

MINUTES OF THE MEETING OF THE HOUSE AGRICULTURE,  
LIVESTOCK AND IRRIGATION COMMITTEE, MARCH 4, 1983

The meeting was called to order by Chairman Jacobsen on Friday, March 4, 1983 at 12:30pm in Room 129, State Capitol. All Committee members were present with the exception of Rep. Ellerd, who was excused and Representatives Bengston and Lybeck who were absent.

HEARINGS

SENATE BILL 317. SEN. CHET BLAYLOCK, District 35, Yellowstone County, testified as chief sponsor of the bill which would reestablish the Hail Board subsequent to sunset review. He told the Committee the bill describes funding and repeals a statute renaming board members and would provide for independent contractors to eliminate overtime pay. Sen. Blaylock requested Section 16 be amended to \$40 and \$60 instead of \$24 and \$48 assessments. Reading from prepared testimony, he advised committee members the Board was established in 1917 as some heavily hailed areas could not obtain commercial coverage. He said the program is self-supporting and provides necessary competition to the private sector, adding \$3 million would revert to the general fund if the Hail Board were sunset.

PROPONENTS

MR. KEITH KELLY, Director, Department of Agriculture, provided committee members with prepared testimony in support of the bill (exhibit) and a letter from a Lewistown taxpayer in support of the bill (exhibit).

MR. JACK GUNDERSON, Administrative Officer, State Hail Board, told the Committee income received was \$1,337,000; operations, \$153,000; 43% was refunded to insureds; \$251,000 would be held in the Hail Board Fund of which 11% would be refunded. He provided information on the 1982 hail season and a 65 year history of the fund, in addition to proposed amendments recommended by the Legislative Auditor, one of which (80-2-244) has already been amended by the Senate.

MRS. JO BRUNNER, Women Involved in Farm Economics, stated her support of the bill, in addition to that of the Montana Farmers Union in the absence of Mr. Murphy.

MR. ROBERT STEPHENS, Montana Grain Growers Association, advised committee he has used the program the past 30 years, adding the Hail Board would always take

private insurer's adjustments, but private insurers would not always accept state adjustments.

OPPONENTS

MR. PHIL STROPE, Crop Hail Management of Montana, told the Committee for the past 17 years only Montana and North Dakota have operated a state hail insurance program adding, North Dakota dropped its program 3 years ago. He said the federal government no longer writes hail insurance and he believes the sunset law was passed for such agencies as the Hail Board since it has outlived its usefulness. Mr. Strobe provided information on 22 commercial insurance carriers with rates comparable to those charged in surrounding states and said only 11% of Montana farmers use the program (exhibit). He explained the State loses \$80,000 to \$90,000 in premium tax annually because of the Hail Board, adding the \$3.5 million in the fund is not held in trust for farmers, who have no trust rights (exhibit).

MR. MIKE FELT, Crop Hail Management and Mountain States Insurance Company, told the Committee his company has 26 full time employees in the Kalispell and Great Falls areas who produce more than \$51 million in crop insurance premiums annually. He provided information on the State premium tax and personal property taxes paid in Montana (exhibit) and questions the propriety of allowing the Insurance Commissioner to sit as a member of the State Hail Board.

MR. BOB LOWRY, Continental Insurance Company, advised the Committee he had been in the hail insurance business for the past 20 years and read from prepared testimony in opposition to the bill (exhibit).

MR. BOB JAMES, National Organization of Independent Insurers, told the Committee he supported prior statements made in opposition to the bill and stated his concern with Section 3, page 6 of the bill, asking the Committee to defeat it.

MR. DICK CARNEY, Carney Insurance Agency, Glendive, said reinstatement of the Hail Board would further erode private insurance industry in the State and explained the need for the Board has not been demonstrated while asking why Montana is the only state remaining in the hail insurance business.

MR. DICK SCHAFER, Independent Insurers, Havre, urged the Committee to defeat the bill.

MR. JOHN MCINTOSH, Montana Farm Bureau, stated his opposition to the bill.

#### QUESTIONS

There were no questions from the Committee.

IN CLOSING, Sen. Blaylock made reference to a metaphor, advising the Committee there were few farms with electricity years ago unless an individual purchased lines, poles and other equipment himself, which then became the property of the Montana Power Company until Rural Electric Coop's began to provide electricity. He said Montana Power is now questioning the value of REA's adding, the same situation exists between the crop hail insurance industry and the State Hail Board. Sen. Blaylock told the Committee, Montana has not let its reserve fund get into trouble as the North Dakota hail insurance program did and last fiscal year the Board returned 40% of its income to Montana farmers, who also pay taxes. He urged committee support of the bill.

SENATE BILL 401. SEN. PAUL BOYLAN, District 38, testified as sponsor of the bill, which would clean up Senate Bill 76, the water adjudication bill. He said amendments would be offered and advised of a problem on page 4 of the bill pertaining to subdivided areas where water rights were sold but not mentioned in deeds, adding the bill is an attempt to create measures to correct the present situation and record such transfers in the future.

#### PROPOSERS

MR. JOHN CHAFFIN, Montana Water Courts, explained the bill was drafted at the request of Judge Lessley. He said the code section pertaining to transfer of water rights has no teeth as it is as only 1,000 notices have been filed and advised he would propose a mandatory method for control and local recordation of water rights. Mr. Chaffin said there would be a base for central records for Department of Natural Resources and Conservation personnel in July, 1983, adding the states who have no solution to recordation of water rights are interested in Montana's legislation as the vast majority of rights are use rights according to information on file.

MR. CHAFFIN told the Committee county clerk and recorders would be able to keep water rights recordation current if the bill were to pass and said abstractors, attorneys and Realtors think the availability of this information is important. He said Section 2 of the bill defines water rights and provides exemptions for filing them, while Section 3 provides a water rights transfer certificate be completed in triplicate for county clerk and recorders, water courts and the Department of Natural Resources and Conservation and signed by the seller and buyer, in addition to necessary legal information. He explained Section 4 pertains to recordation of rights and provided committee members with an amendment which clarifies intent (exhibit). He said he questioned whether the Department had proper funding for the program, adding it does have rule-making authority for such funding and told the Committee it was anticipated transfers would increase from 1,000 to more than 40,000 annually. Mr. Chaffin said under Section 5 the sale of land would not be void if the parties failed to record water rights transfers. He told the Committee Section 6 would allow fees to be set for recordation and Section 7 would create a forgiveness clause for users who have, in the past, transferred land without filing transfers of water rights or need to delay recordation because of a transfer problem.

MR. BILL ROMINE, Montana Clerk and Recorders Association, stated his support of the bill and told the Committee he wondered if the amendment proposed for page 2 of the bill would defeat its purpose. He asked how a clerk and recorder could refuse a transfer, adding specific fees were set by their association in the Senate, adding a fee would be set for Department of Natural Resources and Conservation recordation. Mr. Romine said Section 7 may conflict with a Supreme Court decision wherein the purchaser of rights not previously transferred would not own the rights.

