

MINUTES OF THE MEETING  
AGRICULTURE, LIVESTOCK AND IRRIGATION  
STATE CAPITOL BUILDING

February 18, 1985

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.

ROLL CALL: All members present.

SENATE BILL 407: Senator Bob Williams, SD 15, told the committee SB 407 was at the request of the Business and Industry Committee and signed by all eleven members. After discussing the content of the bill, they were unanimous in submitting it. The effective date, Section 5, page 4, is important. This is an act providing that termination, cancellation, nonrenewal or substantial alteration of a farm implements dealership agreement by the grantor must be for a good cause and upon adequate notice; defining "good cause"; and providing an immediate effective date. Senator Williams said what the bill is really about is good cause and bad faith. What prompted his interest in the bill was the recent merger, or take over, of the International Harvester Farm Equipment Division by Tenneco, a large conglomerate with headquarters in Texas. Tenneco already owns JI Case and have some big plans for the two companies. He referred to it as the Tenneco Waltz, because Tenneco does all the leading and some of the partners are tired of having their feet stepped on. Tenneco comes in and cancels a dealer out completely no matter how long he has been in business. Senator Williams then read part of a letter dated January 16, from National Farm and Power Equipment Dealers Association, out of St. Louis. Exhibit #1, sections marked, and an article he had read in the Wall Street Journal in regard to the Tenneco takeover. Exhibit #1A, section marked. He said it is a dirty shame Montana has to pay for profitable, taxpaying, job producing, community serving, businesses at the whim of a three person crew that comes around and, in 15 minutes, says, "that's it."

PROPONENTS: Blake Wordell, Montana Hardware and Implement Association in Montana and Northern Wyoming, strongly supported SB 407. Complete testimony attached as Exhibit #2.

Senator Allen Kolstad, SD 7, Chester and Liberty Counties, said his family has been in the farming business for around 35 years in the State of Montana. He felt some legislation was definitely necessary in this area and SB 407 addresses this need very well. There are instances in his area where these people come in and jerk the franchises in about 10 minutes. People in northern Montana, after these businesses are closed, have to drive hundreds of miles one way to get a certain part for an implement. This causes long delays and is expensive. The time is now to act on SB 407, get it out of committee and onto the floor as soon as possible, he said.

OPPONENTS: None

Committee questions: Senator Aklestad, referring to page 2, lines 18 through 22, "good cause", asked if Tenneco, in the case of International, was able to show good cause? Senator Williams said you would figure someone who had been in business for 40 years and had been doing real good promoting the company and building the business within the community for all those years goes to work one day with the understanding the merger is in the making and there is a crew there of three people, for less than 15 minutes, and they were going to pull your distributorship away from you and buy your current parts back at cost and obsolete parts that are maybe 2 or 5 years old, at 50% your cost and give you \$10,000 for your business, and that's it, here's the papers, sign it - in his book that is not good cause. They should have the 90 day period to do a little bit of negotiation.

Senator Aklestad- Does the dealer have a contract with the local outfit? Mr. Wordell - In most cases there is a written contract. They found that in other states they had this type of legislation with the dealers, to buy the dealers out of their dealership.

Senator Aklestad - Would this law over ride a written contract if they had a written contract? Mary McCue, Legislative Council for Business and Industry Committee - The way it is written, yes. The language in the statute is not withstanding.

Senator Severson to Blake Wordell - How widespread is this? Wordell - Right now the immediate attention has been brought by the Case/Harvester merger. Nationwide the consolidations and mergers that will take place within the next couple years will affect people in Montana as well. Deer just closed 30 dealerships. Severson - How many times did this happen? Wordell - six. Five to International Harvester and 1 to Case.

Senator Hammond - This is really the protection of property rights. These people had a property right, but now it looks like someone has gained the power to take away their dealership. This right should be protected.

Senator Williams - In 1977 the dealers were covered with the auto dealers then the implement dealers were separated out. Mary McCue - The Automobile Dealers Act never covered this type of machinery. They used to include farm machinery. In 1979 it was changed to vehicles that travel highways.

DISPOSITION OF SB 407: Senator Kolstad moved SB 407 DO PASS. Motion carried unanimously.

SENATE BILL 360: Senator Larry Tveit, SD 11, told the committee the bill requires an official protein test of grain delivered to a warehouse. He said there were some amendments amending the title and subsection 2. Amendments, Exhibit #3.

PROPONENTS: Mark Rasmussen, grain producer from Hogeland, Montana, and President of the Montana Grain Growers Association, rose in support. Exhibit #4. He added that the amendments were presented by the grain lab to clarify the bill and make SB 360 agree with the federal grain inspection standards. Subsection 2 of the bill, which was deleted in the draft, gives both parties recourse in case of disagreement over the results of the samples. It adds language to the bill which would, upon approval of the Department of Agriculture, include the waiver of official samples right on the printed contract forms the producer signs when he sells grain to the elevator. If he wishes to waive the official inspection, he can sign his name twice on the contract to make it easily understood to everybody. The intent of the bill is to change the role of the state in this area. They feel the state is not in the proper position regarding the conduct of business among the citizens. With the changes made to this law in 1981, if a producer would like to request an official sample, he has the right to do so. But, by implication, when a producer requests an official sample, he is saying to the elevator operator he doesn't trust the company sampling the testing procedures and wants to have the official sample taken. Over the years the grain trade has been built on good faith and mutual trust. When a producer has to go in and request an official sample he is implying he does not trust the person he is doing business with. SB 360, by requiring grain delivered for sale to the warehouse be sampled officially by an approved lab, but giving the producer the right to waive this inspection on the contract, would turn this around and put the state in this area of business by providing a third party. If the producer wanted to be exempt by signing the waiver, he would be exempt by making the choice.

Tim Brunner, farming on the Fairfield Bench, read his testimony in support of the bill. Exhibit #5.

Jo Brunner, representing Montana Grange, supported the bill. Exhibit #6.

Lavina Lubinus, WIFE, supported the bill.

OPPONENTS: Norman Johnson, Great Falls Regional Office Manager for Harvest States Cooperatives, read testimony in opposition to SB 360. Exhibit #7.

James Muller, Rudyard, Montana, representing the Great Falls Grain Terminal Association, read testimony in opposition to the bill. Exhibit #8.

