women Involved In Farm Economics

## WITNESS STATEMENT

JO BRUNNER

BILL NO.69

563 3rd St. S. Helena

January 14, 1983

Women Involved in Farm Economics

Oppose

Mr. Chairman, members of the committee, my name is Jo Brunner and I speak today for the Women Involved in Farm Economics Organization. We wish to speak one more time in opposition to any effort to decontrol the price of milk through any means, but specifically through the elimination of the milk board.

We believe that the board is a needed facility to insure the constant safeguards for a clean, healthy food product both to the consumer and producer.

Perhaps our feelings for the continuation of the board can best be expressed by reading from a portion of a Section that this bill would eliminate: I read from Section 81-23-102, paragraph e, line 6, on page 5-----It is the health regulations alone are insufficient to prevent disturbances in the milk industry and to safeguard the consuming public from further inadequacy of a supply of this necessary commodity. (f) it is the policy of this state to promote, foster, and encourage the intelligent production and orderly marketing of milk and cream and products manufactured therefrom, to eliminate speculation and waste, to make the distribution thereof between the producer and consumer, as direct as can be efficiently and economically done, and to stabilize the marketing of such commodities. (g) investigations have revealed and experience has shown that, due to the nature of milk and the conditions surrounding the production and marketing of milk and due to the vital importance of milk to the health and well being of the citizens of this state, it is necessary to invoke the police powers of the state to provide a constant supervision and regulation of the milk industry of the state to prevent the occurrence and recurrence of those unfair, unjust, destructive, demoralizing, and chaotic conditions and trade practices within the industry which have in the past affected the industry and which constantly threaten to be



Jo Brunner

W.I.F.F.

Testimony HB 69-----oppose

revived within the industry and to disupt or destry an adequate supply of pure and wholesome milk to the consuming public and to the citizens of this state-----

Mr. Chairman, members of the board, it is our considered belief that the elimination of the milk control board would not be for the benefit of the consumer, or for the benefit of the producer for the reasons I stated alone, and we would ask for the defeat of HB 69.

Thank you.

HOUSE BILL 69

HOUSE BUSINESS & INDUSTRY COMMITTEE

MY NAME IS GEORGE SCHULZE, I AM THE PRESIDENT OF THE BOARD OF DIRECTORS' OF THE MONTANA DARYMEN'S ASSOCIATION. I AM HERE IN OPPOSITION TO HOUSE BILL 69 FOR MANY VARIED REASONS - MOST OF YOU HAVE HEARD THOSE REASONS BEFORE AND WILL HEAR THEM AGAIN.

I WOULD, HOWEVER LIKE TO TAKE A FEW MINUTES OF YOUR TIME TO POINT OUT SOME FACTS YOU MAY BE OVERLOOKING,....

YOUR - THE LEGISLATURES' - LEGISLATIVE AUDIT COMMITTEE - AT YOUR DIRECTION - UNDER THE SUNSET REVIEW LEGISLATION - DID MAKE A SUNSET REVIEW OF THE BOARD OF MILK CONTROL. BY MANDATE THEY DID CONSIDER AND OBTAIN EXPERT AND LAY/CONSUMER TESTIMONY WITH REGARD TO THE FOLLOWING QUESTIONS;

- 1) WOULD THE ABSENCE OF REGULATION SIGNIFICANTLY HARM OR ENDANGER THE PUBLIC'S HEALTH, SAFETY OR WELFARE?
- 2) IS THERE A REASONABLE RELATIONSHIP BETWEEN THE EXERCISE OF THE STATE'S POLICE POWER AND THE PROTECTION OF THE PUBLIC'S HEALTH, SAFETY OR WELFARE?
- 3) IS THERE ANY OTHER LESS RESTRICTIVE METHOD OF REGULATION AVAILABLE WHICH COULD ADEQUATELY PROTECT THE PUBLIC?
- 4) DOES THE REGULATION HAVE THE EFFECT OF DIRECTLY OR INDIRECTLY INCREASING THE COSTS OF ANY GOODS OR SERVICES INVOLVED?
- 5) WOULD THE ABSENCE OF REGULATION BE HARMFUL TO THE PUBLIC?
- 6) ARE ALL FACETS OF THE REGULATORY PROCESS DESIGNED SOLELY FOR THE PURPOSE OF, AND HAVE AS THEIR PRIMARY EFFECT, THE PROTECTION OF THE PUBLIC?