MR. KEN KELLY, Montana Water Development Association, stated his support of the bill because of statements made by Judge Lessley at the Senate hearing and testified on behalf of Montana Farm Bureau and Women Involved in Farm Economics.

MR. GARY FRITZ, Administrator, Water Resources Division, Department of Natural Resources and Conservation, told the Committee administration of the program would cost

\$300,000 annually and said he was concerned with state water rights in a prepared statement (exhibit).

MR. STEVE MEYER, Montana Association of Conservation Districts stated his support of the bill, commenting he too, saw a problem with Section 7 of the bill which could adversely affect water rights in the Yellowstone Basin.

MR. LYLE MANLEY, Department of State Lands, told the Committee he supported the amendments and the bill.

#### OPPONENTS

There were no opponents of the bill.

#### QUESTIONS

REP. ROUSH asked Mr. Chaffin if he was referring to the fee established in Senate Bill 76. Mr. Chaffin replied he was referring to the fee for recordation of transfers by the Department.

REP. SCHULTZ asked Rep. Spaeth what the costs were for Department and county recordation. Rep. Spaeth replied it would be set outside statutes and the Administrative Procedures Act.

REP. SCHULTZ asked Mr. Chaffin what the fees would be. Mr. Chaffin replied the fee would probably be \$10 and said he would be available during executive session to answer questions.

The hearing was closed on Senate Bill 401.

SENATE BILL 355. REP. DON OSCHNER, District 26, Custer County, testified as chief sponsor of the bill which would clean up language in Section 9 (4) and pages 3, line 25 and 5, lines 22-23 of the bill.

#### PROPONENTS

MR. ART SHAW, Commercial Pollinator and former Extension Agronomist provided committee members with prepared testimony (exhibit).

OPPONENTS

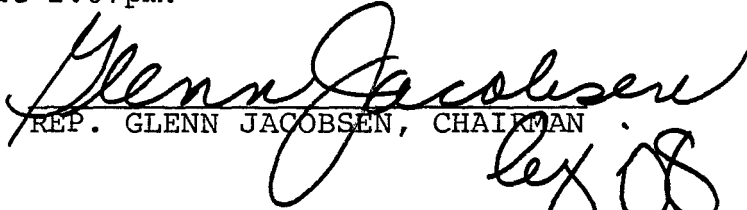
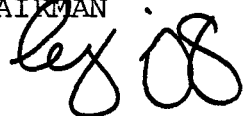
There were no opponents of the bill.

QUESTIONS

REP. SCHULTZ asked what the problem was with drillboards which was mentioned in testimony during the 1981 Session. Sen. Shaw advised the boards are nearly impossible to sanitize against and diseases and parasites, adding the process is very expensive and many boards are brought from other states.

IN CLOSING, Sen. Oschner asked the Committee to concur on the bill.

The meeting was adjourned at 2:07pm.

  
REP. GLENN JACOBSEN, CHAIRMAN  


Joann T. Gibson, Secretary

## VISITOR'S REGISTER

HOUSE Agriculture

COMMITTEE

BILL SB 317DATE 3-4-83SPONSOR Blaylock

NAME	RESIDENCE	REPRESENTING	SUP- PORT	OP- POSE
John McIntosh	Gr. Falls	FARM Insurance		✓
Ray Brown	Mont. / Gr. Falls	Cont Ins Co		✓
Bob James	Gr. Falls	NAH		✓
Dick Carney	Glendive	CARNEY Insurance		✓
M. K. Felt	Kalispell, Mont	Grain Hail Mgt		✓
Dick Schaefer	Harro, Mt.	Independent Ins. Agents		✓
Nolan Russell	Gr. Falls	Glacier General		✓
Nina Victor	Great Falls	Boeing Hail Ins. Serv.		✓
Orel Lunderson	Helena	State Board of Hail Ins	✓	
Keith Kelly	HELENA	Dept. of Agriculture	✓	
Bob Stephens	Beaumont	Mt. Grain Growers Assn	✓	
James H. Rife	Great Falls	Cinnamon Ins. Co.		✓
Russ McDonald	Helena	State Hail Board	✓	
Jo Brunner	Helena	W.I.F.E. - Farmall Inc.	✓	

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

## VISITOR'S REGISTER

HOUSE

# Agriculture

COMMITTEE

BILL

SB 170

DATE \_\_\_\_\_

3-4-83

SPONSOR

Boylan

[illegible]

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

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.



# Agriculture

COMMITTEE

SB 35.5

Date 3-4-83

Oschner

[illegible]

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

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

WITNESS STATEMENT

Name Robert F. Russell Committee On \_\_\_\_\_  
Address 64 Falls Date \_\_\_\_\_  
Representing Colacina Support \_\_\_\_\_  
Bill No. 317 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Amend Bill to limit administrative cost to 5% of yearly Premium Volume
2. ~~this would~~
3. From wording now present to allow unlimited administrative cost
4. This would protect taxpayers from unlimited bureacracy

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Nick Schifer Committee On Appointments  
 Address Haure, Ind. Date March 4, 1983  
 Representing Independent Ins. Agents Assn Support \_\_\_\_\_  
 Bill No. SB 317 Oppose ✓  
 Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Mike Felt Committee On Agriculture  
Address Bakagell, Montana. Date March 4-83.  
Representing Crop Hail Mgt Support \_\_\_\_\_  
Bill No. Senate Bill 317 Oppose X  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name Bob James Committee On \_\_\_\_\_  
Address 9 Falls Date 3/4/83  
Representing W.A.II. Support \_\_\_\_\_  
Bill No. SB 317 Oppose ☒  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1.

2.

3.

4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

WITNESS STATEMENT

Name R. M. Kibler Committee On Agriculture  
Address Sierra Date Mar 1, 1983  
Representing Mont. Water Development Assn. Support X  
Bill No. SB 401 Oppose \_\_\_\_\_  
Amend \_\_\_\_\_

AFTER TESTIFYING, PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

1. Mont Water Development Assn. supports S.B 401  
as it passed the Senate on 3<sup>rd</sup> Reading.
- 2.
- 3.
- 4.

Itemize the main argument or points of your testimony. This will assist the committee secretary with her minutes.