Jim McLean, Area Manager for CARGILL, Inc., testified that in the State of Montana they have 14, soon to have 15, grain

elevators of which 8 and soon to be 9 will be train shippers. He opposed SB 360 because he felt the current law is effective. The producer has the option to request a state grain lab test. The integrity of the industry provides a fair shake to the producer and that is what brings his business in the door. Any possible thinking of an unfair shake would automatically loose the customer. When we are talking official grade, you dig into grain trade rules. It would not be an official grade unless it is sampled at the point of receipt. Even sending it to the state grain lab is considered a class c grade in terms of the trade. You cannot load a rail car in Joplin, Mont. and send it to a feed lot in California as an official grade if it was submitted to a state grain lab. Times have been tough on the state grain lab but, as a manager, managers must manage. If the industry can provide the producer with the same or better service at a more reasonable cost, then he couldn't see why bureaucratic red tape should be tacked on to a service that is doing the job today. His company handles well over 20 million bushels. With more than 50% of the grain they handle the contract is not made until the producer comes in after the fact and decides to make a contract. With this bill that right would be passed on to him as an additional expense because they would have no other choice, because he wasn't there to free contract it, than to send it to the state and charge that back to the individual.

Senator Gene Thayer, Great Falls, appearing on behalf of the Montana Merchandisers, gave the committee a statistics handout. Exhibit #9. Most of the grain companies are performing this service free of charge today. The handout indicates what the certain charges are at the grain lab. Under this bill they would be required to take these tests on every load. The handout represents a 300 bushel truck; 300 bushels would be \$256,700. He doesn't think the grain companies will continue to donate this kind of service under this cost. This service charge will be billed back to the customer.

Kerry Shaefer, Montana Grain Elevators Association, and General Mills. Testimony included as Exhibit #10.

Dan Treinen, Peavy Grain, Con Agra, said the definition of "official" grain standard is in the federal register. It is official grain as determined by the official grain inspection service. They would have to have a state employee drive to every elevator sampler truck so the wording is wrong. You cannot have an official sample unless you want to pay mileage from Great Falls to sample every truck. The problem they are trying to address here is that the State grain lab is running at a deficit and this is a poor vehicle to fund it. Ninety percent of all the barley grown in this state, about a 70 billion bushel crop, is not tested at all. If they didn't have the party there, they would have to test it and charge it back to cover themselves, or be put

in a position of noncompliance. He urged a do not pass on this legislation.

Committee questions: Senator Bengtson - What kind of grain standards do the elevators have? Rasmussen - They send check samples to the FGIS stations. Because of winds and dust they have to be checked every week. On the same basis they send weekly samples from the same check to the state lab. Senator Thayer - All the private labs follow the same procedure. They use the same type of electronic protein testers the state lab does. Leon Johnson - The tests are calibrated so they are all close to the same as possible at all times. They try to keep them absolutely correct. Senator Bengtson - Do you have any regulatory control the way this is done? Ralph Peck, Department of Agriculture - They meet federal standards as far as grain is graded.

Senator Severson - If this law is passed, what kind of expansion would you have to have? Roy Bjornson, Department of Agriculture - There would be some questions as to the word, official. The amendment would clarify it by stating it as a designated lab.

Senator Aklestad - What brought this bill on? Rasmussen - In the past if the producer didn't like the results he had the opportunity to have a State lab test. The amendment submitted by the lab would maintain the language in the bill. The grain lab recognized that and the appeal procedure would still be in place. Aklestad - What brought the bill on, where we have the option to ask for another test? Rasmussen - The officers and staff of his organization were requested by the Board of Directors at their annual meeting to request this bill be produced. A number of people at their convention said they felt the procedure, as it went into effect July 30, 1983, was not as acceptable as the previous one. A lot of people had this happen at the elevator when they said they would like to have an official test on the grain, the guy said, "Why, don't you trust me?"

Senator Boylan asked if any of the people in the grain trade had seen the amendments to the bill offered today.

Kerry Shaefer said the thing that concerned him was the intent of the bill to keep the grain trade honest. There are many other ways to do that. There is a great deal of trust between the customer and the way they do things right now and he could not see where one bill would strengthen that trust.

Dan Treinen - How many complaints have we had that filtered back to the State and do we have a problem here? Bjornson - During the past 12 months, probably a total of 10 complaints, mainly in the way of barley. It fluctuates from year to year. In the past year, probably 10.

Senator Hammond - Why wouldn't they complain to the lab? Many of these complaints were because these tests weren't sent into the State lab. Mr. Shaefer - They have the right to a State lab test and there isn't an elevator where, if they ask for one of these tests, they wouldn't get it. If he asks for a State submitted grade, he will be paid on that, no questions asked.

Senator Boylan asked who offered the amendments. Rasmussen - Rex Denning, Office Manager of the State Grain Lab in Great Falls. He felt they would address many of the objections raised by the grain trade and it clarifies what constitutes an official sample. One of the amendments states the samples would not be official. They would be an officially inspected sample taken from a submitted sample so a state employee would not have to go out and collect every sample. A representative sample is not one sample from every load that is delivered, it is a handful or so of grain out of every truck that is thrown into a bucket and then a sample of that is made up, but one sample is sent to the lab when every contract is delivered. That is the way it had always been done. The procedure for waiving the official inspection was suggested by Mr. Denning and the producer would sign on the contract. The bill says producer or owner so every owner would not have to be contacted. The producer of the grain would have the opportunity to decide whether the sample would be taken or not; not everybody with an interest in that grain. With the waiver procedure, they could waive it when they agree to sell the grain over the phone. The bill is not intended to direct more business at the grain lab nor an inditement of the grain trade. Many people expressed they do not like having to ask for an official sample. They would rather have the official sample available and they could decline if they wished. That was the intent of the bill and the amendments offered by the grain lab would be a satisfactory solution to any problems which would develop.

Hearing closed on SB 360.

SB 378: Senator Leo Lane, SD 38, told the committee this is a small bookkeeping bill. Last session there were some changes in the State accounting laws.

PROPOSERS: Ralph Peck, Department of Agriculture, explained that, in the last session, there were some changes in the state accounting laws and there is a difference in the way the office of Budget and Program Planning, accounting, analyzed their interpretation of this fund and how they should handle it accounting wise. This language would basically resolve that difference. There is a fee when you purchase a training manual. The fee is put into that account and it is supposed to revolve so you can take it out and buy more training manuals. If it does not occur in the same year, we have an accounting problem. This would resolve that

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accounting problem.

OPPONENTS: None.

Committee questions: Senator Bengtson questioned the terminology whether it is a revolving account or a proprietary account. She asked John MacMaster to check whether revolving fund was the right language.

DISPOSITION OF HB 349: Senator Bengtson moved HB 349 BE CONCURRED IN. Motion carried. For the record, Senators Hammond and Aklestad voted NO.

DISPOSITION OF SB 345: Senator Galt moved the Statement of Intent for SB 345 BE ADOPTED. Motion carried.

