

HOUSE AGRICULTURE COMMITTEE

48th LEGISLATURE

SPECIAL SESSION I

Rep. Glenn Jacobsen, Chairman	Rep. Francis Koehnke
Rep. Gay Holliday, Vice Chairman	Rep. Ray Lybeck
Rep. Robert Bachini	Rep. Glenn Roush
Rep. Esther Bengtson	Rep. John Ryan
Rep. Brent Bliss	Rep. Glenn Saunders
Rep. Gene Ernst	Rep. James Schultz
Rep. Marian Hanson	Rep. Gary Spaeth
Rep. Ramona Howe	Rep. Melvin Underdal
Rep. William (Ray) Jensen	

SENATE AGRICULTURE COMMITTEE

48th LEGISLATURE

SPECIAL SESSION I

Sen. Jack Galt, Chairman

Sen. Max Conover

Sen. Allen Kolstad, Vice Chairman

Sen. Carroll Graham

Sen. Gary Aklestad

Sen. Leo Lane

Sen. Paul Boylan

Sen. Gary Lee

Sen. Donald Ochsner

ROLL CALL

HOUSE AGRICULTURE COMMITTEE

48th LEGISLATIVE SESSION, 1983

SPECIAL SESSION 1

Date December, 1983

Name	14																		
REP. JACOBSEN, Chairman	X																		
REP. HOLLIDAY, Vice-Chr.	E																		
REP. BACHINI	A																		
REP. BENGTON	X																		
REP. BLISS	X																		
REP. ERNST	X																		
REP. HANSON	X																		
REP. HOWE	X																		
REP. JENSEN (RAY)	X																		
REP. KOEHNKE	X																		
REP. LYBECK	X																		
REP. ROUSH	X																		
REP. RYAN	X																		
REP. SAUNDERS	X																		
REP. SCHULTZ	X																		
REP. SPAETH	X																		
REP. UNDERDAL	X																		

X = Present      A = Absent      E = Excused Absence

ROLL CALL

SENATE AGRICULTURE COMMITTEE

48th LEGISLATIVE SESSION, 1983

SPECIAL SESSION 1

Date December, 1983

Name	14																		
SEN. GALT, Chairman	X																		
SEN. KOLSTAD, Vice-Chr.	X																		
SEN. AKLESTAD	X																		
SEN. BOYLAN	X																		
SEN. CONOVER	X																		
SEN. GRAHAM	X																		
SEN. LANE	X																		
SEN. LEE	X																		
SEN. OCHSNER	X																		

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MINUTES OF THE MEETING OF THE JOINT AGRICULTURE, LIVESTOCK AND  
IRRIGATION COMMITTEE  
DECEMBER 14, 1983

The meeting was called to order in room 415 of the capitol building by Chairman Senator Galt at 8:03 a.m. All members were present with the exception of Representative Holliday, who was excused, and Representative Bachini.

SENATOR GALT explained that this meeting was called to discuss the status of HB 545, which was an act to allow the Montana Wheat Research and Marketing Committee to authorize the Department of Agriculture to enter into insurance contracts to provide a 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. He requested Representative Manuel to update the committee on what has transpired.

REPRESENTATIVE MANUEL explained that this bill originally started out to be a mandatory assessment to have an indemnity insurance fund for bankruptcies that occur, which would help the farmers and ranchers that would be affected by the bankruptcies; this went through the house as a mandatory assessment and the Senate amended it to provide that the Wheat Research Committee would buy insurance up to \$10 million to insure against these bankruptcies. He advised that the Department of Agriculture was to write rules and regulations and try to get bids on this insurance.

SENATOR AKLESTAD told the committee that he was instrumental in amending this bill in the Senate and he felt it was too bad that the farmers have to buy their own insurance as it should be up to the elevators to provide that protection. He advised that he had contacted the Department of Agriculture a couple of days ago and found that nothing had been done as yet as far as getting insurance and they felt they should have this meeting to get information from the department to see what has transpired.

RALPH PECK, Administrative Assistant to the Director of the Department of Agriculture, explained that they did solicit insurance proposals from insurance companies and they did some work with the Research and Marketing Committee, which has set aside \$75,000.00 in their 1984 budget to cover insurance premiums. He stated that Roy Bjornson, Administrator of the Plant Industry Division, sent requests for bids to 35 insurance companies; ultimately eight companies responded; St. Paul Property and Liability Company of St. Paul, Minnesota responded they were not in the market for this type of insurance but stated that they did recognize the interest in this and would like to be kept informed; but all of the other respondents indicated that they were not interested in providing coverage.

He continued that they have been working with Montana International Insurance Company and they have been trying to provide an insurance proposal for them. He introduced Rick Hill, who has been trying to find this insurance, but he stated, as yet, they do not have a proposal.

RICK HILL, representing the Montana International Insurance Company, a local agency in Helena, explained some of the problems they have had in trying to obtain a proposal for this type of coverage. He pointed out that this is a slow process; that the insurance companies they did talk to, who had expressed some interest, later withdrew their interest because they were very concerned that if they did spend the money to develop a program, there was question as to whether it would ever be funded. He said that they will continue to work on it, but they do not expect that they will have a proposal in the near future and they feel that it is going to take some time.

