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

March 12, 1983

The Agriculture, Livestock and Irrigation Committee meeting was called to order on the above date, in Room 415 of the State Capitol Building, at 1:00 p.m., by Chairman Galt.

ROLL CALL: All members present.

CONSIDERATION OF HOUSE BILL 545: Representative Rex Manuel, HD 11, told the committee that farming is a risky business. The last few years we are reading about bankruptcies and farmers loosing money to the grain dealers. Their profits have gone down \$3.8 million dollars. He said something has to be done to get the cash back to the farmer. Bonds take care of 2% of the They cost about 6 - 7% and the cost has to be passed situation. The bill is a self help bill paid by farmers with on to someone. a self imposed fee of 1/2 cent a bushel on wheat and 1/2 cent a 100 weight on barley. This must be a licensed grain dealer and grain means wheat and barley only. The Department of Agriculture would do the collecting and get 2% to finance their collection. The income of the investments would be committed to the account. Eighty percent of the losses of grain would be paid. The reason for the 80% is it would put more responsibility on the grain At 1/2 cent a bushel, this would add eight to nine hunddealer. red thousand dollars a year to this fund. There is a cap on the fund. If it got to \$10 million dollars, it would cease. It it goes below \$10 million dollars, it would start up again. If you had a contract on wheat, the price of the contract would be paid. He referred the committee to line 20, page 4. If there isn't enough money in this fund to pay the producers, they are not out.

Terry Murphy, Montana Farmers Union, said that by action of the Executive Board, taken in January, they are in support of the bill.

Fred Brown, National Farmers Organization, informed the committee that his organization feels this is one of the best attempts through the Legislature to solve the problem of farmers marketing their products and protecting them against losses. They formed something similar to this bill and it has worked very well. A number of organizations have gone bankrupt and people have lost lots of money, but their people didn't because it is a type of an insurance procedure. It uses money as a premium to buy the face value and money coming from that would go into a fund. They apply this to all commodities, including cattle, sheep, etc.

Jack Gunderson spoke representing himself and not the Department of Agriculture. He gave the committee some suggested changes for Representative Manuel's bill. Exhibit #1. He said he supported the bill but not with an additional checkoff on grain. He said the Wheat Commission already can levy up to 1 cent a bushel. He had talked to Representative Manuel about this and he thinks he would go along with it instead of not getting anything done. Mr. Gunderson thought we could come in with a program like this that doesn't cost the farmer anything additional. He said the idea

would have to be dressed up and written by a bill drafter. This was a 190 million bushel wheat crop and an 80 million bushel barley crop last year. They can go into this with a \$5,000 policy or a ten million dollar policy. He thought five million was sufficient. He thought they could leave it in a fund for any emergencies they may come into.

Jo Brunner, WIFE, supported the bill. Exhibit #2.

Curt Hanson, Montana Grain Elevator Association, said this is a unique bill where producers will assess themselves to pay for emergencies in the future. He supported Representative Manuel's efforts.

OPPONENTS:

Dave McClure, cattle and grain producer from Lewistown, said that with three bills, none were perfect. He had a few problems with this one. He didn't want to see the idemnity clause and felt it forgives the company for its indebtness.

Lary Erpelding, Montana Grain Growers Association, said some questions arrose in the last committee meeting that perhaps we are talking out of both sides of our mouth. First they supported it and now are not supporting. He said they don't have enough information. The grain growers do have to be protected. He thought the proposal of Jack Gunderson was interesting and it really requires further study because of the content of it. He questioned, under 545, why they should be paying for a problem they didn't create. He said President Bud Luethold was in Washington today. He had called on several of the Legislators here in reference to 545 and the five million dollars. He thought it would tempt legislators in the future to "top" into this fund. As 545 now stands, they are in favor of HB 673, the increase in licensing and filing.

There were no further opponents.

Senator Aklestad asked Representative Manuel to point out in the bill where this still makes grain companies liable as before. He feels we are taking all the responsibility.

Representative Manuel answered the Department of Agriculture has the right to go after them and take assets and return the assets to the producer.

Senator Aklestad - With the time lag and the \$800,000 - \$900,000 a year. It would take some time to bring this in.

Manuel - This is effective immediately on passage so that anything that sold would be collectable, but it would take a year to build up.

Aklestad - Why does your bill only cover wheat and barley and not sunflower or safflower?

Manuel - They are specialty crops. This makes the bill simple and it corresponds with the other bills.

Aklestad - What if grain was made January 28? Is that enough time?

Manuel - That is the cutoff date. You have to have a date to get your grains into the Department of Agriculture.

Aklestad to Brown, NFO - You stated the NFO has an existing insurance. Doesn't this make a triple check off for NFO members?

Brown - Organizations such as this, who have existing protection, would be exempt. They would not be protected under this bill and their program at the same time. They would be protected under their insurance program. If they chose to be under another marketing procedure, then they would be under this. It is in Section 7. That would be an incentive for other organizations to do this on their own instead of the government doing it for them all the time.

Graham - If you have wheat in three year storage program, are you charged a fee on that?

Manuel - The ASC office can charge you. It is up to you to sign a waiver.

Graham - Are we going to be charged on wheat we have taken a government loan on.

Manuel - It isn't your wheat. You have delivered it to the government.

Gunderson - When you take out a government wheat loan they take out the 1/2 cent, or whatever, so you have paid it to the government.

Boylan - How many dollars were lost by Coast Trading to the people of Montana?

Kelly - Under Coast Trading, \$3.7 million was an approximate estimate. With the bonding limits \$200,000 was covered so it came to around 3.2 million.

Galt - Have you ran your idea through the Wheat Commission?

Gunderson - Not directly. It was shown to Mr. Epelding and he favored it.

Conover - On the 1/4 cent government loan, in the bill the collection agencies are the elevators. If you take a government loan you don't pay the 1/4 cent until it was delivered to the elevator.

Gunderson - It would go like the wheat assessment. You only pay the assessment once, you never pay it twice.