Senator Conover moved SB 345 and the Statement of Intent DO PASS. Motion carried.

There being no further business, the meeting adjourned.



PAUL F. BOYLAN, Chairman

ROLL CALL

AGRICULTURE, LIVESTOCK & IRRIGATION COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date 2/18/85

SENATE  
SEAT  
#

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	NAME	PRESENT	ABSENT	EXCUSED
1	SENATOR GARY AKLESTAD	✓		
27	SENATOR ESTHER BENGSTON	✓		
35	SENATOR JACK GALT	✓		
34	SENATOR H. W. (SWEDE) HAMMOND	✓		
10	SENATOR ALLEN KOLSTAD	✓		
38	SENATOR LEO LANE	✓		
28	SENATOR RAY LYBECK	✓		
31	SENATOR ELMER SEVERSON	✓		
39	SENATOR BOB WILLIAMS	✓		
29	SENATOR MAX CONOVER, V. CHMN.	✓		
50	SENATOR PAUL BOYLAN, CHAIRMAN	✓		

Each day attach to minutes.



DATE

COMMITTEE ON AGRICULTURE

July 18, 1985

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
NORM JOHNSON	HARVEST STATES COOP.	360		X
Jim McLean	CARGILL	360		X
James Muller	Great Falls Snow's Term	360		X
Dan Andrews	Power		X	
Jo Brunner	1496 Kudlak Rd	360	X	
Jim Brunner	Power	360	X	
MIKE ORGAS	General Mills Fnc	360		X
DAN TREINEN	PEAVEY	360		X
Mark Rasmussen	Mont. Grain Growers Assn.	360	X	
Baby Stephens	Int. Grain Growers Assn.	360	X	
Kerry Schauf	Montana Grain Elev. Assoc	360		X
ELBY LEATHER	MCCOY LUMBER CO. OF MT	360		X
Dan Place	Montana Grain Elev. Assn.	360		X
Ray Johnson	Mont. Dept. of Ag.	360	-	
Joe Wieszpha	" " " "	360		
Blake Woodal	MHIA	407	✓	
BILL ASTOR	APA BORGMAN		—	—
Joe Ray	BIG GRAIN		—	—
Steve Carter	Harvest States Coop	360		✓
Leann Krawinkel	MT Grain Elevators Ass.	360		✓
Margie Gustafson	MT Agri Business Assn	360		X
Mr. John S. Goy	MHI	360		✓
KEITH KELLY	MT DEPT OF AGRICULTURE	360	—	—
John Williams	observer.			
Carol Ovensky	ENV. INF. CENTER	3		

DATE

Feb. 18, 1985

COMMITTEE ON

Agriculture

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Ralph Peck	MT Dept of Ag	SB378	✓	
KEITH KELLY	MT Dept of Agr	SB378	✓	
Killie Rall	Senate Aide			
GEO. OCHENSKI	ENV. INF. CENTER	SB378	✓	



# National Farm & Power Equipment Dealers Association

10877 Watson Road • P.O. Box 8517 • St. Louis, MO 63126-0517  
Telephone: 314/821-7220

Exhibit #1  
GENERAL LETTER

SB407 2/18/85  
Number S-2508

Date January 16, 1985

Subject

TENNECO WALTZ

CONFIDENTIAL - NOT FOR PUBLICATION  
FOR YOUR INFORMATION

To the Association Managers and Members of the Board of Directors:

During the past year we have heard and read rumors pertaining to company mergers, buy-outs and closings. We can look forward to 1985 as being a year of accelerating activity in the continued efforts in this regard. The forcing issue is the fact that we have too many goods chasing too few dollars in the marketplace. Any prospect for a brighter short-term future is dim in light of the inventories on dealers' lots and the manufacturers' pipeline.

On Thanksgiving Day, November 22, I was flying to Toronto to meet with the Canadian farm equipment manufacturers. I happened to read the New York Times newspaper and read the first, of a series to follow, of the purchase of International Harvester agricultural division by Tenneco. Although many of us were expecting something like this to happen, it was never-the-less a surprise to read what was to happen.

Less than one week later on November 27, Harvester announced the sale of their farm equipment unit to Tenneco for 430 million dollars, which was aimed at salvaging a company tattered by labor troubles, the recession and debts in the billions of dollars.

The following day at a news conference, Mr. James L. Ketelsen, Tenneco's chairman, discussed many of the effects brought about by this merger of the farm implement divisions of two companies, J I Case, already owned by Tenneco, and International Harvester Company. One of the results of the merger will be an approximate 15 percent cut of the 2,600 dealers in North America. These dealers are mostly in the same town or the same marketing area.

The following statements are directly quoted from Mr. Ketelsen on November 28, 1984, by the Associated Press.

"We're going to strongly encourage dealers to merge where we have two good dealers in a community," he said. "It makes good sense for us to merge and reduce excess capacity and it makes a hell of a lot of sense for them to look at a combination to save both of their customer bases, their whole parts operation and combine some of their overhead to be more efficient in a larger marketplace."

He said that Tenneco could offer additional undeveloped sites to encourage mergers where the dealers want multiple locations.

"In some cases, we will encourage a strong IH or Case dealer to buy out a weaker competitor," he said.

Harvester has about 1,700 dealers in North America and Case has 930, with about 160 of the Case outlets owned by the company. Ketelsen said Case-owned dealerships could be easily closed to turn over the business to "strong" International Harvester dealers in the same market.

A major task force composed of Case, IH and Tenneco personnel was assembled to analyze the dealers and their locations throughout North America. From their evaluation, it was stated that there would be 400 locations having a conflict and corrective measures would be taken in order to combine Case and IH dealerships in the same sales locality.

Letters were sent during the last two weeks of December informing IH and Case dealers: (1) Welcome aboard as you will be asked to become a Case-International dealer, and (2) You are in an area of conflict and in the next few weeks will be visited by a team to determine the future of the dealership.

Several contingency groups made up of IH, Case and a Tenneco spokesman were trained on how to approach the dealers during their visitations concerning dealership plans. They were schooled as to what to say, how to relate to the dealer, to answer no questions, and to inform the dealer that the determination was final and that there would not be any appeal.

Dealers have been reporting that the meeting is similar to a wake. The task force chairman opens the attache case and reads from the script. Following the reading, the dealer is informed that the decision is final and there is no appeal. The task force chairman has been likened to a "Digger O'Dell".

*the whole process takes less than 15 min to wipe out a lifetime business*  
In all fairness to the committees, we must recognize that they are just following orders. They are also under the same strain as others in the industry, as they have not been told, as of this writing, who will have a job with the new company. Information tells us that the IH personnel will be informed this week and the Case personnel the following week.