SENATOR AKLESTAD asked if the Department of Agriculture had established any rules pertaining to HB 545.

MR. PECK responded that they reviewed this and they wondered if they should try to find a carrier to work with before establishing these rules; and that their objective was, when they sent out requests for bids, that they would receive three or four bids that would give them an idea of some things that they needed to address in the administrative rules, but they have never received those bids.

SENATOR AKLESTAD asked if he felt it was a stumbling block to some of the brokers in that they do not have rules. MR. HILL replied that he had not encountered that, but there may be some problems with the definition of loss; but he thought that most of them prefer having the flexibility at this point.

SENATOR AKLESTAD asked if he was aware that there are two or three states in the United States that have a similar policy such as this. MR. HILL responded that they are and that there were fifteen states that have this kind of proposition under consideration. He explained that the insurance companies, in most instances, have been given the opportunity to individually underwrite the elevators and the dealers and that this is the biggest stumbling block that this legislation has because it is to be handled on a blanket basis and the insurance companies' objections are that they cannot weed out the ones that they feel relatively certain that they would fail.

REPRESENTATIVE MANUEL noted that the bill was amended on a two-year sunset and also that in the bill it refers to "extraordinary circumstances" and they objected to this wording. He also wondered what it would cost a company to set up something like this. MR. HILL replied that he hasn't kept track of the hours his staff has spent, but there is a considerable gamble involved and insurance companies want to look at something longer than on a one-year basis.

REPRESENTATIVE MANUEL asked if the Department of Agriculture has asked the Wheat Research Committee for a little help or cash to offset some of the costs. ROY BJORNSON, Administrator of the Plant Industry Division, of the Department of Agriculture, replied that, at this point, they have asked for \$1,600.00 to cover their current costs, which is a very small amount compared to what it would take to hire a consultant to deal with this.

SENATOR KOLSTAD asked if a risk factor history has not been established since fifteen states have some type of this. MR. HILL explained that this is all pretty new and he felt that there really is no loss experience.

SENATOR GRAHAM asked what was the length of any other states that have had similar types of insurance. MR. HILL replied that he thought Oklahoma is the oldest one and he thought that was only two years. He explained that they eliminated the bond requirement at the time they implemented it and there was really no regulations as far as who could conduct business and who couldn't. He advised the committee that this is probably the most unique approach to this problem that he has ever seen and this idea is relatively new, and when you have something that new, it takes time to deal with this.

REPRESENTATIVE SCHULTZ asked if more money and research would aid the process of this. MR. HILL felt that if the department could hire a consultant to either work with them or other people who are trying to pursue the program, it would be beneficial.

REPRESENTATIVE SCHULTZ asked if there was money available to follow this up and do some research to see if they can find a carrier for the insurance. REPRESENTATIVE MANUEL replied that the Wheat Research Committee has the prerogative to pretty much do anything they want to and it would be up to the committee if they were so inclined and he thought they were very interested in this.

SENATOR GALT asked how come they put the two-year sunset in this bill. There was some discussion of this and REPRESENTATIVE MANUEL indicated that they thought there might be some national legislation that might have a bearing on this problem.

SENATOR AKLESTAD said that he thought the bill restricted the use of the money for premiums. MR. PECK responded that the bill does place restrictions on the use of money.

REPRESENTATIVE MANUEL said that the committee does have the prerogative and right to spend this money any way they want and they can put money out for research any way they want.

REPRESENTATIVE SCHULTZ wondered if it would be a good recommendation for this joint committee to send a letter to the Wheat Research organization to get behind the Department of Agriculture and urge them to put some money into the research necessary to find out whether this bill can be functional or not.

There was some discussion on tightening up the rules and regulations under which the elevator operators work and other problems connected with this legislation.

REPRESENTATIVE SCHULTZ moved that a letter be drafted by Senator Aklestad and Representative Manuel informing the committee that this has not proven successful at this point and the joint committee would recommend that they use some of their money to either reimburse or give a grant to the state department to do some research to find what they have to do in order to get this bonding for the grain growers - in general to see if they can be encouraged to help this operation. REPRESENTATIVE BLISS seconded the motion.

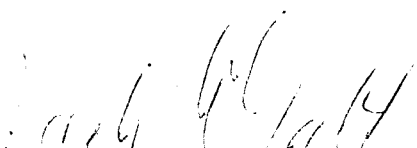
There was further discussion on the problems of the grain elevators and being able to meet their asset requirements.





SENATOR AKLESTAD said that he heard a comment that maybe they should go to the insurance companies and tell them that they have X number of dollars and what can they give us; he hoped that the Department of Agriculture would not pursue that type of philosophy; and he felt that they should tell them that we need this type of coverage and what will it cost, because if they know you have X number of dollars, that is exactly what it is going to cost you. He emphasized that he wanted to see the coverage and what it is going to cost - not we've got the money - what can you give us.

A vote was taken on the motion of Representative Schultz to send a letter to the Research Committee and carried un-animously.

There being no further business, the meeting adjourned at 8:57. a.m.

  
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SENATOR JACK E. GALT, Chairman  
Senate Agriculture Committee

  
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REPRESENTATIVE GLENN JACOBSEN,  
Chairman  
House Agriculture Committee

  
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Alice Omang, Secretary