In closing, Representative Manuel told the committee that the insurance is really interesting. The thing wrong with the bill is that during the first two or three years there isn't much money in there. If they could buy an insurance policy they wouldn't be in too much trouble. He thought this should be amended into the bill so that they can buy an insurance policy, but he didn't think the Wheat Commission should be in this. He said the Department of Agriculture should have the right to collect the money as they are responsible to the Legislature. Regarding the money being robbed by the Legislature, he said the hail fund was still going strong so we shouldn't worry about it. As far as the grain growers not supporting this bill, he realized they are trying to pull 1/2 cent out of the farmers, but this is a high priority item and cash means a lot more than what they are doing now.

Senator Galt suggested a get together with the Legislative Researcher regarding the amendment.

Hearing was closed on HB 545.

CONSIDERATION OF HOUSE BILL 673: Representative Dennis Iverson, HD 9, reminded the committee about what happened when Coast Trading went down. Because of that, they determined there are only four major areas that can be addressed. First, the bond was inadequate; second - audits; third - they should look at some type of security and fourth - idemnification. Donaldson's bill deals with lien laws. This is essentially a Department bill. It deals with bonding and audits. The bill is thick because the Department ordered all the statutes regarding warehousing. Prior to executive action, Representative Iverson said he would provide a handout showing where to look for changes. This bill establishes a better audit procedure in reference to licensing. There is an increase in fees and further additional FTES are necessary. He said we are looking at an increase of \$66,000 the first year and \$60,000 the second. They raised the bond level to a million dollars. The lower limit of \$20,000 establishes a newer catagory of business. This bill creates a new category, a commodity dealer, to include the dealer selling out of his truck.

Keith Kelly, Department of Agriculture supported HB 673 saying they should be able to work it through with operators and grain growers large and small. The whole reasoning it was brought about was; first - Coast Trading; second - the evolution taking place in grain merchandising in Montana. There are more branch lines and a rise of grain terminals in the State of Montana. Large amounts of grain are being shipped and changing the way grain is marketed in Montana. He pointed out the general comparisons in Exhibit #3. He said one company, in Montana, would be up to the 2 million dollar level. There are some questions about financial statements. They need a financial statement for the commodity dealer. Right now they have no way of knowing if out of state truckers are reputable. An option should still be available but he felt they should be paid on demand. It is their estimation that 25-30% of outstanding indebtedness would be covered

under their licensing and bonding procedures at this time.

Curt Hanson, Montana Grain Elevators Association, said the elevator dealers asked for HB 673. They support it and commend the Department of Agriculture for the many hours they have put into it. He said all of their questions have been answered and they believe this is long overdue.

Lary Erpelding, Montana Grain Growers Association, was in favor. The Grain Growers Association feels it is the most attractive solution to the problems it faces at this time.

Ken Saginaw, independent owner and operator in Western Montana, said he feels this is long due. Of the 3.7 million dollars lost, it was not all lost by producers. It was also lost by owners like him. He urged support.

Dave McClure, Lewistown, Montana Farm Bureau, said he had sat in on the meetings. They went through all the information and he supports what the people ahead of him said. Being licensed by the State should mean something to them. He thinks it will go a long way in correcting the problems. He wanted to draw attention to page 54, section 67, last line; appealing to Department. In the past that has been 10 days. He questioned whether five days were long enough to get the appeal in during harvest and on through the mails. He wondered if the schedule, in case of bankrupt^Cy, should include something that gives grain producers first in right. He suggested that perhaps something could be inserted to give grain producers something.

Jo Brunner, WIFE, was in favor. Exhibit #4.

Terry Murphy, Montana Farm Bureau, was in support. It was adopted by delegates in October 1982. The Montana Farmers Union supports adequate licensing for storage and the bonding.

Fred Brown, NFO, was in support. They feel this bill, in conjunction with HB 545, would give very good coverage.

OPPONENTS: None

Iverson, in closing, had a question about the potential amendment on page 54 changing it from 5 to 10 days on line 25. The new section covers old language and he thought that is what the act says now. He said there were four potential problems. This answers two quite adequately.

DISPOSITION OF HOUSE BILL 349: Anne Brodsky, Legislative Council, presented amendments, Exhibit #5. They set up a new feature in the bill and she said the Title is broad enough to include this. There were two points she would like to make under Section 17 in the new amendments. It authorizes conservation districts to adopt rules and she suggested it be put "according to the Montana Administrative Procedures Act." In the amendments to authorize supervisors' votes, it was thought a majority of supervisors, or that they must agree unanimously should be inserted.

Senator Gald said Rosebud county is the only one financially able to get into this now.

Ray Beck said they sent in a request to the Department for legal advice. They may not be able to set up their loan program and they thought it was important to amend the bill to include this. It just more or less sets up authority and sets up the loan program through them for working together with the attorney to draw them up. They agree with Anne's suggestions.

Senator Conover moved to adopt the amendments with Anne's suggestions, and to put "majority" in everything pertaining to the vote of supervisors. Motion carried unanimously.

The Statement of Intent, Exhibit #6, mostly cleans up the law. At this time they won't be paid for special projects. This lets them be paid.

Senator Lee moved the Statement of Intent to HB 349. Motion carried. For the record, Senator Ochsner voted No.

Senator Conover moved HB 349, as amended, with the Statement of Intent <u>BE CONCURRED IN</u>. Motion carried. For the record, Senators Aklestad and Ochsner voted No. Senator Conover will carry the bill.

DISPOSITION OF HOUSE BILL 662: Senator Kolstad moved HB 662 BE NOT CONCURRED IN.

Senator Conover made a substitute motion that <u>HB 662 BE CONCURRED</u> IN.

Senator Kolstad didn't think this bill was necessary. It was changing the entire consent of it. It was introduced in 1981 to take care of a serious problem in Flathead. The problem was corrected. He thought it was unfair thinking any irrigation district in the State can go in and operate a project. The local area has to absorb all the impact of it and it is not a fair bill.

Graham - Then you feel one district can have it and no one else can have it.