The most reported calls of foul have come from dealers that were dropped in favor of the company store. In many instances, the company store was not adequate to assume the new responsibilities. It has been in some instances that a task force will set another date with the canceled dealer for the purpose of initiating a proposal to buy the dealer's facilities. However, this is an exception in most instances.

We have information that out of the 175 ag company stores, approximately 100 will remain. I think we should here recall that Mr. Ketelsen is the father of the company store. He was a strong advocate when he was with J I Case in the 60's.

Most dealers that are small volume dealers are strongly considering accepting the cancellation proposal and the bonuses that are included. Several dealers are looking toward this new company and the automatic cancellation of their contracts, as a way to get out of business.

The larger dealers are annoyed that the bonus is peanuts in regard to what they are losing from their contracts. One dealer told me that the \$35,000 bonus was just eight hours overhead at his establishment. It was his feeling that

surely the business he enjoyed and was giving up had more value than that. These dealers are contacting their attorneys for counsel and direction.

We have heard from a few dealers asking what the local and national associations were doing in respect to the damage being done to dealers. Our answer has been that we are receiving information and are concerned with the fairness that is being tendered to all dealers affected. If we find a pattern that is unjust, and receive a recommendation from a group of dealers through their local association, it will be addressed by the Industry Relations Committee of the National Association.

We are in constant conversation with the leaders of Case, IH and the general counsel for Tenneco. We are using this opportunity to discuss the frustration that is emanating from the concerned dealers.

We urge each of you to continue to gather information of the happenings in your association. Unfortunately this buy-out by Tenneco is good in some ways but most distasteful to many of the dealers involved. They need our support and the knowledge that we are ever mindful of their concerns and want to be of assistance.

Sincerely,



William E. Galbraith  
Executive Vice President

WEG/jr

cc: Advisory Board

SB 407  
2/18/85

# Tenneco Division's Dealers Say Purchase Of Harvester Farm-Gear Unit Is Imminent

**MEET JOURNAL NEWS Roundup**  
Dealers for Tenneco Inc.'s heavy-equipment division said they expect the company to announce the acquisition of International Harvester Co.'s agricultural-equipment division as early as today.

But there were indications yesterday that meetings between officials of Tenneco and Harvester were continuing. And Tenneco executives, who aren't involved in the matter, say their company has been rife with speculation about a variety of possible combinations involving the companies, including a joint venture.

Some dealers for Tenneco's J I Case unit, which makes construction equipment as well as farm tractors, said they understood that they have led to an agreement for the outright purchase of the Harvester business.

"We hear that the deal is all set and will be announced tomorrow," Adrian Sommer, who operates four Case dealerships in Case's home state of Wisconsin, said yesterday.

His son, James, who heads a trade group of Case dealers, said he had been told unofficially by Case officials that Tenneco would pay more than \$400 million for Harvester's farm-gear business. The cost would depend on how Tenneco and Harvester agreed to divide the cost of plant closings that likely would be associated with the transaction, as well as who would take responsibility for the burden of Harvester's heavy unfunded pension liabilities. Another factor would include the extent that Tenneco could assume Harvester's enormous tax-loss carry forward to shelter earnings from Tenneco's other businesses—in oil, insurance and manufacturing—which are profitable.

Speculation has centered on an acquisition of Harvester's money-losing farm-equipment division, or of the entire company, which is a major manufacturer of heavy-duty trucks. That speculation intensified last week when Tenneco filed a shelf registration to offer as much as \$300 million of debt securities. Tenneco insiders who aren't directly involved in the Harvester matter theorize that any cash paid to acquire the Harvester farm-gear operations would be for "good will," since this Harvester business has little if any asset value.

If the transaction involves the farm-equipment operations alone, "it's a question of how much we're willing to pay for the Harvester name," a Tenneco executive said. He confirmed that Tenneco studied the purchase of the Harvester unit about a year ago, but that Tenneco balked at assuming Harvester's heavy unfunded pension liabilities. Mr. Sommer, the Case dealers' representative, said he understood that Tenneco last year envisioned not paying any cash for the Harvester business if it had to assume those pension liabilities.

An acquisition involving Harvester's farm-equipment business would help resolve a dilemma confounding Tenneco for well over a year: How to rescue its own heavy-equipment business, J I Case, from continuing deficits, which totaled \$68 million in 1983. Tenneco, a conglomerate with interests from oil to insurance, has established that without gaining a significant increase in market share, the Case unit would have to be divested with a huge write-off against earnings, industry sources say.

Neither Tenneco nor Harvester has said

what the current talks entail, or even that talks are under way.

Yesterday, however, some officials of Tenneco and its Racine, Wis.-based Case unit traveled to a hotel in Chicago, where a convention of the Farm Equipment Manufacturers' Association was being held.

A Tenneco public affairs official was present at a meeting room rented to Harvester, but he declined to explain his presence there.

## Schick Unit Files With SEC To Offer \$45 Million in Units

GRAND PRAIRIE, Texas—A.R.A. Manufacturing Co., a unit of Schick Inc., said it filed with the Securities and Exchange Commission to offer \$45 million of units.

Each unit will consist of a \$1,000 face amount of sinking fund debentures due Dec. 15, 1996, and 10 common stock warrants.

The automotive accessories company said the interest payments on the debentures will be guaranteed by Schick.

Because A.R.A.'s stock currently isn't publicly traded, the warrants can be redeemed only if the company elects to register the common stock or if it offers to buy back the warrants.

people making machines (before the recession), and there now are about 60,000."

By contrast, orders for all types of non-ferrous capital goods have fallen 14% since July. They declined during June, July and August, rebounded in September and then dropped 11% in October.

Because the machine-tool industry lagged behind the rest of the economy since the recovery began two years ago, some machine-tool industry officials are disappointed the leveling-off in orders. "We're not seeing any slowdown in orders, but we're not experiencing the upturn that we expected about this time," says Robert J. Siewert, vice president and general manager of Giddings & Lewis Inc.'s machine-tool group at Grand Rapids, Wis. Giddings & Lewis is a unit of AMCA International Corp.

### Pricing Called 'Cutthroat'

Because the industry continues to operate far below capacity, and imports are pouring in at low prices, Mr. Siewert says pricing many machines is "cutthroat." He says his group "hasn't taken an order at list price" for many months.

Shipments of machine tools in October totaled \$207.7 million, the association said, up 14% from \$145.4 million a year earlier. The October total was down 1.4% from September's \$210.8 million, but there ordinarily is a dip in the first month of a quarter because producers try to finish and ship machines in the last month of each quarter to make that quarter's results look better.