# COMMITTEE OF THE WHOLE AMENDMENT

MR. CHAIRMAN: I MOVE TO AMEND the second reading copy of Senate Bill 317 as follows:

1. Title, line 11.  
Following: "LIMITS;"  
Insert: "INCREASING COVERAGE LIMITS"
  2. Title, line 13.  
Following: "80-2-208;"  
Insert: "80-2-208,"
  3. Page 19, line 6.  
Following: "~~insure~~;"  
Insert: "Section 8. Section 80-2-208, MCA, is amended to read: "80-2-208. Maximum insurance. When the reserve fund is determined actuarially sound, as provided in 80-2-228, the board may write not more than ~~\$24~~ \$30 insurance on each acre of grain which is on nonirrigated land and not more than ~~\$48~~ \$60 per acre on irrigated land. When more than one party desires hail insurance on the same crop, each party is entitled to the share of the maximum provided per acre as represented by his interest in the crop. Either party may insure his share in the crop for any amount up to and including the maximum per acre if the others waive their right to insure."  
Renumber: subsequent sections.
  4. Page 29, line 22.  
Following: "~~\$30~~"  
Strike: "~~\$24~~"  
Insert: "\$30"
  5. Page 29, line 23.  
Following: "~~\$60~~"  
Strike: "~~\$48~~"  
Insert: "\$60"
-



## CROP HAIL MANAGEMENT

TESTIMONY OF M. K. FELT ON SENATE BILL 317 AT PUBLIC HEARING,  
HOUSE OF REPRESENTATIVES, HELENA, MONTANA - MARCH 4, 1983

Ex

My name is Mike Felt - I am President of Crop Hail Management which is a general agency domiciled in Montana and writing business in approximately 30 states. I am also President of Mountain States Insurance Company which is one of two Montana chartered insurance companies domiciled in the State of Montana. I have been in the crop insurance business in Montana since 1955. We employ 26 full-time people in our offices in Kalispell and Great Falls and these offices, along with our branch offices around the country, process and handle \$51 million yearly in crop insurance premiums. All of this business is financed and losses paid from lending institutions in the State of Montana. We started Crop Hail Management in 1964 and at that time we were writing business only in the State of Montana. We have used Montana as a base to develop the largest crop insurance general agency in the country.

I was here in 1961 when Governor Nutter proposed doing away with the State Hail Fund. I've been involved at various times since - when political efforts have been made to enlarge the Fund and expand its scope of operation. The State Hail Fund has the obvious advantage of a 25% to 30% expense saving in the cost of doing business and therefore is able to offer a reduced cost to the State's Farmers. It was the assumption by some a few years back that the State Hail Fund was necessary to keep the big insurance companies in line, and keep them competitive in the market place. That may have been true 25 years ago, but it is now as outmoded as the horse and buggy. When a farmer could buy \$12 coverage from the State and had to drive to the County Assessor to do it, he often did not bother because it was a small part of his needed insurance coverage. Therefore, it had not infringed to any great extent on the Private Sector and the Fund was not writing a very large percentage of the Montana business.

In 1975 this body passed legislation allowing an increase in coverage up to the \$24 coverage it writes today. As a result the fund has doubled and is already infringing into the Private Sector coverage.

This piece of Legislation should be recognized for what it is - Senate Bill 317 is one more step in the long range plan to drive private industry out of the Hail business in Montana. That purpose will be accomplished if this Bill is enacted. This will be the start of a heavy infringement into the private sector and in a few years additional legislation will be introduced to increase it to \$50 or \$100 an acre and the competitive edge offered to Montana farmers by private industry will be long gone. Increasing the coverage will defeat the very intent for which the law was enacted many years ago. There are many companies operating in Montana and many with a small premium volume.



It is logical to assume that, if this bill is enacted, many of these companies will drop by the way-side because the cost of doing business on a small volume is entirely too great. Montana ranks 9th in Crop Hail premium written by private companies in the United States. States such as Illinois, Iowa, Kansas, Minnesota, Nebraska and North Dakota all write volumes that are at least double and in some cases three times the volume written in Montana. None of these states have a State Hail Fund and, in fact, we all know that Montana is the only state that operates a state-owned crop insurance entity.

Private companies will contribute over half a million dollars to the State coffers in premium tax on Crop Hail business written in the 1982 season. The amount of personal property taxes and benefits from the private industry sector is hard to evaluate, but certainly it is a considerable contribution to the State's economy.

Our company, alone, will pay over \$190,000 in State premium taxes and will pay over \$20,000 in personal property taxes in the State of Montana this year.

Montana tax laws are much more stringent than most other states. North Dakota has 12 domestic chartered insurance companies because a local company pays no State Premium Tax. This provides competition in the market place for the Farmer. Arizona has over 300 domestic companies. Montana has 2 Stock Companies and 2 Mutuals.

I assure you that if our Montana premium base is taken from us it is logical to assume we would look elsewhere for basing our insurance operations and would eventually move our administrative offices to a more beneficial economic climate. The same thing will happen to the other companies operating in the State and any business written here by private companies will be administrated and serviced from such places as Spokane, Denver, Fargo or Minneapolis.

There is absolutely no need for a State Hail Fund in Montana anymore and even the Federal Government is getting out of the crop insurance business as the Federal Crop Insurance Act of 1980 clearly mandates that private insurance companies can process, service and handle crop insurance business cheaper and more efficiently than the Federal Government.

Even the constitutionality of this legislation is questionable as the Governor's Blue Ribbon report states there is a conflict of interest in requiring the Insurance Commissioner to sit as a member of the State Hail Board. He regulates and approves the Rates, Rules and Forms for the Private Companies and then is a member of a board making decisions that are clearly directed at undermining Private Companies' Business with a state system that robs the taxpayers of tax dollars.

Members of the committee - I urge you to recommend defeat of this legislation.

M. K. Felt, President  
Crop Hail Management  
Mountain States Insurance Company

**PHILIP W. STROPE**

ATTORNEY AT LAW

P.O. BOX 874  
501 N. SANDERS  
HELENA, MT 59601  
406/442-6570

March 3, 1983

Representative Glenn Jacobsen  
House Agriculture Committee  
State Capitol  
Helena, MT 59620

RE: Senate Bill 317, State Hail Board

Dear Rep. Jacobsen:

Thank you for allowing me to appear in opposition to SB 317. Bob Durkee and I represent Crop Hail Management. Some of you will remember that we represented Crop Hail in 1975.

SB 317 would reestablish the state hail board for another six years. Crop Hail Management opposes continuing the state in the hail business. Montana has been in the business of writing hail insurance for about 65 years. During that period of time, 15 other states joined Montana and at one time or another wrote hail insurance. The federal government until 1980 sold coverage directly to growers under the federal crop insurance program. That program of the federal government has now been terminated and in its place, the government provides catastrophic reinsurance to private insurance companies that write the kind of insurance offered under the federal crop insurance program. Every state in the Union that was in the business of writing hail insurance has terminated the state program except Montana. The last state to terminate its state hail insurance program was North Dakota. The program was terminated in 1965.

Crop Hail Management submits that the facts found by the legislative council during the hearings on the question of whether to continue the state of Montana in the hail business do not support the conclusion of the legislative council that the state's hail board should be continued in business. For example, the council found that there are 22 commercial carriers in addition

to Crop Hail Management writing hail insurance in the state of Montana (page 13), that the rates charged by the commercial carriers in the state of Montana are comparable to the rates that are charged in the surrounding states of North Dakota, South Dakota, Wyoming, Idaho, Washington, and Oregon (page 18), and that only 11% of Montana's farms used the state program in 1981 (page 17).

The state hail board writes a policy of insurance that covers the grower for a loss due to hail. Private companies write two policies. The first policy is a policy that covers the grower for a loss due to hail, fire or loss in transit to the point of first storage. The second policy is a broader policy, a multiple peril policy and is called a production guarantee policy. This policy covers the grower for not only hail, fire, in transit losses, but also drought and insects. The difference between the loss percentage policy and the production guaranteed policy is that the loss percentage policy pay the growers a percentage of the damage done by hail whereas, the production guaranteed policy pays the grower a loss of the production guaranteed by the policy.