Kolstad - When the project was first built over there they had about 12,000 acres they planned to irrigate. The Big Sandy irrigators voted to irrigate 960 acres. This has nothing to do with this ditch. The ditch isn't even in this thing. It just lets an irrigation district to go out of its district to generate power.

Boylan - There seems to be a problem of transporting water over into another area to boost the water supply in dry years. The main problem is to transfer water to boost their supply of water. They want to use the power generated to pay for water used.

A Roll Call Vote that <u>HB 662 BE CONCURRED IN</u> was called for. There were 5 yes and 4 No votes. Motion carried. Senator Etchart will carry the bill on the floor.

DISPOSITION OF HOUSE BILL 515: Senator Lee moved the amendments one page 6, lines 21 and 22: "strike "attempts to kill or wound by any method". Motion carried.

Senator Aklestad moved HB 515, as amended <u>BE NOT CONCURRED IN</u>. A Roll Call Vote was taken and there were 7 Yes and 2 No votes. Motion carried. Senator Aklestad will carry the bill.

RECONSIDERATION OF HOUSE BILL 515: Senator Lee moved to reconsider HB 515. He would like to transfer this over to Fish and Game. He did not think this bill was much different than the bill heard the other day whereby the State claimed water. Now he felt they had claimed the animals but didn't want the responsibility for it. He said we have a good bill and he felt the Fish and Game Committee should look at it.

Roll Call Vote on Senator Lees Motion to Reconsider HB 515 was taken. There were 6 Yes and 3 No votes. Motion carried.

There being no further business, the meeting adjourned.

Jack E. Ğalt, Chairman

ROLL CALL

AGRICULTURE COMMITTEE

48th LEGISLATIVE SESSION - - 1983 Date 3-12-83

NAME	PRESENT	ABSENT	EXCUSED
GALT, Jack E.	L		
KOLSTAD, Allen C.			
AKLESTAD, Gary C.	V		
OCHSNER, J. Donald			
GRAHAM, Carroll	~		
BOYLAN, Paul F.	~		
CONOVER, Max	L		
LANE, Leo	i		
LEE, Gary			

Each day attach to minutes.

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SENATE <u>Agriculture</u> COMMITTEE

BILL 673

VISITORS' REGISTER

DATE 3-1883

(check one) SUPPORT BILL # NAME REPRESENTING OPPOSE WI.FE. 673 unne MGGA TP ELDING 673 ALE Independent Flerody 473 Western Secon Scyples ille 673 Tenemralle Last Fred £1.7 6-> Jare M Form Parera 67 3 6 RAI 2 hepey dent any a ann una 173 Fan Mr. 673 200 SCHASTER 613 MT JEAIN SSOC KEITL KELLY DEPT AGRICHITHRE! 673 24 1

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

	SENATE	Agriculture	COMMITTEE	
BILLSVS		VISITORS'	REGISTER	1

DATE <u>3-/2-83</u>

(check one) SUPPORT BILL # REPRESENTING OPPOSE NAME W.I.FE. 541 6 myself underin 5715 L Ľ LRPELDING 545 1 Farmer - 50/f 545 R BROWN L NATL FARMER'S ORG 545 545 0 Farmers Union MJ. ii

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY

Exhibit #1 Assical.

HOUSE BILL NO. 545 INTRODUCED BY MANUEL, MENAHAN

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A GRAIN INDEMNITY FUND, BOND OR INSURANCE POLICY TO PROVIDE PARTIAL REIMBURSEMENT TO A GRAIN PRODUCER WHO SUFFERS A LOSS BECAUSE OF A GRAIN DEALER'S BANKRUPTCY OR A GRAIN DEALER'S WRONGFUL DISPOSITION OF GRAIN DELIVERED TO HIM; PROVIDING FOR THE MONTANA WHEAT RESEARCH AND MARKETING COMMISSION TO USE 2 1/2 MILLS OF THE ASSESSMENT ON WHEAT AND BARLEY; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Definitions

Section 2. The Montana Wheat Research & Marketing Committee may use 2 and 1/2 mills of the assessment collected on all Montana Wheat and Barley to provide reimbursement to a grain producer who suffers a loss because of a licensed grain dealer's bankruptcy or a grain dealer's wrongful disposition of grain delivered to him.

The Montana Wheat Research & Marketing Committee may purchase a bond, insurance policy or set up a seperate fund to carry out this act. A bond or insurance policy may be for up to \$10,000,000. If the cost of bond or insurance policy is prohibitive in cost in their judgement, a seperate fund may be established within the Montana Wheat Research & Marketing Committee to indentify any producer who has contributed to the account up to 90% of any loss suffered under this act. Any such account shall not exceed 5 million dollars.

If federal legislation is enacted that will make the need for this act unnecessary any funds in such an account will be used to reduce future assessments or in the Committee judgement may be held in reserve for research, marketing or transportation emergencies.

Payment for losses under this act shall be made only after all other bonds or protection have first been applied.

Grain in storage in any approved and licensed storage facility is covered by this act if still owned by the producer.

The Montana Wheat Research & Marketing Committee may write necessary rules under the Montana Administrative Procedure Act to implement this act.



 WIFEWomen Involved in Form Economics

 HANG______JO BRUNNER
 BIAL NO.___HB_545______

 ADDRESS_______SON DA ST_______
 March 12

 HEPRESENT________
 WOMENT________

 SUPPORT_______X
 OPPOSE________

COMMENTE:

Mr. Chairman, members of the committee, my name is Jo Brunner and I represent the members of the Women Involved in FarmEconomics organization. We rise in support of Hb 545.

Mr. Chairman, this is an effort by the agriculture producers to provide a means of protection a growing disease in our industry. Through various means, over the years, grain producers have lost control of thier products, once they leave our trucks. Grain that we have recieved no payment far is used as collateral by the buyers. And because of the condition of our economy, particularly the condition of the economy of agriculture, many of our grain purchaseing organizations and businesses are going bankrupt or are in great financial difficulties. And because, again, of laws that agriculture is immediately effected by, but which we have no control over, our producers are suffereing greatly. We look on this bill as a self-fufficient way for our producers to protect ourselves from such failures.