Other than such monthly fluctuations, machine-tool shipments have been rising since the 1983 third quarter, which was the start of the current business cycle. Shipment rates have about doubled over the past 15 months.

The industry's order backlog at Oct. 31 was \$1.69 billion, the association said, up 35% from \$1.12 billion a year earlier.

Metal-cutting machine orders:

	Oct. 1984	Sept. 1984	Oct. 1983
Domestic	\$176,600,000	\$194,850,000	\$115,400,000
Foreign	15,650,000	27,300,000	13,850,000
Total	192,250,000	222,150,000	129,250,000
10-month total for '84: \$1,594,850,000; for '83: \$945,550,000.			

Metal-forming machine orders:

	Oct. 1984	Sept. 1984	Oct. 1983
Domestic	\$71,550,000	\$40,250,000	\$49,950,000
Foreign	20,300,000	3,800,000	2,150,000
Total	\$91,850,000	\$44,050,000	\$52,100,000
10-month total for 1984: \$831,950,000; for 1983: \$439,400,000.			

Metal-cutting machine shipments:

	Oct. 1984	Sept. 1984	Oct. 1983
Domestic	\$129,450,000	\$128,700,000	\$93,150,000
Foreign	15,850,000	12,450,000	8,900,000
Total	\$145,300,000	\$141,150,000	\$102,050,000
10-month total for '84: \$1,244,550,000; for '83: \$1,082,500,000.			

Metal-forming machine shipments:

	Oct. 1984	Sept. 1984	Oct. 1983
Domestic	\$37,400,000	\$31,150,000	\$40,850,000
Foreign	5,000,000	8,750,000	2,500,000
Total	\$42,400,000	\$39,900,000	\$43,350,000
10-month total for 1984: \$551,800,000; for 1983: \$377,950,000.			

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WALL ST

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**MONTANA  
HARDWARE &  
IMPLEMENT  
ASSOCIATION**

*Exhibit #2*  
3087 N. Montana Avenue  
P.O. Box 4459  
Telephone 406/442-1590  
Helena, Montana 59604  
*Feb. 18, 1985*  
*SB 407*

advocate for Montana and Northern Wyoming retail hardware and farm implement dealers

Testimony on Senate Bill 407

Chairman Boylan and members of the Senate Agriculture Committee:

I am Blake Wordal, representing the Montana Hardware and Implement Association. Our Association represents retail hardware and farm equipment dealers throughout Montana and northern Wyoming. We strongly support Senate Bill 407 and encourage your positive consideration of this legislation.

As many of you know, the farm equipment industry is in a state of turmoil. The agricultural economy has had a direct, severe effect on the economic health of farm equipment dealers, manufacturers, distributors and wholesalers nationwide. We are witnessing a great upheaval in the traditional operations of all involved. The recent J.I. Case/International Harvester merger is an appropriate illustration of the changes we are experiencing. The result of that merger for dealers in Montana carrying those lines of equipment has been the cancellation of dealership franchises in six Montana communities. In almost every instance, the dealer who lost their franchise had been an integral part of the local economy. In most cases, these businessmen had been operating for over 25 years, and in Belgrade the dealer who was cancelled had been in business for over three generations.

This merger, as difficult as it has been, is only one indication of the future. One major manufacturer recently cancelled over 30 dealerships in the state of Iowa. Industry newsletters and publications indicate that several other mergers and consolidations are under consideration and a recent study by the National Farm and Power Equipment Dealers Association predicted a loss of over 500 retail farm equipment dealers nationwide in the next few years. In Montana, 8% of our dealers ceased operations last year, and we are looking to losing 12 to 20% more this year.

I'd like to give the committee a short profile of the Montana farm equipment dealer from a recent survey which the Montana Hardware and Implement Association sponsored. In Montana 79% of the dealerships are family held. 81% of our dealers have never switched their major tractor line. 55% of the dealers are operating second or third generation dealerships. 61% of our dealers are 45 years of age or under. These men and women are active in their communities and play an important role in the promotion of our state's number one industry.

We all know that businesses fail for a wide variety of reasons. The past four years have been particularly depressed for farm equipment sales. Attached to my testimony is a chart prepared by the Farm and Industrial Equipment Institute which shows the decline in farm equipment sales. We have lost a number of retailers over the past four years, and those that have survived have had to adapt their operations to economic realities. I am certain that several more dealers will go out of business unless the agricultural economy rebounds soon.

