

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE

Call to Order: By Chairman Beck, on January 23, 1989, at
1:00 p.m.

ROLL CALL

Members Present: Senators: Gerry Devlin, Bob Williams,
Esther Bengtson, Jack Galt, Gene Thayer, Hubert Abrams,
Gary Aklestad, Greg Jergeson, Chairman.

Members Excused: None

Members Absent: None

Staff Present: Doug Sternberg, Legislative Council

Announcements/Discussion: None

HEARING ON SENATE JOINT RESOLUTION 4

Presentation and Opening Statement by Sponsor: Paul Rapp-Svrcek, District 26, explained that SJR 4 was a parity resolution. Senator Rapp-Svrcek stated the intention of SJR 4 is to urge the President and the Congress of the United States to increase the price of all raw materials to parity levels in order to stabilize the American economy. "Simply what parity is, is equality in coin of the realm, equality in purchasing power. Montana more than most states would benefit a great deal by parity levels because we are a natural resource state. Our natural resources are in essence the coin of our realm. So Senate Joint Resolution #4 urges that parity levels be established for all raw materials." Senator Rapp-Svrcek indicated that there were several times in the history of Montana and the nation that raw materials were at parity levels. That when there was parity in Montana and the nation as a whole. People were prospering greatly.

List of Testifying Proponents and What Group they Represent:

Representative Ted Schye representing himself
Dewey Forsness representing himself from Wolfpoint
Kay Norenberg representing WIFE

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Representative Schye, District 18 from Glasgow, indicated that he has spent years dealing with parity. "I think it is a very important issue to look at and make sure that you understand or try to understand what it does and what it has done in the past."

Dewey Forsness indicated that the information was not his work; it came from the works of Carl Wilken. "Carl Wilken is the father of parity in the United States." See exhibit 1. Mr. Forsness presented the committee with the definition of parity. See exhibit 3. Mr. Forsness explained the economic overview of Roosevelt County. See exhibit 4. Dewey Forsness stated, "We could have \$11 wheat in this country. Without any trade control, we wouldn't sell a bushel of wheat; we would import it all. Like somebody said, it doesn't matter where you set your wheat, the Canadians are going to set theirs a nickel or dime less and it's going to come in. We would propose a tariff at our borders on all commodities to American parity level."

Kay Norenberg indicated she supports SJR 4.

Questions From Committee Members: Senator Aklestad asked "Would you have a parity price difference for domestic and foreign markets? Senator Rapp-Svrcek replied, "As I understand it the parity does not necessarily mean the price is the same but it's at equitable levels for various commodities. The price on the world market would not necessarily be the same, but access to the United States market would require a parity level."

Senator Aklestad asked, "Well, I guess since we are an exporter of a lot of the raw materials that you are speaking of especially...agriculture products, especially say grain. I would like to get parity for my commodities but since we're in a world market I'm wondering how we would be competitive in the world market if we were asking \$7.46."(a bushel) Dewey Forsness replied, "Basically we're not going to be competitive in that respect...We would trade so much wheat for so much bananas."

Senator Thayer-"How are you going to feed the millions of

Americans that are going to be put out of work when we put the policy in that you are talking about? There is industry after industry that survives totally on export." Dewey Forsness replied, "Are the exports that important to the nation? How many shoes are we exporting? How much oil are we exporting? How much copper are we exporting? How much timber are we exporting? Granted we are exporting wheat, corn, soybeans...We would be reemployed; we wouldn't throw people out of work. We would be raising their wages and reappointing them."

Senator Devlin-"You're going to tax them a tariff of 100%, is that right?" Senator Rapp-Svrcek replied, "That's my understanding on how it would work."

Senator Devlin-"Does this follow the lines of the Harkins bill that was in Congress a few years back?" Mr. Dewey Forsness replied, "Absolutely not!"

Senator Thayer asked about the Father of Parity, Carl Wilken. Dewey Forsness-see exhibit 6.