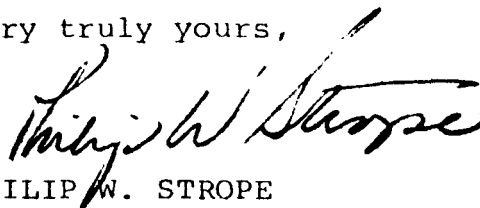
Although the state hail board does in many ways pay some or all of the cost of doing business, it does not pay into the state general fund a premium tax or the assessment for the fire marshall as provided by state law. Both of these taxes are assess against the full amount of the premiums. The premium tax is  $2\frac{3}{4}\%$  and the fire marshall is  $\frac{3}{4}$  of 1%. If SB 317 becomes law with the amendments offered by Mr. Gunderson during the hearing, the amount of premium tax that will be lost to the state fund will be about \$90,000 per year.  $3\frac{3}{4}\%$  of 2.5 million premium dollars. In addition, the state will lose the state income tax that it would earn on the commission's paid to insurance salesman who could sell the \$2.5 million worth of coverage the state will write if SB317 becomes law. It is unfair and unnecessary competition by the state of Montana. It is estimated that this group would earn commissions of about  $17\frac{1}{2}\%$  on \$2.5 million and that they would pay a state income tax not less than 7% on the commissions earned. This loss in revenue would be an additional \$30,000. The net effect of continuing the state in the business of writing hail insurance is that the state is losing revenue to the general fund of about \$120,000 per year in addition to losing the opportunity to have a one-time transfer to the general fund of about \$3.5 million dollars. This sum of money is the reserves held by the state hail board at the present time. It would be available to the general fund if the state hail board was allowed to go out of business on June 30, 1983.

Senator Story  
February 3, 1983  
Page 3

No evidence was offered during the hearing and Crop Hail Management respectfully submits that the amendments to existing law coupled with the amendments offered by Mr. Gunderson to increase the dollar amount of the coverage offered by the state of Montana, would place in jeopardy the security of the existing reserve of approximately \$3.5 million dollars. The reason being is that the increased coverage would expose the fund to additional and possibly greater losses. It should be noted from the report on the state hail board that in 1981, the board showed a net cash flow of \$320,000 but that \$312,000 of that was interest on investments. Only \$8,000 was net cash flow of premiums paid over losses paid out.

Therefore, Crop Hail Management respectfully submits that 1983 is the year for Montana to join all 49 of the rest of the states of the Union and get out of the business of writing hail insurance. The 11% of Montana farms that now use the state hail board for some or all of their coverage can easily find comparable coverage in the commercial markets. There are 22 commercial carriers and as the Sunset committee said, the rates of the commercial carriers in Montana are comparable to the rates in surrounding states. The advantage to the state of Montana would be that for the foreseeable future the general fund would earn approximately \$120,000 a year in increased income and the general fund would receive a one-time lump sum transfer of about \$3.5 million dollars, being the reserve account held by the state hail board.

Very truly yours,

A handwritten signature in black ink, appearing to read "Philip W. Strope". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

PHILIP W. STROPE



# WIFE Women Involved in Farm Economics

NAME JO BRUNNER BILL NO. SB 317

ADDRESS 563 1st ST. HELENA DATE March 4/83

REPRESENT WOMEN INVOLVED IN FARM ECONOMICS

SUPPORT X OPPOSE        AMEND       

## COMMENTS:

Mr. Chairman, members of the committee, my name is Jo Brunner and I represent the members of the Women Involved in Farm Economics Organization at this hearing today.

Mr. Chairman, the members of the W.I.F.E. organization wish to support SB 317 and to stress the importance we put on the continuance of the Hail Board. We feel it is a very necessary ingredient to the survival of a great many farmers who utilize it. We believe that it certainly does pay its way in the overall governmental process and that it certainly is not costly to the Taxpayers of Montana.

We are of the firm conviction that the State Hail Board is a great influence on private Hail Insurance companies in setting their rates and payments, and if it existed for no other reason, it would be beneficial to the producers of agriculture products in the state of Montana. We do realize that it is a baneficial and necessary program in its own right, coming into existence for our benefit and we ask that it be continued for the same reason.

Thank you.

*CHRIS JOHANSON - FARMERS UNION*



TED SCHWINDEN  
GOVERNOR

STATE OF MONTANA  
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR  
AGRICULTURE/LIVESTOCK BLDG.

CAPITOL STATION

HELENA, MONTANA 59620-0201

TELEPHONE:  
AREA CODE 406  
449-3144

KEITH KELLY  
DIRECTOR



Testimony of Keith Kelly  
before the House Committee on State Agriculture  
March 4, 1983

Mr. Chairman and Members of the Committee:

For the record, my name is Keith Kelly, Director of the Department of Agriculture and also I am a member of the State Board of Hail Insurance and serve as secretary for the Board by statute.

Mr. Chairman, the State Hail Insurance program was started in 1917 and the original legislation was carried by Senator Dan O'Shae of Carbon County which is my home county. This completely self supporting program was started at that time because private insurance was not available in several counties and the rates were so high in other counties farmers could not afford to insure. I and the Board feel these conditions could re-occur if the Board would be abolished.

The philosophy of the State Hail Board is to provide basic insurance to all producers at reasonable costs. While we write only 10% of the total insurance our value is in keeping private rates reasonable and competitive and insuring prompt and fair adjustments.

Senator Blaylock has presented you with the recent cost of production figures. I feel that the coverage should be increased as indicated by these figures and by the figures used in the Legislative Audit report. That is a decision this committee will have to make. Many of the producers tell our adjusters in the field that they would sooner have increased coverage to protect their basis cost rather than receive refunds.

In closing I would ask you to seriously consider the economic impact of the 2,500 producers who need this completely self supporting protection. I ask for your favorable action in increasing coverage and giving Senate Bill 317 a do pass.

dm



TED SCHWINDEN  
GOVERNOR

# STATE OF MONTANA DEPARTMENT OF AGRICULTURE

HAIL INSURANCE DIVISION  
AGRICULTURE/LIVESTOCK BLDG.

SIXTH AND ROBERTS

HELENA, MONTANA 59620

TELEPHONE:  
AREA CODE 406  
449-4762

KEITH KELLY  
DIRECTOR



## COST OF PRODUCTION IN MONTANA

The Co-operative Extension is up-dating the cost of production figures for wheat and barley in Montana in cooperation with the Wheat Research and Marketing Committee. The following of nine Montana Counties have been completed. The costs in most cases are determined after summer fallow and are figured with and without land costs.