We are in accordance of the exemption for an organization or marketing means that is already in existence.

Agric Ex # 3 31/2/83

Grain Examiner Justification Statement; 1/27/83

"Agricultural Warehouse, Commodity Dealer and Grain Standards Act".

Introduction:

The department has developed proposed legislation that would strengthen the state's position in monitoring/enforcement activities related to public warehousing and the buying of agricultural commodities. Recent bankruptcy issues such as those caused by Coast Trading Company have forced the department to re-evaluate its current position in relationship to the protection of farmers who store or market grain in Montana. The intent of the proposed legislation is not to control poor management but rather legislate certain requirements whereby the department may be in a position to prevent heavy producer loss as a result of bankrupt companies. It is generally recognized across the nation that high interest rates, slow economy and changing transportation modes are having an impact on or are provoking financial problems for many grain companies. Problem areas such as poor management, inadequate record-keeping, possible diversion of funds, future market speculation, and delayed price contracts all contribute to factors that may lead to bankruptcy situations.

Montana public warehouses and grain dealers facilities in Montana have a storage capacity of approximately 55 million bushels. There are approximately 360 licensed facilities in Montana that support a grain industry grossing over 770 million in 1982. The above 770 million does not include commerce in agricultural seed, mustard/oil seed crops, or dry beans.

The following is a comparison between the functions under the existing warehousing/grain merchandising laws and the functions under the proposed legislation.

Existing Statute

Budget

Present budget approximately \$18,000 used mainly for the administration of licensing, report review, limit enforcement, general fund; .75 F.T.E.

Warehousing

1. Bonding

Warehouse capacity determined by applicant; no department verification.

<u>Examinations</u>(Records/facility)

Only if a complaint is registered;

Proposed Statute

Budget

Project revenue FY '84 - \$66,702 FY '85 - \$60,015

Supports 2 additional F.T.E. for examination of warehouse/buyer facilities; general fund, reduce 2 F.T.E. in grain standards bureau

1. Bonding

Department examiner cross check to verify correct bushel capacity/ verification bond amount.

2. <u>Examination(Records/facility)</u>

Routine scheduled visitation

2. Examinations (continued)

no uniform procedure utilized; no standardization

3. Warehouse Receipts

No uniform warehouse receipt. grain warehouse receipts are cosss utilized; seed uses grain, etc., problem area

4. License Required/Posting

Occasionally check for:

- (1) Public Warehouse license
- (2) Grain Dealer/Trucker
- (3) Track Buyer
- (4) Agent/Commission
- (5) Seed Warehouseman
- (6) Seed Buyer
- (7) Seed Dealer
- (8) Mustard Dealer
- (9) Bean Warehouse
- Assist in examining other Division functions

 --no personnel available

Commodity Buying

1. Bonding

Amount of business conducted determined by applicant

2. Examinations(Records/facilities)

Review only if a complaint is received. No field investigation No uniform examination procedures established

3. Trucker Licenses

No enforcement on grain dealer/ truckers

4. <u>Cooperation with other agencies</u> Limited 2. Examinations (continued)

specific format; standardized
with CCC warehouse examiners

3. Warehouse Receipts

Establish 1 warehouse receipt system; strengthen credibility of warehouse receipt

4. License Required

Annual check for: (1) Warehouse license (2) Commodity Buyer license Routine check for: posting of placards for: storage charges, official grade information, prohibiting delivery of toxic substances

- 5. Assist Division in examining other Division areas:
 - (a) Seed cleaning equipment
 - (b) Possibly feed tonnage collections
 - (c) Possible fertilizer tonnage
 collection
- 1. Bonding

Require financial statement verified by department personnel

2. <u>Examinations(Records/facilities)</u>

Establish routine review; develop uniform examination procedures to deal with complaints on deferred contracts.

3. Commodity buyer

--Establish uniform procedure to monitor truckers--(cooperate with G.V.W.)

4. <u>Cooperation with other agencies</u>

Additional personnel would allow for more cross-utilization on grain movement reports, etc.

2/14/22

H. B. 673 "Agricultural Warehouse, Commodity Dealer and Grain Standards Act"

Introduction:

The department has developed proposed legislation that would strengthen the state's position in minotirong/enforcement activities related to public warehousing and the buying of agricultural commodities. Recent bankruptcy issues such as those caused by Coast Trading Company have forced the department to re-evaluate its current position in relationship to the protection of farmers who store or market grain in Montana. The intent of the proposed legislation is not to control poor management but rather legislate certain requirements whereby the department may be in a position to prevent heavy producer loss as a result of bankrupt companies. It is generally recognized across the nation that high interest rates, slow economy and changing transportation modes are having an impact on or are provoking financial problems for many grain companies. Problem areas such as poor management, inadequate record-keeping, possible diversion of funds, future market speculations, and delayed price contracts all contribute to factors that may lead to bankruptcy situations.

The following is a comparison between the existing warehousing/grain merchandising laws and the proposed legislation.

GENERAL COMPARISONS

Existing Statute

Consolidation

Chapter 4, Grain Standards, Storage and Merchandising

Proposed Statute

Consolidation

Combine various parts/sections into the "Agricultural Warehouse, Commodity Dealer, and Grain Standards Act"

Ex#3

- Chapter 3, Part 5 Bean Storage
- Chapter 5, Part 2, Seed Dealers/ Processors and Warehousemen
- Chapter 4, Part 3, Commercial Mustard Standards and Merchandising

Budget

Present budget, approximately \$18,500, used mainly for administration of licensing program

Revenue

Budget

FY '84 - \$66,702 FY '85 - \$60,015 Request 2 FTE

Revenue

Grain licenses	\$ 6,929.00	Projected revenue -	\$50,000 to \$60,000
Seed licenses	10,405.00		
Bean dealers	100.00	,	
	\$17,434.00		

Penalty

Misdemeanor - not less than \$100 or more than \$500 or imprisonment in jail not less than 30 days or more than 6 months