Senator Bengtson stated that she was having trouble making Carl Wilken's philosophy applicable to 1989 when so much has gone on in our world economy. Dewey Forsness replied, "Do you feel that we're ready to compete with-let's say our clothing and manufacturing industry is ready to compete with the Chinese?"

Senator Galt-"You've lost me saying the market sets the price but yet you're saying our market is all wrong. How can the market work when it's already told what the worth of its product? Senator Rapp-Svrcek answered, "If you didn't tell the market what the worth of its product was. If you let the market set the level of the commodity you're selling without any hinderance by a government economist, then the price you're getting for the raw material would be very different than what you are getting right now."

Senator Galt-"Then how could we compete with Canada, Australia, or Argentina?" Senator Rapp-Svrcek answered, "I guess that's the sixty million dollar question. We might not be able to have the same prices they would have. Certain goods that we sell to them would then be increased. The argument would then be that it would all balance out."

Senator Beck-"Has this ever been tried in other countries that we exported from or do you know if this has been done in any European nation by setting a parity on

their products?" Mr. Dewey Forsness answered, "The only thing that I've read on it is that Adolph Hitler started doing it in '39 and by the time he got put down, Nazi Germany was the economic force equally to the rest of the world."

Closing by Sponsor: Senator Rapp-Svrcek urged the committee to support SJR 4. Senator Rapp-Svrcek closed.

Hearing of SJR 4 was closed. Executive action will be taken at a later date.

Senator Aklestad moved to request the committee researcher to draft a bill to revise the current Barley and Wheat committee terms of membership. This would limit their appointed position on the committee to 3 years instead of 5 years. The committee voted unanimously to allow the bill to be drafted.

ADJOURNMENT

Adjournment At: 2:03 p.m.


TOM BECK, Chairman

TB/jj

ROLL CALL

AGRICULTURE COMMITTEE

DATE 1/23/89

51st LEGISLATIVE SESSION 1989

NAME	PRESENT	ABSENT	EXCUSED
SENATOR HUBERT ABRAMS	✓		
SENATOR GARY AKLESTAD	✓		
SENATOR ESTHER BENGTSON	✓		
SENATOR GERRY DEVLIN	✓		
SENATOR JACK GALT	✓		
SENATOR GREG JERGESON	✓		
SENATOR GENE THAYER	✓		
SENATOR BOB WILLIAMS	✓		
SENATOR TOM BECK	✓		

Each day attach to minutes.

Testimony of Dewey Forsness
Before the Senate Natural Resources Committee
Chaired by Senator Thomas F. Keating

The U.S. in 1985 became a debtor nation for the first time since 1914.

There has not been a balanced Federal Budget since 1969.

A yearly federal budget deficit of about 200 billion exists.

We have a foreign trade deficit that has increased from 40 billion dollars in 1982, to 70 in 1983, 120 in 1984, 150 in 1985 and 170 in 1986.

According to the U.S. Dept. Of Labor, each billion dollars of trade deficit causes a loss of 30,000 American jobs. Equaling 5 million unemployed

This same trade deficit allows foreign nations to buy American property and businesses with American dollars.

Our farm, business and bank failures are setting new records, unequalled since the Great Depression.

The stock market crashed, Savings and Loans and the Farm Credit System required a bail out.

Cities, counties and states are having difficulty generating enough revenue to provide needed services.

The deterioration of our economic system began with the passage of the 1953 "Aiken Farm Bill". This farm bill allowed the reduction of farm prices by 10 to 40%. The result of this bill includes 2 million people living on the streets and 20 million people going to bed hungry at least sometime during the month.

Gradual lowering of wages and the invasion of cheap foreign goods hurt most every segment of American Agriculture, business and industry.

When the principals outlined in the Montana Senate Joint Resolution #4 are enacted into law at the national Level:

Farmers and Ranchers will be able to not only repay their lenders, but be able to purchase much needed goods and services from earned income. This would provide revenue to restore communities, small and large. It would also breathe new life into the farm equipment and other manufacturing sectors.