Senate Bill .407  
page 2

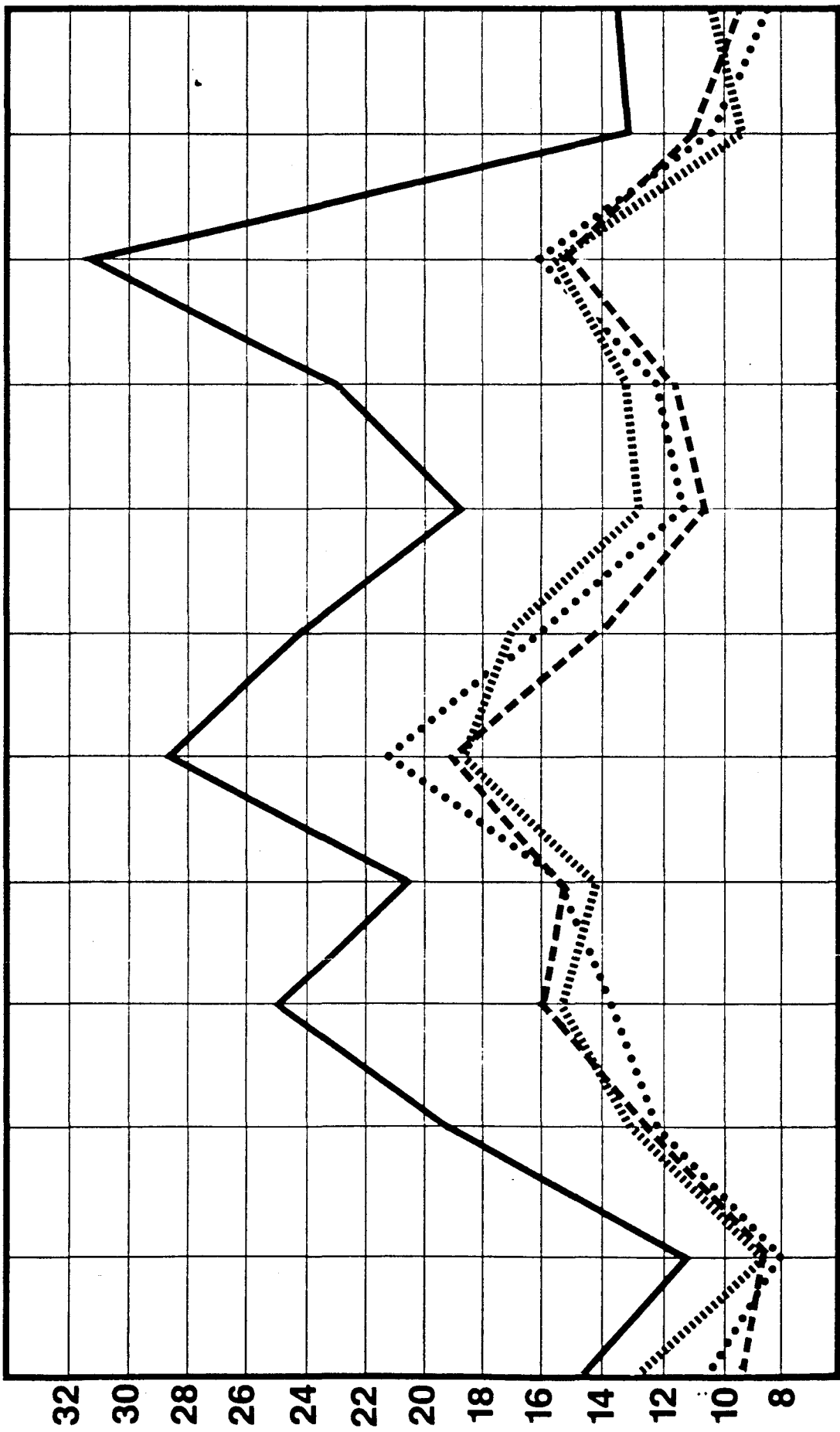
We understand that there is little that state government can or should do to alter these difficult circumstances. However, faced with such uncertainties, the Montana Hardware and Implement Association believes that Senate Bill 407 will be beneficial to our industry. The good faith clause will reassure our dealers--(and more importantly, their lending institutions) that their franchises will not be summarily cancelled. Several other states have adopted this type of legislation, and auto dealers have had such protection in Montana for some time. I will be happy to respond to any questions by the committee.

Thank you.



# U.S. RETAIL SALES Tractors (all horsepower), Combines, Balers, Forage Harvesters and Mower Conditioners

UNITS IN  
THOUSANDS



JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.

— 5 YEAR AVERAGE (77-81)  
 ..... 1982  
 - - - - - 1983  
 - - - - - 1984



FARM & INDUSTRIAL EQUIPMENT INSTITUTE  
 410 North Michigan Ave. Chicago, IL 60611 312/321-1470

AMENDMENTS TO SENATE BILL 360

page 1, line 11

"80-4-710 Official grade and protein test

page 1, line 16

container with the owner's name on it. A ~~1-pint~~ 2-quart portion of

page 1, line 21 --page 2-line 5

(2) If either the warehouseman or owner is dissatisfied with the results of the grade and/or protein tests, he may request a reinspection, federal appeal, or a federal board appeal to the department. An official grade and protein certificate must be issued by a United States Grain Standards Act designated official inspection agency for all grain delivered to a warehouse, unless the producer or owner of the grain waives, in writing, the right to an official test. Preprinted waivers attached to grain contracts of sale shall be printed in bold type and require an additional signature of the seller. This preprinted waiver must be approved by the department.

page 2, line 10

with the cost of each grade and/or protein test must be deducted and paid

Exhibit #4



P.O. Box 1165 • 750 6th Street S.W. • Great Falls, Montana 59403 • 406/761-4596

**Testimony on Senate Bill 360**

Mr. Chairman, Members of the Committee:

For the record, my name is Mark Rasmussen. I am a grain producer from Hogeland, Montana, and am also the President of the Montana Grain Growers Association. I am appearing before you today to testify in support of Senate Bill 360.

This bill was introduced by Senator Tveit at the request of MCGA. The purpose of SB 360 is to require an official test of all grain delivered for sale, instead of allowing such a test, as currently provided under law, unless the right to an official inspection is waived by the owner of the grain. This requirement was in effect until the summer of 1983, when legislation adopted by the 1981 Legislative Assembly went into effect. The elimination of this requirement has created a number of problems for our state's grain producers.

Grain producers and grain buyers alike have taken pride in the fact that their business dealing have been based on a mutual feeling of trust and good faith. The current law requires grain producers to, at least implicitly, question the good faith of the grain company with whom they are dealing, by specifically requesting that their grain be submitted for inspection, rather than accepting the elevator's own protein test. Some elevator managers, and I have known some personally, take offense at what amounts to having their integrity questioned by a request for an official test. The law is very plain. It states that the owner of the grain has the right to request an official inspection. The necessity of having to make that request, however, can create an awkward situation for either the buyer or the seller.

The testing procedures create another problem. Most elevators can test grain for protein, using an electronic protein tester. Only an official laboratory can test for grade, which involves a number of other quality factors. The protein testers used by elevators can be quite accurate, when properly cleaned, maintained and calibrated. To my knowledge however, they do not have to meet any particular standards. The Montana State Grain Lab is approved by the Federal Grain Inspection Service. This means that the State Lab must meet FGIS standards for personnel training, cleanliness, maintenance and calibration of its equipment, and other factors. I have been told by the manager of the grain lab that their testing equipment is checked and calibrated at the beginning of each working day, and periodically checked during the day. I think it

MARK RASMUSSEN  
President  
Hogeland

ROSS FITZGERALD  
Vice President  
Power

HOWARD HAMMOND  
Secretary  
Matta

GREGG HOLT  
Treasurer  
Great Falls

is obvious that consistently accurate results can be obtained from scientific or technical procedures only when those procedures are carried out in accordance with accepted standards and in a properly controlled environment. While there are some grain companies which operate testing facilities which are technically equal to our state lab, those facilities are not FGIS approved and are not independent, third parties. We in Montana are fortunate to have an FGIS-approved grain lab in our state. Most states do not. We should utilize this facility to the fullest extent possible.

The Montana Grain Growers Association requested and supports SB 360 because we feel this legislation addresses the problems that have arisen out of the current law in an equitable manner. Any producer who requests an exemption from the provisions of this Bill would be expressing his trust in the grain buyer with whom he is dealing, rather than implying a lack of trust, as he does under the current law. The Montana State Grain Lab, which is an asset which we should strive to retain in our state, would be more fully utilized under the provisions of this Bill. The MGGGA feels the SB 360 is in the best interests of Montana's grain producers and grain dealers.