<u>County</u>	<u>Cost for Winter Wheat</u>	<u>Cost for Barley</u>
Chouteau	\$146.01/acre	\$149.11/acre
Blaine	\$125.51/acre	\$127.71/acre
Cascade	\$131.91/acre	\$154.18/acre <sup>1/</sup>
Gallatin	\$153.88/acre	\$141.59/acre
Glacier	\$116.80/acre	\$125.44/acre
Judith Basin	\$141.06/acre	\$138.09/acre
Liberty	\$153.89/acre	\$148.96/acre
McCone	\$124.68/acre	\$135.51/acre
Phillips	\$142.54/acre	\$151.99/acre
Nine County Average	\$137.36/acre	\$141.40/acre

## Production costs excluding real estate costs

Chouteau	\$ 98.93/acre	\$102.03/acre
Blaine	\$ 91.05/acre	\$ 93.25/acre
Cascade	\$ 94.90/acre	\$117.17/acre <sup>1/</sup>
Gallatin	\$107.87/acre	\$ 95.58/acre
Glacier	\$ 82.88/acre	\$ 91.52/acre
Judith Basin	\$ 95.92/acre	\$ 92.95/acre
Liberty	\$118.46/acre	\$113.53/acre
McCone	\$ 93.26/acre	\$104.09/acre
Phillips	\$108.42/acre	\$117.87/acre
Nine County Average	\$ 99.08/acre	\$103.11/acre

<sup>1/</sup> Recrop Barley

Enclosed is an example of how the extension service computed their costs, one for barley and one for winter wheat.

dm

PER ACRE COSTS FOR WINTER WHEAT AFTER FALLOW IN CHOUTEAU COUNTY  
 BASED ON 480 ACRES  
 ORIGINAL STUDY MARCH, 1976; UPDATE JUNE, 1982

	PRICE OR COST/UNIT	QUANTITY	VALUE OR COST	MY FARM
1. RETURNS				
WINTER WHEAT	3.60/ BU.	35.00	126.00	_____
TOTAL			\$ 126.00	_____
2. VARIABLE COSTS				
SEED	4.60/ BU.	.83	3.82	_____
NITROGEN	.25/LBS.	6.00	1.50	_____
PHOSPHATE	.20/LBS.	28.00	5.60	_____
INSECTICIDE	7.00/ACRE	.10	.70	_____
CROP INSURANCE	5.00/ACRE	1.00	5.00	_____
2,4-D	11.71/GAL.	.13	1.46	_____
MISC EXPENSE	4.67/ACRE	1.00	4.67	_____
MACHINERY	16.54/ACRE		16.54	_____
TRACTORS	2.72/ACRE		2.72	_____
LABOR(TRACTOR & MACHINERY)	5.00/HOUR	1.05	5.23	_____
INTEREST ON OP. CAP.	.170/DOL.	16.75	2.85	_____
TOTAL VARIABLE COST			\$ 50.09	_____
3. RETURN OVER VARIABLE COSTS			\$ 75.91	_____
BREAKEVEN PRICE, VARIABLE COSTS	\$ 1.431/ BU.			_____
4. FIXED COSTS			\$	
MACHINERY	43.98/ACRE		43.98	_____
TRACTORS	4.85/ACRE		4.85	_____
TAXES (LAND & IMP.)	3.27/ACRE		3.27	_____
INTEREST ON LAND INVESTMENT	550.00/ACRE ( 7.0%)		38.50	_____
IMPROVEMENTS (INT,INS,DEP)	5.31/ACRE		5.31	_____
TOTAL FIXED COSTS			\$ 95.91	_____
5. TOTAL COSTS			\$ 146.00	_____
6. NET RETURNS			\$ -20.00	_____
9. RETURN TO LABOR AND MANAGEMENT			\$ -14.77	_____
10. RETURN TO LAND, LABOR, AND MANAGEMENT			\$ 23.73	_____
BREAKEVEN PRICE, TOTAL COSTS	\$ 4.168/ BU.			_____



PER ACRE COSTS FOR WINTER WHEAT AFTER FALLOW IN CHOUTEAU COUNTY  
 BASED ON 480 ACRES  
 ORIGINAL STUDY MARCH, 1976; UPDATE JUNE, 1982

COSTS LISTED BY OPERATION

MACHINE OPERATION	TIMES OVER	ANNUAL MACHINE HOURS	TRACTOR NUMBER	TRACTOR OWNER- SHIP	TRACTOR COSTS OPER- ATING	IMPLEMENT- OWNER- SHIP	OPER- ATING	LABOR COSTS	MATERIALS & SERVICE COSTS	TOTAL ANNUAL COSTS
ROCKPICKER	.310	.133	1.	1.81	.76	4.06	1.99	.81	.00	9.43
DRILL 12" SHOVEL	1.000	.119	3.	2.52	1.74	4.46	1.47	.72	10.92	21.83
SPRAYER SK400GAL	1.000	.043	10.	.31	.38	.50	.07	.26	1.46	2.98
COMBINE-D140HP	1.000	.176	SELF-PR.			22.69	4.76	1.06	.00	28.51
TRUCK(NEW)18FT		.260	N.A.			7.41	4.01	1.56	.00	12.98
TRUCK(NEW)18FT		.060	N.A.			1.71	.93	.36	.00	3.00
GR AUGER 8"X27"	1.160	.039	SELF-PR.			.41	.11	.23	.00	.75
GR AUGER FT08X53	1.160	.039	1.	.52	.22	.21	.09	.23	.00	1.28
PICKUP		.343	N.A.			2.22	2.74	.00	.00	4.96
SUBTOTALS, MACHINE OPERATIONS				5.16	3.10	43.68	16.16	5.23	12.38	85.71

INSECTICIDE										.70
CROP INSURANCE										5.00
MISC EXPENSE										4.67
INTEREST ON OPERATING CAPITAL										2.85

TOTAL COSTS(EXCLUDING REAL ESTATE COSTS)

REAL ESTATE COSTS PER ACRE

TAXES(LAND AND IMPROVEMENTS)										3.27
INTEREST ON LAND INVESTMENT(7% OF MARKET VALUE)										38.50
IMPROVEMENTS(INTEREST, INSURANCE, AND DEPRECIATION)										5.31

SUBTOTAL, REAL ESTATE COSTS

TOTAL COSTS PER ACRE

\$ 47.08

\$ 146.01

PER ACRE COSTS FOR BARLEY AFTER FALLOW IN CHOUTEAU COUNTY  
 BASED ON 120 ACRES  
 ORIGINAL STUDY MARCH, 1976; UPDATE JUNE 1982