Minimum wage workers would have enough earned income to provide for themselves, reducing the demand on welfare.

Industries severely impaired by imports would be able to rebuild, and provide these goods for their own people.

Cities, counties, states and the nation would be able to balance budgets.

Approp 1985 parity price
w/10-14 Base

SENATE AGRICULTURE

EXHIBIT NO. 2

DATE 1/23/89

BILL NO 6 STRY

Index 1910-14 = 100 - production items; interest
takes & wage rates
10-14 price

Cotton	12.4 ¢ per lb	1.45
Cotton seed	\$22.01 per ton	256.64 "
Wheat	88.4 ¢ per Bu	\$10.31 Bu
Corn	64.02 ¢ per Bu	\$7.46 "bu
Hay	\$11.87 ton	138.40 ton
Oats	39.9 ¢ bu	4.65 bu
flax	\$1.69 bu	19.71 Bu
Hogs		92.23 100#
Cattle	all grades	86.67 100#
	Rate	109.81 100#
	Calves	120.79 100#
Milk		19.11 100#
Soy Beans		12.08 bu
Wool	(17.8 ¢ per # 10-14)	2.08 lb
Barley		5.75 Bu

from World Book, 1986

PARITY

its reflection. The same laws apply to the event and its image, and give the observer no clue by which to identify one or the other. Parity is conserved in all ordinary mechanical and electrical systems.

Physicists once believed that the conservation of parity was a natural law that applied to all events. But in 1956, two Chinese-born physicists, Tsung Dao Lee and Chen Ning Yang, suggested a number of experiments which proved otherwise. The experiments showed that parity was not conserved in a type of nuclear event called a *weak interaction*. An example of such an event is the emission of an electron by a radioactive nucleus.

The first such experiment was performed at the United States National Bureau of Standards by C. S. Wu of Columbia University and E. Ambler, R. W. Hayward, D. D. Hoppes, and R. P. Hudson of the Bureau who used atoms of the radioactive cobalt-60. The result of their experiment showed that parity conservation is not a universal law of nature.

CHEN NING YANG

PARITY, in economics, measures equality of purchasing power of two different currencies, or of the price of goods during two different periods. In the United States the word is usually applied to the price of certain farm products. The parity price for a particular farm product is that price which gives farmers the same purchasing power that they had during a specified period of time called the *base period*. The most commonly used base period is 1910 to 1914. So, if farmers could buy a pair of shoes in 1910 for the same price at which they sold two bushels of corn, they should also be able to do so today.

Since the 1920's, "agricultural equality"—the idea that the farmer should have a fair share of the national income—has received much attention. The Agricultural Adjustment Act of 1933 introduced parity as a method of measuring agricultural equality, and a program of price supports in order to achieve it. The law provided for an index of prices for things farmers sell, and one for things they buy. The *index number* of prices received for any particular year is found by mathematically comparing the sum of the prices of crops during that year with the sum of the prices of crops during the base period. The index number of prices paid is found the same way. If the index number of prices received equals the index number of prices paid, prices are "at parity."

In 1940, Congress introduced a change in computing parity. The Secretary of Agriculture now must use a "10-year moving average" in computing parity if it gives a higher support price than would be obtained by using the average of the period from 1910 to 1914.

Some persons criticize the parity program because it is based on a period in the past which may not be appropriate under present conditions. JOHN H. FARRER

PARK. Most parks are sections of land set aside for enjoyment by the public. Many parks are used for recreation and to allow visitors to relax in a natural environment. Some parks are used for cultural and educational events, sports, rallies, and festivals. Parks come in many sizes, from a tiny city park less than a block square to national parks containing vast areas of wilderness. Local, state or provincial, and national governments throughout the world administer park systems. Some parks are

privately owned and administered.

Other parks are not open to the public. **Kinds of Parks.** This article describes two main types: state, provincial, and national parks; and amusement parks.