Penalty

Felony - not more than 10 years, or by fine of \$10,000 or both

Misdemeanor - not to exceed 6 months or by a fine of not more than \$1,000 or



Existing Statute

License fee

Grain merchandising	\$20.00
Seed warehousing/dealer	35.00
Bean warehousing	20.00
Mustard	10.00

The above license allows warehousemen to act as grain/seed/mustard/bean dealers

Proposed Statute

License fee

Warehousing - graduated according to capacity in cwt. License required for each facility

<u>Rate</u>	Capacity
\$ 25	0 - 25,000
50	25,001 - 50,000
75	50,001 - 125,000
100	125,001 - 250,000
125	250,001 - 375,000
150	over 375,000

Surety bond

Warehousing - cwt capacity; 20¢/ cwt up to 50,000 cwt 15¢/ cwt for next 500,000 cwt 10¢/ cwt over 1,000,000 cwt Minimum bond - \$20,000 Maximum bond - \$1,000,000 Net asset of \$10,000

Surety bond

Warehouse - bushel capacity

Financial Statement

Warehouseman - non required

Financial Statement

Warehouseman - required prepared by a licensed accountant

COMMODITY DEALER

Existing Statute

Proposed Statute

License fee

Grain merchandising	\$20.00
Seed warehousing/dealer	35.00
Bean warehousing	20.00
Mustard	10.00

The above license allows warehousemen to act as grain/ seed/mustard/bean dealers. License fee

Commodity Dealer - graduated according to volume of business conducted in a license year (cwt)

Rate	
per facility	Cwt
\$ 25	0 - 25,000
50	25,001 - 50,000
75	50,001 - 125,000
100	125,001 - 250,000
125	250,001 - 375,000
150	over 375,000

COMMODITY DEALER

Existing Statute

Surety bond

Grain dealer/trucker/agent/ commissionam - flat \$20,000 actual coverage per bushel 27¢ to 13.7¢

Financial Statement

Commodity - not required

Credit-Sale Contract

No provision

Payment of Purchase Price

No provision

Proposed Statute

•Surety bond

Commodity Dealer - Minimum 2% (unless set by rule) of the value of agricultural commodities pruchased in 12 month period. Minimum bond - \$20,000 Maximum bond - \$1,000,000 Net assets - minimum \$50,000 or a minimum of \$10,000 plus an additional bond to \$50,000

Financial Statement

Commodity Dealer - required prepared by a licensed accountant

Credit-Sale Contract

Commodity Dealer - required

Payment of Purchase Price

Commodity Dealer - must pay 90% upon delivery and demand; remaining 10% not later than 30 days after delivery unless other arrangements are made.

GRAIN STANDARDS

Existing Statute

Protein testing

Protein test required unless stated in writing by owner Proposed Statute

Protein testing

Owner must request a protein test in writing

WASHINGTON

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and a second second

by JON SCHEID



protect the farmer in cases of grain elevator bankruptcies have been in Congress for more than a year, but have failed to gain passage by both houses. Sen.

Proposals

Robert Dole has introduced a measure in the Senate, and seen it approved four times. However, the House Jaciciary Committee, headed by Rep.-Peter Rodino, has balked at reporting containing any major changes in the bankruptcodes.

Terhaps because this has been going on for some time, the House Agricult Committee has formed an ad hoc s committee specifically on grain elevator bankruptcies which some suggest is an attempt to put pressure on the ctant congressmen.

the opening of the ad hoc committee's first meeting last week, Rep. F''' Emerson of Missouri, who hims f has introduced legislation on the kruptcies, said that while there are sever good ideas as well as legislat mready suggested, "... we do s n to have to overcome the greatest costacle we faced last year — establishing that there is indeed a probb a."

I he subcommittee chairman, Rep. Dan Glickman of Kansas, said the problem has special importance now in 1 at of the payment-in-kind program. Farmer's lack of protection in an elevator failure could shake his confid'ince in the entire marketing and credin ystems. "If this (PIK) program is thave a chance of working," Glick man said, "farmers must have corr cuce in the elevators where cumodities are stored."

man said, "farm. ince in the elevators nmodities are stored." **The hearing focused** or measure to receive of st attention, and the strain called for the estrain would builtion. He nucked the committee to duced by R and the committee mocrat froging the strain to a measure in the strain multion. He nucked the committee to the strain would mocrat froging the strain to a measure in the strain to a measure in the strain to a measure in the strain morat froging the strain to a measure in the strain morat froging the strain to a strain the strain the strain to a strain the strain the strain the strain the strain to a strain the strain

would be cost effective and would be supported by the producers whe mately foot the bill and by the grain industry which would collect and forward the assessments."

ASCS deputy administrator Ed Hews told the committee that about 80% of all commercial storage is under contract through the Uniform Grain Storage Agreement. As such, the elevators are already being watched over by the Commodity Credit Corp. through the react task force. He added that the task force is currently concerned about 29 elevators out of the 4,500 under USGA contracts.

Representatives of the National Association of Wheat Growers and the American Farm Eureau Federation both said the insurance program would be too expensive. Further, John Armstrong of the Farm Bureau told the committee, government actions and involvement "are not the panacea for all our problems." Besides, he said, such a program may "encourage unsound management decisions by elevator operators," and grain producers do not want that degree of protection. Instead, they believe current law is fair only in that their property can be considered part of the assets of the elevator following a bankruptcy.

The other specific measure mentioned by many of the witnesses was introduced by Rep. Emerson and is very similar to the Senate measure. His bill would speed the abandonment of grain held by a bankrupt elevator, make valid warehouse received i scale time

WIFE Women Involved
NAME JO BRUNNER
ADDRESS 563 3rd ST HELENA
REPRESENT WOMEN INVOLVED IN
SUPPORTOF
TTS: mairman, members of the committee, my eent the members of the Women Involve airman, we wish to support the passa ognize that this is not a final solu- ming more and common in our industry inion that this will be beneficial to not beleive that it will be harmful financial condition. We do Reco. Ex Elevator basinesses may inform is a great concern. If Concurs with HB 673

... "Hell has no fury like a woman scorned".