	PRICE OR COST/UNIT	QUANTITY	VALUE OR COST	MY FARM
1. RETURNS				
BARLEY	2.25/ BU.	40.00	90.00	_____
TOTAL			\$ 90.00	_____
2. VARIABLE COSTS				
SEED	3.25/ BU.	1.00	3.25	_____
NITROGEN	.25/LBS.	6.00	1.50	_____
PHOSPHATE	.20/LBS.	28.00	5.60	_____
CROP INSURANCE	5.00/ACRE	1.00	5.00	_____
2,4-D	11.71/GAL.	.13	1.46	_____
MISC EXPENSE	4.79/ACRE	1.00	4.79	_____
MACHINERY	17.13/ACRE		17.13	_____
TRACTORS	4.18/ACRE		4.18	_____
LABOR(TRACTOR & MACHINERY)	5.00/HOUR	1.18	5.89	_____
INTEREST ON OP. CAP.	.170/DOL.	9.29	1.58	_____
TOTAL VARIABLE COST			\$ 50.38	_____
3. RETURN OVER VARIABLE COSTS			\$ 39.62	_____
BREAKEVEN PRICE, VARIABLE COSTS	\$ 1.259/ BU.			_____
4. FIXED COSTS			\$	
MACHINERY	44.67/ACRE		44.67	_____
TRACTORS	6.99/ACRE		6.99	_____
TAXES (LAND & IMP.)	3.27/ACRE		3.27	_____
INTEREST ON LAND INVESTMENT	550.00/ACRE ( 7.0%)		38.50	_____
IMPROVEMENTS (INT,INS,DEP)	5.31/ACRE		5.31	_____
TOTAL FIXED COSTS			\$ 98.74	_____
5. TOTAL COSTS			\$ 149.11	_____
6. NET RETURNS			\$ -59.11	_____
9. RETURN TO LABOR AND MANAGEMENT			\$ -53.22	_____
10. RETURN TO LAND, LABOR, AND MANAGEMENT			\$ -14.72	_____
BREAKEVEN PRICE, TOTAL COSTS	\$ 3.728/ BU.			_____

PER ACRE COSTS FOR BARLEY AFTER FALLOW IN CHOUTEAU COUNTY  
 BASED ON 120 ACRES  
 ORIGINAL STUDY MARCH, 1976; UPDATE JUNE 1982

COSTS LISTED BY OPERATION

MACHINE OPERATION	TIMES OVER	ANNUAL MACHINE HOURS	TRACTOR NUMBER	TRACTOR OWNER-SHIP	TRACTOR COSTS OPER-ATING	IMPLEMENT OWNER-SHIP	IMPLEMENT COSTS OPER-ATING	LABOR COSTS	MATERIALS & SERVICE COSTS	TOTAL ANNUAL COSTS
TOOL BAR	1.000	.097	3.	2.06	1.42	.40	.45	.59	.00	4.92
FLEXTINE HARROW	1.000	.097	(TANDEM)			.09	.05	.00	.00	.14
ROD ATTACH.	1.000	.097	(TANDEM)			.10	.06	.00	.00	.16
ROCKPICKER	.310	.133	1.	1.81	.76	4.06	1.99	.81	.00	9.43
DRILL 12" SHOVEL	1.000	.119	3.	2.52	1.74	4.46	1.47	.72	10.35	21.26
SPRAYER SK400GAL	1.000	.043	10.	.31	.38	.50	.07	.26	1.46	2.98
COMBINE-D140HP	1.000	.176	SELF-PR.			22.69	4.76	1.06	.00	28.51
TRUCK(NEW)18FT		.260	N.A.			7.41	4.01	1.56	.00	12.98
TRUCK(NEW)18FT		.060	N.A.			1.71	.93	.36	.00	3.00
GR AUGER 8"X27"	1.340	.045	SELF-PR.			.47	.12	.27	.00	.86
GR AUGER PTO8X53	1.340	.045	1.	.61	.26	.25	.10	.27	.00	1.48
PICKUP		.343	N.A.			2.22	2.74	.00	.00	4.96
SUBTOTALS, MACHINE OPERATIONS				7.30	4.55	44.36	16.75	5.89	11.81	90.67

CROP INSURANCE  
 MISC EXPENSE  
 INTEREST ON OPERATING CAPITAL

TOTAL COSTS(EXCLUDING REAL ESTATE COSTS)

REAL ESTATE COSTS PER ACRE

TAXES(LAND AND IMPROVEMENTS)  
 INTEREST ON LAND INVESTMENT(7% OF MARKET VALUE)  
 IMPROVEMENTS(INTEREST, INSURANCE, AND DEPRECIATION)

SUBTOTAL, REAL ESTATE COSTS

TOTAL COSTS PER ACRE

\$ 102.04

\$ 47.08

\$ 149.11

3.27  
 38.50  
 5.31

5.00  
 4.79  
 1.58

STATE BOARD OF HAIL INSURANCE

SB317  
3-4-83

1982 Hail Season Summary

Policies	2,138
Premium Charge	\$ 2,179,349.93
Risk	\$25,299,343.56
Dollar Losses Paid	\$ 1,230,694.46
Premium over Losses	\$ 948,655.47
Interest from Investments	\$ 393,122.58
Gross Income	\$ 1,341,788.05
3% to State & Counties	\$ 65,380.50
83 FY Operating Expense	\$ 153,260.00
40% Refund to Producers	\$ 871,739.97
To Investments for Reserve	\$ 251,397.58

# # # # #

65 YEAR SUMMARY INFORMATION

1917 - 1982 ----- TOTAL RISK \$388,018,214.37

Total Levy 65 Years	\$33,679,282.89
Total Losses paid 65 years	<u>\$25,315,237.98</u>
Levy over losses in 65 years	\$ 8,364,044.91
Total Refunds 65 years	\$ 5,111,197.04
Total in Reserves 1/14/83	<u>\$ 3,709,808.36</u>
Total	\$ 8,709,005.40

The reserve is money held in trust for producer to insure payment of losses in years that losses exceed the levy. This would have been refunded if not held in reserve.

Refunds & Reserves	\$ 8,709,005.40
Levy over Loss	<u>\$ 8,364,044.91</u>
Profit to producers (which is now part of the reserve, so in reality only \$3,252,847.87 is producer money)	\$ 344,960.49

BOARD OF HAIL INSURANCE

1. Reestablish the board and retain present board make-up.  
-- Page 2, Sec. 1, line 1; Page 6, Sec. 3, lines 17 to 22
2. Repeal the statutory requirement that board members must be selected from names submitted by farm organizations.  
-- Page 6, Sec. 3, lines 22 & 23
3. Require senate confirmation of board member appointments.  
-- Page 6, Sec. 3, lines 23 & 24
4. Repeal the statutory requirement that the board inform all farmers of the state hail insurance program through a brochure to be distributed with property tax assessment notices.  
-- Page 16, Sec. 6, line 17; Page 17, Sec. 6, lines 7 through 18
5. Increase coverage limits to \$30 per acre for dryland crops and \$60 per acre for irrigated crops.  
-- Page 18, Sec. 8, line 20 to line 25; Page 19 lines 1 to 6
6. Repeal the present statutory rate limits of 5-10 percent  
-- Page 19, Sec. 8, lines 22 through page 20 line 25  
  
and require the rates be based on historical loss ratios.  
-- Page 20, Sec. 9, lines 11 - 17
7. Increase the present statutory loss reporting deadline to 14 days.  
-- Page 25, Sec. 13, lines 10 through 18
8. Clarify statutes so that the Department of Agriculture has sole responsibility for hiring hail unit adjusters.  
-- Page 25, Sec. 14, lines 21 & 22
9. Clarify by statute the independent contractor status of hail unit adjusters.  
-- Page 25, Sec. 14, line 23  
  
-- Page 7, Sec. 4, line 20 through Page 12 line 6; Exempts adjuster from minimum wage and overtime law.  
  