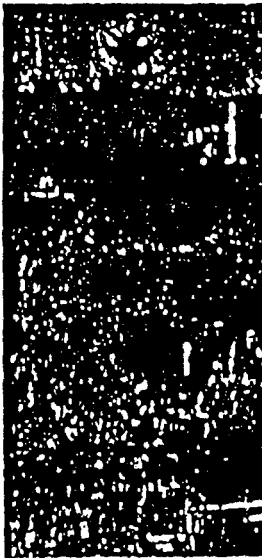
Urban Parks provide green space and add variety to city and town life. They are generally administered by local governments. Many urban parks have trails for biking, horseback riding. Some parks also have facilities for basketball, tennis, and other sports. In some parks, visitors may see wildflowers, study and crafts.

In the United States, every state has at least one large park. Mount Park in Philadelphia covers more than 1,000 acres and includes a zoo, a theater, and six colonial mansions.

State, Provincial, and National Parks. For example, in the United States, national parks are set aside to preserve scenic areas, forests, or unusual geological features, geysers, glaciers, or other natural features.

State, provincial, and national parks are set aside for their historical value. For example, some parks preserve old buildings, or ruins, battlefields, or skiing areas. They also provide opportunities for swimming and fishing.

The United States has 58 national parks. Canada has 39 national parks and 28 national parks. The United States has more land than any other country in the world.



Urban Parks contribute not only green space to cities and towns. One urban park located in the center of a city.

Draft

Exhibit No. 4
1/23/89
JR 4

ECONOMIC OVERVIEW OF ROOSEVELT COUNTY
1979

TABLE A
DEBT INJECTION

NET INCREASE IN MORTGAGES	\$17,000,000)
CONTRACTS FOR DEED	7,000,000)
GOVERNMENT GRANTS	9,000,000)
SUBSIDIES-REVENUE SHARING, BIA, FOOD STAMPS, ETC.	12,000,000)
INCREASE IN BANK LOANS (All banks, PCA, FmHA)	\$9,000,000)
INCREASE IN BANK DEPOSITS	5,000,000)
NET INCREASE IN BANK LOANS	4,000,000)

TOTAL DEBT INJECTION IN ROOSEVELT
COUNTY FOR 1979----- \$49,000,000

TABLE B
EARNED INCOME:

CROP	1979 PRODUCTION	AVE. PRICE AT THE MARKET	VALUE IN DOLLARS
WHEAT	6,235,000 BU.	\$3.23	21,955,000)
BARLEY	950,000 BU.	\$1.54	1,460,000)
BEEF	14,000,000 LBS.	\$66 CWT	9,240,000)
HOGS	5,420,000 LBS.	\$40 CWT	2,168,000)
HAY	70,000 TON	\$51 TON	3,883,000)
OIL	1,075,000 BBL.	\$11.20-BBL.	12,040,000)
TOTAL EARNED INCOME-----			\$50,746,000)

TABLE C
ECONOMIC LOSS TO ROOSEVELT COUNTY FOR 1979

CROP	1979 PRODUCTION	PARITY VALUE*	VALUE IN DOLLARS
WHEAT	6,235,000 BU.	\$9.24	57,600,000)
BARLEY	950,000 BU.	\$5.14	4,883,000)
BEEF	14,000,000 LBS.	\$82.50 CWT	11,550,000)
HOGS	5,420,000 LBS.	\$82.50 CWT	4,471,000)
HAY	70,000 TON	\$84 TON	5,880,000)
OIL	1,075,000 BBL.	\$18.50-BBL.	19,887,000)
TOTAL VALUE OF 1979 PRODUCTION, AT THE MARKET PLACE, WHEN PRICED AT PARITY-----			\$104,271,000

As you can see, we were forced to borrow \$49,000,000 to cover the
\$53,000,000 that was stolen.

*Parity Price Computation- (AP) Base Period 1926 = 100
 Associated Press Index for Jan. 10, 1980 was 533, the 1926 Wheat
 Price was \$1.26, Thus $533 + 100$ (Base Period) \times $\$1.46 = \9.24 a
 Bushel for wheat.