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Ex#5 Agrie.

AMENDMENT TO HB349 (Third Reading - Blue Copy)

- 1. Page 1, line 6
 Following: "LAWS;"
 Insert: "TO ESTABLISH A CONSERVATION PRACTICES LOAN
 PROGRAM;"
- 2. Page 1, line 7
 Following: "76-15-319,"
 Insert: "76-15-501,"
- 3. Page 1, line 8
 Following: "76-15-502,"
 Insert: "76-15-512,"
- 4. Page 1, line 8
 Following: "76-15-523,"
 Insert: "76-15-524, 76-15-527_r"
- 5. Page 8 Following: line 10 Insert:

"Section 11. Conservation practices loan program. (1) A conservation district may establish and administer a conservation practices loan program pursuant to [sections 11 through 17 of this act].

(2) Conservation practice loans may be made to land occupiers who are agriculture producers within the exterior boundaries of the district. The conservation practice must be constructed, operated, developed, and maintained within the district.

(3) A conservation practice is the construction, operation, development, or maintenance of erosion control and prevention operations, works of improvement for flood prevention, and the conservation, development, utilization, and disposal of water within the district in furtherance of the purposes and policies of this chapter. Conservation practices include those practices pertaining to acceptable land use conversion as determined by the district supervisors with the advice of the United States soil conservation service.

Section 12. Conservation practices loan account. (1) The supervisors of the district may allocate a portion of the regular assessment for each fiscal year to a segregated and separate conservation practices loan account within the agency fund of the district maintained in the treasury of the principal county for the purpose of providing funds for conservation practices loans.

(2) Conservation practices loan repayments of principal and interest and administrative fees or charges for loans shall be deposited to the conservation practices loan account. (3) The funds in the conservation practices loan account may be used for conservation practices loans and for the administrative expenses of a conservation practices loan program.

Section 13. Application for a loan. (1) An application for a loan must be in the form prescribed by the district supervisors and contain or be accompanied by any information necessary to adequately describe the proposed conservation practice and necessary for evaluation of the proposed conservation practice under the criteria set out in [sections 14 and 15 of this act].

(2) The application must include a **method second and** conservation plan, which may be prepared in consultation with the United States soil conservation service.

Section 14. Eligibility for conservation practice loans. A district may not award a loan to a land occupier to finance a conservation practice unless the district supervisors find, based on the application and the supervisors investigation and evaluation of the proposal, that:

(1) the conservation practice will be economically feasible;

(2) the conservation practice will comply with statutory and regulatory standards protecting the quality of resources such as air, water, land, fish, wildlife, and recreational opportunities;

(3) the applicant has adequate financial resources to construct, operate, develop, and maintain the conservation practice. The district supervisors shall consider financial resources from any source for which the applicant has qualified, including a conservation practice loan; and

(4) the applicant is credit-worthy and able and willing to enter into a contract with the district for loan repayment and construction, operation, development and maintenance of the proposed conservation practice.

Section 15. Criteria for evaluation of loan applicants - preferences. (1) The district supervisors shall apply the following criteria in ranking applications for conservation practice loans that are eligible for funding under [section 14 of this act]:

(a) the extent and desirability of the conservation need and resource benefit as determined in the district annual and long-range plans;

(b) the feasibility and practicality of the project;

(c) the number of related resources that will benefit, including but not limited to water quality, wildlife habitat. and recreation;

(d) the extent and desirablility of associated public benefits in addition to any private benefits the project or activity may provide; and,

(e) any other factor that, in the district supervisors' judgment, is important to the evaluation of the conservation practice in light of the purposes, policies, and objectives of this chapter. (2) among proposed conservation practices that are otherwise substantially equal in ranking for loans, a district shall give preference where:

(a) the applicant has not previously received a conservation practices loan; or

(b) the application is for a group or cooperative conservation practice.

Section 16. Terms and conditions of conservation practice loans. Conservation practice loans are subject to the following terms and conditions:

(1) The district shall obtain such security interest in real estate that a reasonable careful and prudent lender would.

(2) The term of the loan shall not be greater than the life of the project, but in no case shall exceed 30 years.

(3) A current appraisal of real estate offered as security and a committment for title insurance on that land will be secured by the borrower at his expense. All costs, other than administrative costs of the district, incident to the loan and loan closing must be paid by the borrower.

(4) Conservation practices must be completed according to United States soil conservation service standards and specifications, if applicable.

Section 17. Rules. The district shall adopt rules:

(1) prescribing the form and content of applications for loans and the required resource conservation practice plans;

(2) governing the application of the criteria and preferences for awarding loans;

(3) providing for the servicing of loans, including arrangements for obtaining security interests and the establishment of reasonable fees or charges;

(4) providing for the confidentiality of financial statements submitted;

(5) prescribing the conditions for making loans;

(6) establishing the interest rate for the loans; and

(7) determining the type and amount of security interest in real estate that will be accepted and any conditions upon the security interest.

Section 18. Section 76-15-501, MCA, is amended to read:

'75-15-501. Financial management. A conservation district and the supervisors thereof shall have the power to:

(1) borrow money and incur indebtedness and issue bonds or other evidence of such indebtedness;

(2) also refund or retire an indebtedness or lien that may exist against the district or property thereof;

(3) fix and revise as necessary and collect rates, fees, tolls, rents, or other charges for the use of or for

services, facilities, and materials furnished or provided, and revenues from these sources may be expended in carrying out the purposes and provisions of this chapter;

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(4) cause taxes to be levied in the same manner provided for in this part for the purpose of paying any obligation of the district and to accomplish the purposes of this chapter in the manner herein provided;

(5) apply for and receive federal revenue sharing funds in order to carry out the purposes and provisions of this chapter;

(6) establish a conservation practices loan program pursuant to this part.'

Section 19. Section 76-15-512, MCA, is amended to read:

'76-15-512. Expenses to be covered by estimate. The total amount of the estimate shall be sufficient to raise the amount of money necessary during the ensuing year to pay the incidental expenses of the district and to fund a conservation practices loan program in those districts having elected to establish such a program.'