-- Page 12, Sec. 5, line 7 through Page 16 line 16; Exempts adjusters from employee definition.
10. Repeal the statutory requirement that adjusters be selected from names submitted by farm organizations.  
-- Page 26, Sec. 14, lines 4 through 9
11. Repeal the statutory requirement that hail loss payments be paid in two parts.  
-- Page 29, Sec. 16, lines 2 through 15

SENATE COMMITTEE AMENDMENTS TO SENATE BILL #317

80-2-232

Increase the counties share of the levy from 1% to 2%

-- Page 24 line 24

Decrease State share of the levy from 2% to 1 1/2%

-- Page 25 line 6

These amendments increase the amount the Hail Board pays in lieu of taxes from 3% to 3 1/2% which is the same as private companies pay. It would increase the counties by \$21,683 to \$43,336. The State would receive \$10,841 less but in addition to the \$32,525 they receive from the 1 1/2% they also make a very substantial amount from interest on our treasury account.

80-2-243

They increased the bond amount from \$10 to \$25 in two places and from \$25 to \$50 in two places.

-- Section 15, Pages 26 - 27, lines 6, 8, 20 and 21

This is an inflationary increase and helps hold down disputed appraisals.

80-2-244

This increases irrigated hay from \$24 to \$48

-- Section 16, Page 29, lines 23 & 24

This ends discrimination against irrigated hay producers.

80-2-208

The Senate committee struck all of Section 8 from this bill so the law stayed the same at \$24 for non irrigated crops and \$48 for irrigated crops including hay.

-- Page 18 & 19

80-2-244

This also was amended to cut payments of losses from \$30 back to \$24 non-irrigated and from \$60 to \$48 on irrigated crops.

-- Page 29, lines 22 & 23

By striking ", and \$24 \$30 per acre on hay crops" inable irrigated hay to be insured at \$48 instead of being limited to \$24.

-- Page 29, lines 22 & 23





Governor Ted Schwinden

STATE OF MONTANA  
DEPARTMENT OF AGRICULTURE  
BOARD OF HAIL INSURANCE

W. Gordon McOmber  
Director of Agriculture

Jack Gunderson  
Administrative Officer

James W. Stephens (Chairman)  
Bozeman, Montana 59715

Adrien R. Long  
Wolf Point, Montana 59201

Thomas A. Deveny  
Billings, Montana 59106

E. V. "Sonny" Omholt  
State Auditor  
Helena, Montana 59620

**BUSINESS SUMMARY FOR 1982**

Total Risk Written .....	\$25,299,338.76
Premium Charge .....	2,179,349.93
Losses Paid .....	1,230,694.46
Policies Issued .....	2,138
Acres Insured .....	1,120,740
Average Acres Per Policy .....	524
Acres Reported Damaged .....	129,974
Losses Filed .....	523
Days With Hail .....	52
Loss Ratio .....	56.5%
Average Rate Charged .....	8.5%

**INVESTMENTS**

AMOUNT INVESTED	INT. RATE	MATURITY DATE	INTEREST RECEIVED
\$ 200,000.00 FLB	7.60%	04/20/87	\$ 15,200.00
350,000.00 Firestone			
Tire & Rubber	7.30%	10/15/01	25,550.00
2,509,529.21 STIP	*10.77%	Optional	270,295.19
\$3,059,529.21 TOTAL		TOTAL	\$311,045.19
INVESTMENTS		INTEREST RECEIVED	

\*Average Interest Rate for Amount Invested in Short Term Investment Pool (STIP)



## STATE BOARD OF HAIL INSURANCE.

## POLICIES RECEIVED

1982

Date

County	# of Policies	Amount	County	# of Policies	Amount
1. Beaverhead			29. McCone	241	\$248,304.53
2. Big Horn	14	\$ 10,640.10	30. Meagher		
3. Blaine	29	41,814.95	31. Mineral		
4. Broadwater	1	302.40	32. Missoula		
5. Carbon	1	910.69	33. Musselshell	8	12,381.60
6. Carter	10	8,081.86	34. Park		
7. Cascade	26	15,159.64	35. Petroleum	7	7,527.60
8. Chouteau	196	273,721.14	36. Phillips	52	40,688.57
9. Custer	13	12,001.92	37. Pondera	91	68,161.88
10. Daniels	22	12,254.20	38. Powder River	40	43,601.32
11. Dawson	68	53,528.40	39. Powell		
12. Deer Lodge			40. Prairie	64	51,506.59
13. Fallon	69	39,298.78	41. Ravalli		
14. Fergus	240	200,173.24	42. Richland	126	122,107.22
15. Flathead			43. Roosevelt	21	20,909.87
16. Gallatin			44. Rosebud	13	84,847.02
17. Garfield	81	90,065.39	45. Sanders		
18. Glacier	9	7,971.36	46. Sheridan	87	45,754.15
19. Golden Valley	23	29,830.85	47. Silver Bow		
20. Granite			48. Stillwater	12	12,300.01
21. Hill	74	78,924.87	49. Sweet Grass	1	691.20
22. Jefferson	2	1,127.52	50. Teton	175	134,888.57
23. Judith Basin	125	153,522.45	51. Toole	40	62,270.74
24. Lake			52. Treasure	2	1,479.17
25. Lewis & Clark	1	3,356.16	53. Valley	19	14,021.89
26. Liberty	108	129,954.67	54. Wheatland	11	26,411.90
27. Lincoln			55. Wibaux	11	13,031.19
28. Madison			56. Yellowstone	5	5,824.32
Total	1,112	\$1,162,640.59	Total	1,026	\$1,016,709.34
			Grand Total	2,138	\$2,179,349.93

Route 2 Box 2341  
Leviestown, Montana  
January 24, 1985

Mr. Gordon McOmber  
Director of Agriculture  
Helena, Montana

Dear Mr. McOmber:

I am a Montana farm wife. I am writing to you with regard to why it is imperative that the present legislative session make it possible for Montana farmers to continue to insure for hail loss with the state.

Before the hail board came into existence my father was farming in the Judith Basin and I can recall as a very young girl that our family incurred severe hail loss several times in those years.

Regardless of which private company my father was insured with, he could never get an adjustor to come to adjust his loss until several weeks after the loss had occurred and then these adjustors never adjusted the loss fairly. There was no other alternative for my father; he always had to bear most of the loss in spite of the high premiums he paid.

Just as soon as Montana organized to push through legislation which put the state into competition with the other independent insurance companies for the farmers' insurance business, these independent insurance firms began to "toe the line" with regard to fair adjustments and they continue to do so to this day.

But we farmers know that if the sunset regulations in

placed on the state hail board that Montana will regress again to the problems Montana's farmers had sixty years or more ago.

Our family has insured with the state for many, many years and I know our reason for wanting the state to remain in the hail insurance business would be the main reason why other farmers, who also insure with the state, would want this board to be retained.