SOURCE

Production and price
 figures obtained from
 Mont. Crop & Livestock-
 "Mont. Ag. Statistics"
 Volume XVII, 1979 & 1980
 and "Mont. Oil Journal"

SOURCE

Mortgage Book
 Misc. Real estate Book
 "Distribution of Federal Funds"

"Distribution of Federal Funds"
 Figures from all banks in Roosevelt
 County, FmHA and PCA- financial
 statements which these institutions
 are required by law to publish.

LOSS TO ROOSEVELT COUNTY

\$35,645,000
 3,423,000
 2,310,000
 2,303,000
 1,997,000
 7,847,000
 \$53,525,000

SENATE AGRICULTURE

EXHIBIT NO. 5

DATE 1/23/89

BILL NO. SJR 4

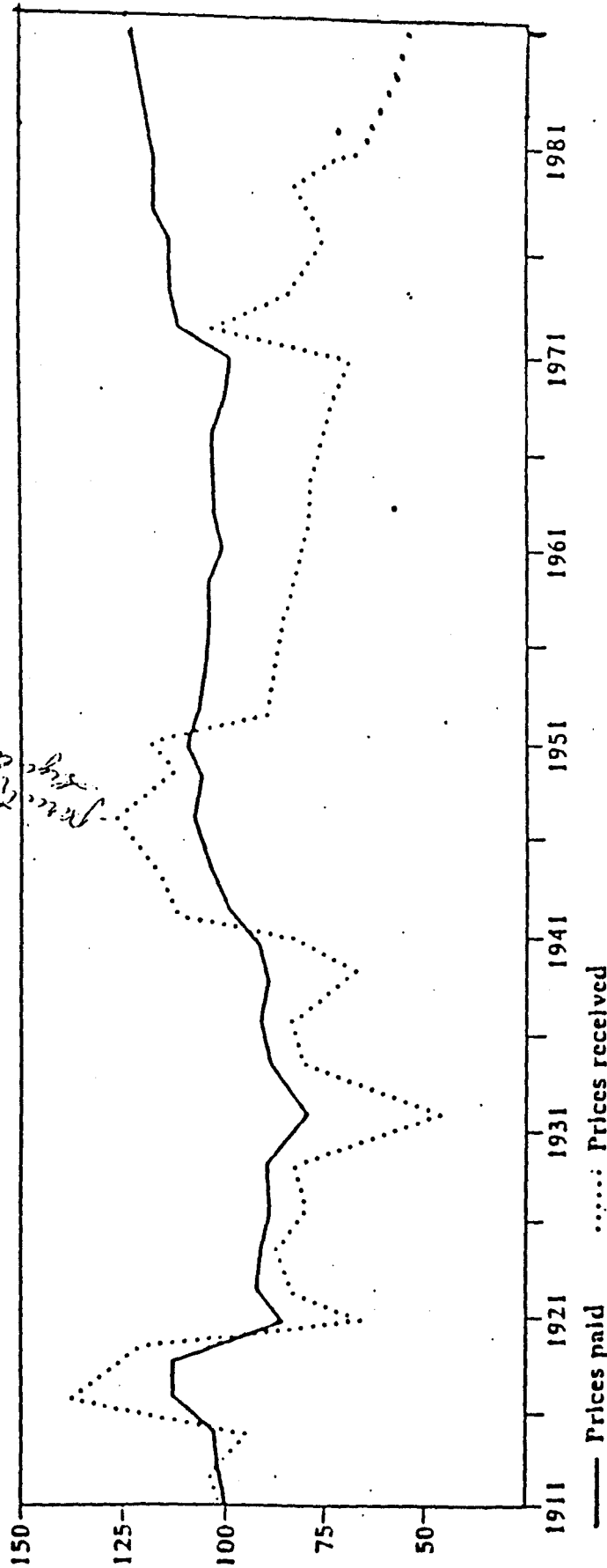
SENATE AGRICULTURE

EXHIBIT NO. 5

DATE 1/23/89

BILL NO. SJR 4

Figure 2-1
Index of Prices Paid and Prices Received by Farmers, 1910-1981
(1910-14 = 100)



Data from USDA, Agricultural Prices—Annual Summary, 1980.