Section 20. Section 76-15-524, MCA, is amended to read:

'76-15-524. Receipt and crediting of district funds responsibility on bond. The treasurer of the principal county shall receive and receipt for all county tax money of the district, all loan repayments and administrative fees or charges under a conservation practices loan program, and place the same to the credit of the district. He is responsible on his official bond for the safekeeping and disbursement, in the manner provided in this part and part 6, of the money of the district held by him.'

Section 21. Section 76-15-527, MCA, is amended to read:

'76-15-527. Purpose of expenditures. All money collected under 76-15-511 through 76-15-526 shall be expended for the purposes provided in 76-15-502 and 76-15-503 and for an established conservation practices loan program.'

Section 22. Codification Instruction. Section 11 through 17 are intended to be codified as an integral part of Title 76. chapter 15, part 5, and the provisions of Title 176, chapter 15, part 5, apply to sections 11 through 17.

Renumber: subsequent section

-4-

Ex #6 agric

HB 349

A statement of intent is required for this bill because it delegates rulemaking authority in section 17 to conservation districts that elect to establish conservation practices loans programs.

The intent is to provide conservation districts with the authority to adopt those rules necessary to administer conservation practices loan programs. This authority is limited by section 17 to adopting rules prescribing the form and content of applications for loans and the required resource conservation practice plans; to adopting rules governing the application, implementation, and interpretation of the criteria and preferences for awarding loans; to adopting rules providing for the servicing of loans, including arrangements for obtaining security interests and the establishment of reasonable fees or charges; to adopt rules providing for the confidentiality of financial statements submitted; to adopt rules prescribing the conditions for making loans; to adopt rules establishing the interest rate for the loans; and, to adopt rules determining the type and amount of security interest in real estate that will be accepted and any conditions upon the security interest.

STANDING COMMITTEE REPORT

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No			
We, your committee on	AGRICULTURE, LIVESTOCK	AND IRRIGATION	
having had under consideration	HOUSE		Bill No
Spaeth (Conover)			

Third reading bill (blue copy) be amended as follows:

- 1. Page 1, line 6 Following: "LAWS;" Insert: "TO ESTABLISH A CONSERVATION PRACTICE LOAN PROGRAM;"
- 2. Page 1, line 7 Following: "76-15-319," Insert: "76-15-501,"

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- 3. Page 1, line 8 Following: "76-15-502," Insert: "76-15-512,"
- 4. Page 1, line 8 Following: "76-15-523," Insert: "76-15-524, 76-15-527,"

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Committee on Agriculture, Livestock, & Irrigation Page 2 House Bill 349

March 12

5. Page 8.

Following: line 10

Insert: "NEW SECTION. Section 11. Conservation practice loan program. (1) A conservation district may establish and administer a conservation practice loan program pursuant to [sections 11 through 17].

(2) A conservation practice loan may be made to a land occupier who is an agriculture producer within the exterior boundaries of the district. The conservation practice must be constructed, operated, developed, and maintained within the district.

(3) A conservation practice is the construction, operation, development, or maintenance of an erosion control and prevention operation, a work of improvement for flood prevention, and the conservation, development, use, and disposal of water within a district in furtherance of the purposes and policies of this chapter. Conservation practices include those practices pertaining to acceptable land use conversion as determined by a majority of the district supervisors with the advice of the United States soil conservation service.

<u>NEW SECTION.</u> Section 12. Conservation practice loan account. (1) The supervisors of a district may allocate a portion of the regular assessment for each fiscal year to a segregated and separate conservation practice loan account within the treasury of the principal county for the purpose of providing funds for conservation practice loans.

(2) Conservation practice loan repayments, including principal and interest, and administrative fees or charges for loans must be deposited in the convervation practice loan account.

(3) The funds in the conservation practice loan account may be used for conservation practice loans and for the administrative expenses of a conservation practice loan program.

<u>NEW SECTION.</u> Section 13. Application for loan. (1) An application for a loan must be in the form prescribed by the district supervisors and contain or be accompanied by any information necessary to adequately describe the proposed conservation practice and necessary for evaluation of the proposed conservation practice under the criteria contained in [sections 14 and 15].

(Continued)

Chairman.

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and Irrigation Page 3 House Bill 349

(2) The application must include a conservation plan, which may be prepared in consultation with the United States soil conservation service.

NEW SECTION. Section 14. Eligibility for loan. A district may award a loan to a land occupier to finance a conservation practice only if a majority of the district supervisors find, based on the application and the supervisors' investigation and evaluation of the proposal, that:

(1) the conservation practice will be economically feasible;

(2) the conservation practice will comply with statutory and regulatory standards protecting the quality of resources such as air, water, land, fish, wildlife, and recreational opportunities;

(3) the applicant has adequate financial resources to construct, operate, develop, and maintain the conservation practice; and

(4) the applicant is credit-worthy and is able and willing to enter into a contract with the district for loan repayment and for construction, operation, development, and maintenance of the proposed conservation practice.

NEW SECTION. Section 15. Criteria for evaluation of loan applicants - preferences. (1) The district supervisors shall apply the following criteria in ranking applications for a conservation practice loan that is eligible for funding under [section 14]:

(a) the extent and desirability of the conservation need and resource benefit as determined in the district's annual and long-range plans;

(b) the feasibility and practicality of the project;

(c) the number of related resources that will benefit, including but not limited to water quality, wildlife habitat, and recreation;

(d) the extent and desirability of associated public benefits in addition to any private benefits the project or activity may provide; and

(e) any other factor that, in the district supervisors' judgment, is important to the evaluation of the conservation practice in light of the purposes, policies, and objectives of this chapter.

(2) Among applications for a loan in which the proposed conservation practices are substantially equal in ranking, under subsection (1), a district shall give preference to;

(a) applicants who have not previously received a conservation practice loan; and

(b) applications for a group or cooperative conservation practice.

(Continued)

Chairman.