Senate Bill 360

Mr. Chairman, Members of the Committee for the record:

My name is Tim Brunner. My family and I farm six miles southwest of Power on the Fairfield Bench. We raise alfalfa, winter wheat and brewing barley.

I urge the passing of Senate Bill 360. My main reason for this is that if this Bill goes into effect it will give the producer an unbiased test on his goods. A private company, if left with the sole results of a test could possibly alter these results for their own benefit.

For an example, in 1984 I raised Klages barley, under contract, for Aneusher Busch. A local elevator acted as the buyer and they used their private testing lab to grade this barley. I shipped a little over five thousand bushels, by semi, from the field directly to their facilities in Great Falls. This company graded my barley as feed and I was docked ninety to ninety five cents per hundred weight. Their reasoning was the barley was too high in protein, the test weight was too low, and the thin's count was too high. After discussing these facts with an employee of this company several times over the telephone, I was given the option of getting out of the contract, which I did. The rest of my barley was put into grain bins.

I then contacted an employee of a different elevator in Power and had him probe my bins to send a sample into their facilities. The test came back with the barley grading number one and two malt. This company docked the barley for protein. The test weight was above malt standards and the plump and thin's count were more than adequate.

Another example would be on approximately six hundred bushels of winter wheat that was trucked directly from the field to a local elevator. The rest of the wheat was stored in grain bins and sold to a different company. The test results from the two different companies ranged from two and a half to three pounds in test weight, and one to two full points in protein content.

I believe that if grain testing was left up to the private company the results could and would be construed to benefit that company.

If an un-involved third party, such as the state, were to be the producers means of testing his grain, I don't believe these variances would occur. I believe the only one that could benefit from these independent tests would be the producer.

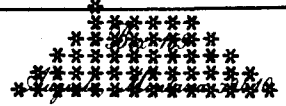
Thank You,

Tim Brunner  
Power, Montana

Jo Brunner

Exhibit # 6

AGRICULTURE LEGISLATIVE WORK



NAME Jo Brunner COMMITTEE Sen. Ag.  
 ADDRESS 1496 Kodiak Road, Helena DATE 1/18/85  
 REPRESENTS Montana Grange BILL NO. SB360

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SUPPORT X AMEND \_\_\_\_\_ OPPOSE \_\_\_\_\_

Mr. Chairman, members of the committee for the record my name is Jo Brunner and I represent the Montana State Grange at this hearing. Mr. Chairman, the Montana Grange wishes to go on record as in support of SB 360 which will return to the Montana State Laboratory the official test for our grains.

WE believe that it is more than beneficial for our grain producers to automatically receive this service and that having ~~an automatic test~~ test by a third party will alleviate some of the problems that have arisen the past few years.

We understand that the option will be there to request the test by the purchaser, and we also understand the reluctance of the buyers industries to give up their automatic test procedure, unless otherwise requested, but we believe that in this instance the desire of the producer should be recognized.

We believe that the Montana State Laboratory should be self-sufficient-- and we believe that with this law, it will be so.

Thank you,

# HARVEST STATES

COOPERATIVES

Exhibit # 7

February 15, 1985

To: Senate Agriculture Committee

Re: Senate Bill 360

I would like to express our opposition to Senate Bill 360 on behalf of Harvest States Cooperatives. We feel that the farmer is now fully protected in his right to receive a State grade and protein on his wheat because he has the right to ask for a State grade and protein. We have posted a sign in all our elevators informing him of this right. We have no argument with getting the farmer a State grade if he so desires and in fact, we want to see the State Grain Laboratory continue to operate. However, the private grain labs perform a very necessary function in the grading of grain. Our lab does an accurate and unbiased job of grading and we are very proud of the service we perform for our patron farmers. I would also like to point out that under the present law, the farmer has an option, if he is not satisfied with the private lab test, he can ask for a retest by the State lab. Under this bill, he would lose that option since the State test is mandatory. This bill would put an undue burden upon the grain trade in trying to get waivers signed by all the owners and producers and would ultimately cost the farmer more money.

A case in point is that the bill calls for an official grade and protein but often times if the grain is of good quality, we do not get a grade on the grain because it is #1 and we pay the farmer on that #1 grade and then only use a protein test. According to this bill, we would have to charge the farmer for a grade he didn't need or want.

Getting a sample back quickly is often of primary concern with the farmer and we try to have all our work out the same day it is received so that the farmer can be paid for his grain at once.

This bill does no service to the farmer by saying he must pay the cost of the test at the time of settlement. Under our present policy he pays no fee to us when the tests are run in our lab. We must also object to the NEW SECTION (SECTION 2). This gives the Department of Agriculture too much authority without the control of the legislature, or perhaps the wishes of the farmer involved.

In summary, let me ask that this bill be defeated because the farmer is now fully protected and I believe the private labs should be allowed to continue to do the accurate and unbiased job that they are doing without being hamstrung with the provisions under this bill. It would seem that the main reason for this bill is to keep the State lab open. We do not object to the State lab continuing to operate, however, if they cannot operate with the fees they generate, perhaps they need to be funded from some other source.

Yours truly,

HARVEST STATES COOPERATIVES

  
Norm Johnson

Great Falls Regional Office Manager



GREAT FALLS GRAIN TERMINAL  
DBA M. M. I. - RUDYARD  
P. O. BOX D  
GREAT FALLS, MT 59403

Exhibit # 8

My name is James Muller of Rudyard, Montana, and I represent Great Falls Grain Terminal Association.

We would like to oppose Senate Bill #360 requiring a State grade and protein unless a signed waiver is obtained, for the following reasons:

Private labs through-out the state have modern up-to-date equipment operated by qualified trained personnel. In many cases, these services are at the elevator site and immediate results are available to the producer. Results from the State lab can take several days.

To qualify as an official sample, an individual from the State lab would have to take the sample at the point of delivery. This is not feasible because of the expense and practability, therefore, making nearly all samples submitted samples only.

At present, the producer is offered two options; if he is not satisfied with the results from a private lab he may request a re-check at the State lab. Under this proposed bill, he would not have that second option.

Obtaining signed releases for sample testing would be very difficult in many cases. Some samples could require the signatures of as many as six or eight joint shareholders, including the State of Montana, to obtain a signed release. Often the grain is delivered by commercial haulers and the producer handles all of the transactions by telephone.

The added expense of these grading tests could amount to several cents per bushel and therefore, would have to be passed on to the producer, where as now most private labs provide these tests as a free service.

We can see no useful service that this bill would provide and it would be only more bureaucratic red tape to an already beleaguered grain elevator industry.

We would respectfully request a Do Not Pass on Senate Bill #360.  
Thank you. .