Scot
584 Transparency Mounting Frame

Commercial Tape Division 3M
St. Paul, MN 55144

Balancing the State Budget

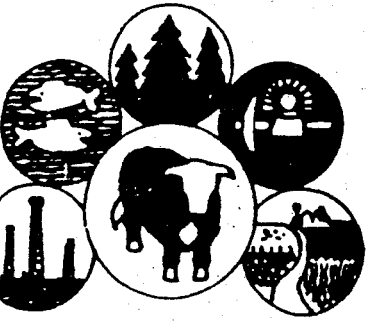
Montana 1985 Gross farm income. (Including all govt. payments)		1,597,000,000
Farm production expenses 1985		1,610,300,000
Montana realized net farm income 1985	Minus	13,300,000
Average net loss per farm	Minus	563
Net change in farm inventory	Minus	338,400,000
1985 average net income per farm (with net change in inventory)	Minus	14,902

Montana gross farm income is approx. 40% of what it would be. At full parity Montana farmers and ranchers would generate another 2.4 billion dollars in gross farm income. Each dollar of gross farm income generates approx. 2.5 dollars at the state level, adding approx. 6 billion dollars to the state economy.

If 10% of this additional gross state income wound up as taxable net income, and was taxed at a 10% rate, it would generate approx. 60 million dollars in additional state revenue, more than enough to balance the present state budget, without any reduction in services.

"NORM"

Legally Chartered Under State Laws



Agriculture, Forestry, Fishery, Mining

SENATE AGRICULTURE

EXHIBIT NO. 6

DATE 1/23/89

BILL NO. SJR 4

Carl Wilkera

Economic
Analyst

ALL NEW WEALTH COMES FROM THE SOIL

THE PRODUCTION OF RAW MATERIALS OR NEW
WEALTH IS THE PRIMARY SOURCE OF EARNED
NATIONAL INCOME, CONSUMER MARKETS AND
EARNED OPERATING PROFIT.

UNDERPAYMENT BY SOCIETY FOR THE PRODUCTION
OF NEW WEALTH FORCES THE ECONOMY AS A
WHOLE TO OPERATE AT A LOSS.

YES, I DEFINITELY WANT TO SHARE A PART IN HELPING TO RESTORE A SOLVENT NATIONAL ECONOMY. I want to Stand Up and be Counted as one Proud American willing to invest in the prosperity of my country, and HELP PRESERVE AND STRENGTHEN the Independent structure of Private Enterprise.

Please accept my contribution as follows:

Name: _____

Mailing Address: _____

Town or City: _____ **State** _____ **Zip** _____

Occupation: _____ **Telephone** _____

Sustaining Membership	\$500.00 or more _____
Charter Membership	\$100.00 or more _____
Associate Membership	\$ 50.00 or more _____
Supporting Membership	\$ 25.00 or more _____

Send all contributions to:

**Mr. Ray Dykeman, Treas.
N.O.R.M.
Bank of Hartington
Hartington, Nebr. 68739**

SENATE AGRICULTURE
EXHIBIT NO. 7
DATE 1/23/89
BILL NO. SJR 4

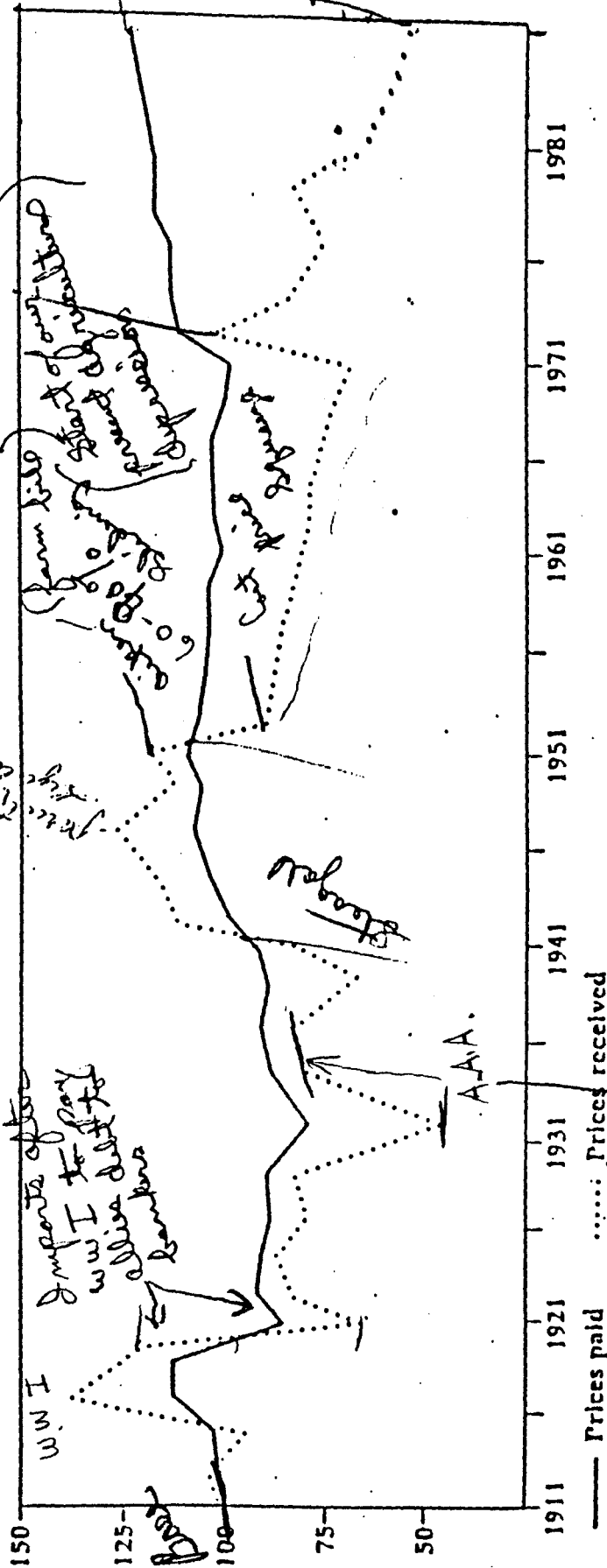
Balancing the State Budget

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Figure 2-1
 Index of Prices Paid and Prices Received by Farmers, 1910-1981
 (1910-14 = 100)



Data from USDA, Agricultural Prices—Annual Summary, 1980.

... Agriculture Adjustment act of 1933; it helped but only went to 75% of parity so we didn't have a full recovery till the Stabilization Act of 1949

Scot

584 Transparency Mounting Frame

Commercial Tape Division 3M

St. Paul, MN 55144

SJR 4
1/23/89

NAME: Kay Tremberg
ADDRESS: 1437 Little Ave
PHONE: 449-6589

SENATE AGRICULTURE
DATE: 1/23
EXHIBIT NO. _____
DATE _____
BILL NO. _____

REPRESENTING WHOM? WIFE (Wages Involvement In Farm Economics)

APPEARING ON WHICH PROPOSAL: SJR 4

DO YOU: SUPPORT? AMEND? _____ OPPOSE? _____

COMMENTS: _____

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

If you testify please fill out!

SJR 4
1/23/89

SENATE AGRICULTURE

DATE: 1/23-89
EXHIBIT NO. _____

DATE: _____
BILL NO. _____

NAME: John James

ADDRESS: Box 535 Jay Road

PHONE: 406-653-8492

REPRESENTING WHOM? Self + W.I.F.E

APPEARING ON WHICH PROPOSAL: SJR-4

DO YOU: SUPPORT? X AMEND? _____ OPPOSE? _____

COMMENTS: Mailed testimony to committee
regionally scheduled to hear this
resolutions. Senate Natural Resources.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