NEW SECTION. Section 16. Terms and conditions of loan. A conservation practice loan is subject to the following terms and conditions:

(1) The district shall obtain such security interest in real estate as would be obtained by a reasonable, careful, and prudent lender,

(2) The term of the loan may not be greater than the life of the project and in no case may it exceed 30 years.

(3) A current appraisal of real estate offered as security and a commitment for title insurance on that land must be secured by the borrower at his expense. All costs incident to the loan and loan closing, other than administrative costs of the district, must be paid by the borrower.

(4) A conservation practice must be completed according to United States soil conservation service standards and specifications, if applicable.

NEW SECTION. Section 17. Rules. The district shall adopt rules in accordance with the Montana Administrative Procedure Act:

(1) prescribing the form and content of applications for loans and plans for the resource conservation practice;

(2) governing the application of the criteria and preferences for awarding loans;

(3) providing for the servicing of loans, including arrangements for obtaining security interests and the establishment of reasonable fees or charges;

(4) providing for the confidentiality of financial statements submitted;

(5) prescribing the conditions for making loans;

(6) establishing the interest rate for the loans; and

(7) determining the type and amount of security interest in real estate that will be accepted and any conditions to be made upon the security interest.

Section 18. Section 76-15-501, MCA, is amended to read: "76-15-501. Financial management. A conservation district

and the supervisors thereof shall have the power to:

(1) borrow money and incur indebtedness and issue bonds or other evidence of such indebtedness;

(2) also refund or retire an indebtedness or lien that may exist against the district or property thereof;

(3) fix and revise as necessary and collect rates, fees, tolls, rents, or other charges for the use of or for services, facilities, and materials furnished or provided, and revenues from these sources may be expended in carrying out the purposes and provisions of this chapter;

(4) cause taxes to be levied in the same manner provided for in this part for the purpose of paying any obligation of the district and to accomplish the purposes of this chapter in the manner herein provided;

(Continued)

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Chairman. Y/C· ĺ.

(5) apply for and receive federal revenue sharing funds in order to carry out the purposes and provisions of this chapter: (6) establish a conservation practice loan program as provided in this part."

Section 19. Section 76-15-512, MCA, is amended to read: "76-15-512. Expenses to be covered by estimate. The total amount of the estimate shall be sufficient to raise the amount of money necessary during the ensuing year to pay the incidental expenses of the district and to fund a conservation practice loan program in those districts having elected to establish such a program."

Section 20. Section 76-15-524, MCA, is amended to read: "76-15-524. Receipt and crediting of district funds responsibility on bond. The treasurer of the principal county shall receive and receipt for all county tax money of the district and for all loan repayments and administrative fees or charges under a conservation practice loan program and place the same to the credit of the district. He is responsible on his official bond for the safekeeping and disbursement, in the manner provided in this part and part 6, of the money of the district held by him."

Section 21. Section 76-15-527, MCA, is amended to read: "76-15-527. Purpose of expenditures. All money collected under 76-15-511 through 76-15-526 shall be expended for the purposes provided in 76-15-502 and 76-15-503 and for an established conservation practice loan program."

Section 22. Codification instruction. Sections 11 through 17 are intended to be codified as an integral part of Title 76, chapter 15, part 5, and the provisions of Title 76, chapter 15, part 5, apply to sections 11 through 17. " Renumber: subsequent section

And, as so amended, BE CONJURRED IN

> STATE PUB. CO. Helena, Mont.

JACK E. GALT,

Chairman.

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STANDING CUMMITTEE REPORT

March 12 1983

PRESIDENT

MR.

We, your committee on AGRICULTURE, LIVESTOCK & IRRIGATION

having had under consideration STATEMENT OF INTENT HOUSE Bill No. 349

Respectfully report as follows: That STATEMENT OF INTENT HOUSE Bill No. 349 be adopted.

STATEMENT OF INTENT RE: HB 349

A statement of intent is required for this bill because it delegates rulemaking authority in section 17 to conservation districts that elect to establish conservation practice: loan programs.

The intent is to provide conservation districts with the authority to adopt those rules necessary to administer conservation practice. loan programs. This authority is limited by section 17 to adopting rules: prescribing the form and content of applications for loans and plans for the resource conservation practice; governing the application, implementation, and interpretation of the criteria and preferences for awarding loans; providing for the servicing of loans, including arrangements for obtaining security interests and the establishment of reasonable fees or charges; providing for the confidentiality of financial statements submitted; prescribing the conditions for making loans; establishing the interest rate for the loans; and determining the type and amount of security interest in real estate that will be accepted

(continued)

STATE PUB. CO. Helena, Mont.

Chairman. MLC. Agriculture page 2 HB 349 statement of intent

 March 12 19 83

and any conditions to be made upon the security interest.

First adopted by the Senate Agriculture, Livestock & Irrigation Committee on the 12th day of March, 1983.

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M.C.

STANDING COMMITTEE REPORT

М	March 12	
PRESIDENT MR.		
AGRICULI We, your committee on	TURE, LIVESTOCK & IRRIGATION	
having had under consideration	House	662 Bill No
Schye (Etchart)		

Respectfully report as follows: That	HOUSE	Bill No.
third reading, blue		

BE CONCURRED IN

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SENATE COMMITTEE AGRICULTURE

NAME		YES	NO
SENATOR	KOLSTAD		4
SENATOR	AKLESTAD		<u> </u>
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SENATOR	LANE	L	
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SENATOR	GALT, Chairman	*	L
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Rita Ten	neson Jack E	Galt	/
Secretary	Chairman		
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NAME		······································	YES	NO	
SENATOR	KOLSTAD		\checkmark		
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Secretary		Chairman	<u></u>		
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(include enough information on motion--put with yellow copy of committee report.)

SENATE COMMITTEE AGRICULTURE

NAME		YES	NO
SENATOR KOLSTAD		\checkmark	
SENATOR AKLESTAD			i
SENATOR BOYLAN		i	
SENATOR CONOVER		V	
SENATOR GRAHAM		V	
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(include enough information on motion--put with yellow copy of committee report.)