Thank you for "hearing me out" and please forward my apprehension to anyone whom this might concern as this is an important matter to those of us in agriculture.

Sincerely yours,  
Mrs. Eddie Kolar

(You have my permission to use this letter in any way you wish to have us heard on this matter.)

RECEIVED  
MONT STATE DEPT  
AGRICULTURE 6201

JAN 26 1983

RECEIVED



# Montana Association Of Conservation Districts

7 Edwards  
Helena, Montana 59601  
Ph. 406-443-5711


Mr. Chairman, Members of the House Agriculture Committee:

I am Steve Meyer representing the Montana Association of Conservation Districts.

We support SB 401, but with one reservation. We feel that it is of vital importance for a complete record of all water rights and their transfers be kept on file for the information of local water users. This will be especially important for future years after the adjudication process is complete.

We do have some problems with subsection 3 on page 4. It appears that this section removes the Conservation Districts right to object to a water right transfer. This would mean that the district has no recourse to protect their water reservations from transactions that may have adversely affected their reservation over the past ten years. Because the district reservation is held in trust for future use, we must oppose any attempt that would limit our ability to protect our water reservation.

Thank you.

  
\_\_\_\_\_  
Steven R. Meyer  
Executive Vice President

AMENDMENTS TO SB 401

(Third Reading - Blue Copy)

1. Page 4, line 24 through line 9 on page 5  
Strike: subsection (3) in its entirety  
Insert: "(3) Failure to comply with the provisions of subsection 2 does not render a conveyance or a reservation of a water right void, but suspends the ability to use the right until the department has approved the proposed change. This subsection applies retroactively, within the meaning of 1-2-109, to conveyances of water rights made before [the effective date of this section]."

~~OFFICE~~ BILL NO. 4701  
Bureau Hyg-Per.  
 McDonaldson June 9

be it enacted by the legislature of the state of montana:  
 SECTION 14. Purpose. The purpose of  
 [Sections 1 through 6] is to facilitate the maintenance of a  
 reliable record of water right ownership on both the state  
 and local levels by requiring that water right transfers be  
 recorded with the county clerk and recorder and that the  
 county clerk and recorder notify the department and the  
 water court of each transfer recorded.

NEW-SECTION. Section 2. Definition. As used in Sections 1 through 6], "water right" means the right to use water as documented by a claim to an existing right, a permit, or a certificate of water right.

3. **WATER RIGHT TRANSFER** Section 3. Water right transfer

4. **CERTIFICATE.** (1) The chief water judge and the department

5. shall prescribe the form of the water right transfer

1 certificate.  
2 (2) The depa  
3 such forms to ea  
4 NEW SECTION.  
5 to a transfer of  
6 shall record with  
7 transfer certific  
8 (2) Except if  
9 that is served by  
10 or deed evidencir  
11 ~~there-are~~ if wat  
12 accepted for recd  
13 cate has been rec  
14 water rights are  
15 transfer certifi  
16 fact.

17                    (3)                    The coun  
18                    record of the wat

19 (4) The county  
20 water right transfer  
21 office of the chief wat.

23 NEW-SECTION. Section 5. Effect of ,  
24 failure to comply with [sections 1 through  
25 affect the validity or effectiveness of an ins.

AMENDMENTS TO SB 401  
Proposed by Water Court

Amend Section 4 as follows:

p. 2 lines 8 through 10 (subpart 1(a))  
replace lines 5 (beginning with "Except ..." through line 7.

and

lines 5 (beginning with "Except..." through line 7 re-  
plcae lines 8 through 10 as subpart 1(a), except that "real  
property" found now on line 8 be changed to "water right".

Testimony by  
ARTHUR F. SHAW  
Commercial Pollinator

March 4, 1983

I am Arthur F. Shaw, Bozeman, Montana, former Agronomist for the Montana Cooperative Extension Service, Montana State University, now a commercial pollinator with the leaf cutting bee, (*Megachile rotundata*) and servicing an alfalfa producer in the Forsyth area. It was during my career as an Extension Agronomist, and using my interest and influence that the leaf cutter was introduced into Montana by alfalfa seed producers. I have followed the progress of the introduced pollinator program and nearly 100 growers used this pollinator in 1981. Nearly 350 leaf cutter cell samples were analyzed by the laboratory at Montana State University during the 1981-82 season. Alfalfa seed yields have increased 3 and 4-fold on farm operations where an adequate number of bees are used.

The cell sampling program by the Montana Department of Agriculture is concluding its second season--that for 1982. The Department personnel, working with the Leaf Cutter Bee Committee of the Montana Alfalfa Seed Association, have recommended changes in the 1981 law which are being addressed here today. Members of the committee regret their inability to be present to testify here today because of their busy schedules, however, I was asked to appear and speak on their behalf and to respond to questions which you may have.

At the Annual Meeting of the Montana Alfalfa Seed Growers Association in Great Falls in January the current Leaf Cutter Bee Law was supported by a margin of 2 to 1--28 in support, 14 opposed.

Recommended changes include:

1. The definition for a "Commercial Pollinator". Up to now he has been considered a wild trapper but the nature of his operation is considerable different. This is my main interest and in working with a producer I play a very significant role in the care and management of the alfalfa seed crop from the beginning of the season to the end. Water management, weed and insect control are factors that affect pollinators as well as seed production.
2. In reporting the incidence of disease the recommendation to use "none detected" instead of disease-free is a more practical method of reporting based on the sampling techniques applied. It tends to lessen the incidence of liability as it is difficult to assure a "disease free" situation without an exhaustive and prohibitively expensive examination of each lot of cells.
3. The shipment, importation and holding of a lot of bee cells for sampling and cell testing purposes has presented problems since the inception of the program. The proposal to set up temporary locations for "holding" bee cells during the test period will be in the best interest of the industry.



4. The exclusion of the drilled boards from use in the state is necessary if Chalkbrood prevention and control systems are to work effectively. It is recognized that this may serve as a hardship with producers more interested in selling bees to out-of-state producers of alfalfa seed. Our interest in the program is to better serve and build the Montana Alfalfa Seed industry and to protect the health of our Montana Leaf Cutter Bees and to maintain their aggressiveness as a pollinator.

Drilled boards are mainly shipped into Montana from out-of-state suppliers--either manufacturers or possibly supplier/producers. Boards may be new, one or two years or possibly older, or they may be redrilled and sanded--who knows? The probability of chalkbrood or other disease or parasite introduction may be quite high--depending upon where or under what conditions the material may have been manufactured or stored. Manufacturers are located in areas where diseases and parasites currently prevent effective pollination with a concurrent increase in the leaf cutter bee population.

Further, the use of the solid drilled boards are contrary to the present law and our disease prevention and control programs, besides presenting many supervision and enforcement problems. Age of boards, their origin, their destination once in the state, their disappearance and accountability are situations which have arisen.

This concludes my remarks, except to ask that you study them carefully and respond favorably to the wishes of the seed producers who are diligently pursuing and improving their bee management systems. They need your help. Thank You!