I WOULD LIKE TO REPEAT THAT LAST ITEM (( REPEAT )) !!!

AFTER CAREFUL AND DETAILED CONSIDERATION, HEARINGS AND MANY

HOURS OF TESTIMONY - YOUR UNBIASED COMMITTEE HAS RECOMMENDED THE CONTINUATION OF THE BOARD OF MILK CONTROL AND THE CONTINUATION OF MILK PRICE CONTROLS THEREBY,..... THEY DID, HOWEVER, IN THEIR DELIBERATIONS REMOVE PROVISIONS THAT WERE DESIGNED TO ASSURE A "PROFIT" FOR AVERAGE EFFICIENTLY AND ECONOMICALLY RUN DAIRY OPERATIONS.

AFTER EXAMINATION AND EXPLANATIONS WE CAN NOT HELP BUT CUNCURR WITH THEIR RECOMMENDATIONS !!!!!

YOUR LEGISLATIVE AUDIT COMMITTEE ARE EXPERTS WITH MORE EXPERIENCE IN THESE AREAS THAN ANY OTHER INDIVIDUAL OR GROUP. THEY CONDUCTED THEIR RESEARCH WITH DUE DILIGENCE AND AT YOUR DIRECTION.

THEIR RECOMMENDATIONS ARE NOT BINDING ON THE LEGISLATIVE ASSEMBLY IN ANY WAY. HOWEVER, NOT TO FOLLOW THEIR RECOMMENDATIONS AND/OR TO TOTALLY DISREGARD THEIR FINDINGS WOULD BE LIKE HIRING THE BEST FIRM OF ATTORNEYS TO DEFEND YOU IN A VERY SERIOUS COURT CASE AND THEN REFUSEING TO FOLLOW THEIR ADVISE.

PLEASE KEEP IN MIND THAT ALL OF THE TESTIMONY YOU HAVE HEARD WHILE SITTING AS THE HOUSE BUSINESS AND INDUSTRY COMMITTEE, HAS BEEN, ALMOST WITHOUT EXCEPTION, BIASED OR SELF-SERVING. THE RECOMMENDATIONS OF YOUR LEGISLATIVE AUDIT COMMITTEE ARE NOT SO BIASED.

TO HAVE HOUSE BILL 69 LEAVE THIS COMMITTEE WITH ANY "DO-PASS" RECOMMENDATION WOULD BE TO DISREGARD THE WORK OF YOUR LEGISLATIVE AUDIT COMMITTEE AND WOULD ENDANGER THE ENTIRE SUNSET REVIEW PROCESS.

I WOULD RECOMMEND A "DO NOT PASS" FOR HOUSE BILL 69.

## Exhibit #4

Mr. Chairman, my name is Glenn Saunders. Rep. of Dist 72.

I have recently received a number of requests from constituents who feel that passage of HB69 would seriously jeopardize their business as dairymen.

This is in keeping with my experience of having worked with farm programs for nearly half my life. Farm economy (and the Nation's) was in far better economic conditions when there was some semblance of balance built into the price and production cycle that more closely reflected a parity price in relation to cost of production.

To do away with <sup>part of</sup> a program that has apparently been working well for everyone from producer to consumer is, in my experience, a serious mistake.

I most emphatically oppose the passage of HB69.

Mr. Nordvellet; brought up the possibility of collusion. I recall very well what happened to the prices of other farm commodities when the stability built into the farm economy was taken away. Wheat producers are today suffering the consequences of the loss of the farm program when not these stabilizing influences.

During my 26 years as an ASCS County Executive Director I watched the boom & bust cycles that resulted in loss of the stability farm programs produce. I felt that there was a great deal of collusion on the part of industry that did nothing to help the producer. A passage of HB 69 would lead to collusion.