SENATOR THAYER  
TESTIMONY

February 18, 1985

MEETING: 1:00 PM, Room 413, Capitol Building

COST OF GRADES AND PROTEINS

	<u>GRADE</u>	<u>PROTEIN</u>	<u>RED BLOCK</u>	<u>INDIVIDUAL FACTORS</u>
Wheat/Feed Barley:	\$4.00	\$3.00	\$2.00	\$2.00
	<u>GRADE</u>	<u>DRY BASIS</u>	<u>RED BLOCK</u>	<u>MALTING ANALYSIS</u>
Malt Barley:	\$4.00	\$3.50	\$2.00	\$2.50
	<u>SOUNDNESS</u>	<u>VARIETY PURE</u>		
	\$2.00	Not Available		

ASSUMPTIONS: Grain delivered via 300 bushel farm truck. Red Block samples so farmer may receive quick settlement

TOTAL GRADE & PROTEIN COST FOR 10,000 BUSHELS OF GRAIN

Wheat: 33-1/3 loads x 9.00 = \$300.00 - 3¢/Bushel  
 Barley: 33-1/3 loads x 9.00 = \$300.00 - 3¢/Bushel  
 Malt Barley: 33-1/3 loads x \$14.00 = \$466.66 - 4.67¢/Bushel

Assuming that an elevator will handle 8,000,000 bushels of all grain in a year, composed of 5,000,000 bushels of wheat, 2,000,000 bushels of feed barley and 1,000,000 bushels of malt barley, the following costs would have to be passed back to the farmer/producer.

5,000,000 bushels of wheat X 3¢/Bushels = \$150,000  
 2,000,000 bushels of feed barley x 3¢/Bushel = \$60,000  
 1,000,000 bushels of malt barley x 4.67¢/Bushel = \$46,700

Total Cost to producer and surrounding community \$256,700

One of the grading factors that is very critical to malt barley is variety purity. The State of Montana grain lab does not perform variety analysis.

This example includes the extra \$2.00 for "Red Block", because past experience indicated 2 to 3 weeks service unless you paid the extra fee.

Mr. Chairman, Member of the committee. My name is Kerry Schaefer and I am here to testify as an opponent to Senate Bill 360 on behalf of General Mills, Inc. and the Montana Grain Elevator Association. The primary intent of this bill is to force more business in the direction of the Montana State Grain Lab thereby increasing revenue to justify the existence of the lab. We along with Mt. Producers want the Grain Lab to remain in business providing a viable service as well as a legal arbitrator in the event of grading disputes. However, Senate Bill 360 will only complicate our business transactions with the farmer and in fact the bill has some major problems which bear your consideration.

1. Section 1, part 2 requires an Official grade which is impossible unless a licensed inspector samples each load as it is dumped.
2. The bill requires a written waiver by the producer when much of our business is completed over the phone with most contract signed at a later date and many cases without signature until payment occurs.
3. The bill requires the written waiver by a producer or owner of the grain. Legally this makes it necessary for us to search out every absentee owner or tenant for signatures before settlement can be made. Legally a lien holder such as a bank, seed company or hail insurance firm may need to sign waivers.
4. Senate Bill 366 removes the appeal process available to farmers under the current law whereby second samples may be sent to the grain labs to settle grade and protein disputes.

Our industry spent a great deal of times prior to the last session along with the Department of Agriculture rewriting a grain law that opeated in the horse and buggy days of the grain trade. Since the law passed we have had few complaints or hitches regarding its contents. The bulk of our grading is done by private labs today at no charge to the producer unless he requests a state grade and protein and this system has run smoothly with very few complaints sent to the Dept. of Agriculture in Helena. In addition, by requiring State grades many of our malting barley customers outside of Montana would find themselves mandated to honor FGIS results when many other subjective factors are involved when handling this commodity, thereby hindering our malting barley business.

With so many potentially detrimental effects regarding passage of this bill as well as increased legal ramifications we encourage your reccomendations of a do not pass vote for this price of legislation allowing us to operate under the streamlined manner we are accustomed.

# STANDING COMMITTEE REPORT

February 13 19 35

MR. PRESIDENT

We, your committee on **AGRICULTURE, LIVESTOCK AND IRRIGATION**

having had under consideration **SENATE BILL** No. **407**

first reading copy ( white )  
color

**CANCELLATION, TERMINATION FARM IMPLEMENT DEALERSHIP ONLY FOR GOOD CAUSE**

Respectfully report as follows: That **SENATE BILL** No. **407**

DO PASS

**YENNEIKKS**

.....  
**Senator Paul F. Boylan, Chairman.**

# STANDING COMMITTEE REPORT

February 18

19. 85

MR. PRESIDENT

We, your committee on **AGRICULTURE, LIVESTOCK & IRRIGATION**

having had under consideration **HOUSE BILL** No. **349**

third reading copy ( blue )  
color

**Donaldson (Sangtson)**

**AMENDS EXEMPTION PROVISION OF COMMODITY DEALER LICENSING LAW**

Respectfully report as follows: That **HOUSE BILL** No. **349**

BE CONCURRED IN

~~XXXXXXXX~~

~~XXXXXXXXXX~~

.....  
**Senator Paul F. Boylan,** Chairman.

# STANDING COMMITTEE REPORT

February 18 19 35

MR. PRESIDENT

**AGRICULTURE, LIVESTOCK & IRRIGATION**

We, your committee on.....

**SENATE BILL**

No. **345**

having had under consideration.....

**first**

reading copy ( **waite** )  
color

**ANHYDRUOUS AMMONIA FACILITIES SAFETY ACT**

Respectfully report as follows: That.....

**SENATE BILL**

No. **345**

DO PASS

~~XXXXXXXXXX~~

**STATEMENT OF INTENT ADOPTED AND ATTACHED**

**Senator Paul F. Boylan,**

Chairman.

FEBRUARY 18, 1985

MP. PRESIDENT,

WE, YOUR COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION  
HAVING HAD UNDER CONSIDERATION SENATE BILL NO. 345, ATTACH THE  
FOLLOWING STATEMENT OF INTENT:

STATEMENT OF INTENT

SENATE BILL NO. 345

It is the intent of the legislature that the department of agriculture adopt rules to establish enforceable standards for the safe storage and handling of anhydrous ammonia. In adopting these rules, the department shall demonstrate strong consideration of the safety standards for the storage and handling of anhydrous ammonia published by the American national standards institute, a private, nationally recognized institute with expertise in matters pertaining to industrial safety and design standards. It is the intent of the legislature that the department of agriculture adopt other rules necessary to administer the provisions of this act.