Proposed amendment to HB 69

1. Page 19, line 12.

Following: line 11

Insert: "Section 7. Emergency price controls -- procedure. (1)

If the board receives a petition signed by 51% of the licensees, and a petition signed by at least 250 consumers, alleging that the milk prices set for producers or market conditions are such that an emergency situation has been created in that the public is not insured of a regular, continuous, and adequate supply of milk *it shall take the actions prescribed in (2).*

(2) Upon receipt of the petitions the board shall hold a hearing on the matter. If the board determines that the alleged emergency exists it may adopt emergency price controls upon all licensees as it determines necessary, including prices for wholesale and retail levels.

(3) Prices set pursuant to (2) shall be published in the Administrative Rules of Montana. The prices set pursuant to (2) shall terminate 1 year after the date of issuance unless terminated earlier by order of the board."

Renumber: subsequent sections.

2. Page 19, line 21.

Following: line 20

Insert: "Section 10. Codification instruction. [Section 7] is intended to be codified as an integral part of title 81, chapter 23, and the provisions of title 81, chapter 23 apply to [section 7].

STANDBY REGULATORY AUTHORITY IN OTHER STATES

States which have statutory authority to set wholesale or retail prices but do not.\*

<u>State</u>	<u>Regulatory Agency</u>	<u>Year Discontinued</u>	<u>Type of Price Regulation</u>
Alabama	Dairy Commission	1979	W, R
New Jersey	Division of Dairy Industry	1980	W, R
North Carolina	Milk Commission	1970	W, R
South Carolina	Dairy Commission	1979	W
Vermont	Milk Control Board	1979	W, R
Virginia	Milk Commission	1979	W, R
Wyoming	Board of Agriculture	1980	W

\*Nevada has authority to set wholesale and retail prices. Currently they set only retail prices. According to their administrator, this is because wholesale price determination is difficult. Retail pricing is used to prevent sales below cost (few retailers sell at the minimum). Minimum retail price is about \$1.00 per half gallon.

States with emergency authority to set wholesale and retail prices.

California	Their process requires the Director of the Department of Food and Agriculture to declare an emergency. This declaration must be subsequent to a hearing and is only effective for 90 days. Subsequent 90-day extensions require rehearing. The process has not been used.
Massachusetts	Twenty-five percent of the producers must petition for controls. The Milk Control Commission may set prices after investigation, notice, and hearing. The process has never been used.
Rhode Island	Requires a petition by 51% of the producers, processors, and licensees plus a petition by 250 consumers. After a hearing, the Milk Board may set prices. The process has not been used.

COMPARISON OF MONTANA WITH SURROUNDING STATES

<u>State</u>	<u>Number of Producers</u>	<u>Grade A Production (pounds)</u>	<u>Net Import or Export</u>	<u>Number of Grade A Processing Plants</u>	<u>Population per Square Mile</u>
South Dakota	750	525 million	Exporter	5	9.1
Idaho	550	1.6 billion	Exporter	16*	11.0
Wyoming	90	90 million	Importer	6	4.6
Montana	300	290 million	Exporter	12	5.4

\*Only 8 of these are large plants which qualify to ship interstate.

11/16/69

H369

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1001

CLASS I MILK

## CONSUMER PRICE SURVEY 1-7-83

Conducted by Keith Nye - Gallatin Dairies, Inc. BOZEMAN

Montana	Items	1 Sheridan Wyoming Butterys	2 Riverston Wyoming I.C.A.	3 Powell Wyoming IGA	4 Casper Wyoming Butterys	5 Casper Wyoming Mini Mart
2.46	Gallon Homo	263	252	245	252	258
2.30	Gallon 2%	243	235	220	239	246
1.23	1/2 Gal. Homo	133	131	124	128	132
1.15	1/2 Gal. 2%	122	121	115	121	126
1.04	1/2 Gal. Skim	113	114	105	107	—
.63	Quart Homo	69	65	67	67	77
.59	Quart 2%	63	—	62	62	—
.52	Quart Skim	—	—	—	59	—
.64	Quart Chocolate 2%	79	83	63	79	87
.57	Quart Buttermilk	63	58	59	61	72
.35	Pint Homo	—	—	—	—	59
.35	Pint Chocolate	—	—	—	—	59
.63	Pint 1/2 N 1/2	65	60	64	63	75
.69	1/2 Pint Whip Cream	73	69	69	73	78