

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE

Call to Order: By Chairman Tom Beck, on April 17, 1989, at
12:30 P.M.

ROLL CALL

Members Present: Senator Hubert Abrams, Senator Esther
Bengtson, Senator Gerry Devlin, Senator Greg Jergeson,
Senator Gene Thayer, Senator Bob Williams, and Senator
Tom Beck

Members Excused: Senator Gary Aklestad and Senator Jack
Galt

Members Absent: None

Staff Present: Doug Sternberg, Legislative Council

Announcements/Discussion: Senator Beck discussed the letter
to the Governor regarding the Drought Task Force. The
committee members were instructed to read the letter
and sign it if they so desired.

HEARING ON HOUSE JOINT RESOLUTION 43

Presentation and Opening Statement by Sponsor:

Representative Steppler, House District 21, stated
"This resolution requests an interim study of the
concentration of the livestock feeding and packing
industries. It requires a report of the findings of
the study to the 52nd Legislature." See exhibit 1 for
further testimony.

List of Testifying Proponents and What Group They Represent:

Marvin Barber representing Agriculture Preservation
Association
Steve Charter representing the Northern Plains Resource
Council
Lorna Frank representing the Montana Farm Bureau
Federation (testimony handed in)

List of Testifying Opponents and What Group They Represent:

None

Testimony:

Marvin Barber - "We don't know if it is a serious problem yet but it should be one to be aware of. I urge the passage of this bill."

Steve Charter - See exhibit 2 for his testimony.

* Written Testimony submitted to the committee *

Lorna Frank - See exhibit 4 for her testimony.

Questions From Committee Members: Senator Devlin - "How many other states are looking into this?"

Representative Stepler - "I know there is a bill in front of the Idaho Legislature. I haven't heard if they have acted on it or not. As far as the other states, I haven't heard of any other states that have an interest in this (resolution)."

Senator Devlin - "There is none of these beef packing plants in the state at all?" Representative Stepler - "Not in Montana, no. That is something we should be looking at. It is getting to the point where the packing plants are moving farther and farther away from our local production. That cost is getting to rather high to consumers."

Senator Devlin - "What kind of state action could you see us taking? Is it specific legislation that you foresee?"

Representative Stepler - "Not specifically. What I understand, it takes around 80,000 to 100,000 head of cattle to run a successful packing plant. With Idaho, North Dakota, Wyoming, Montana, and Canada--I think Montana would be a good location for a packing plant."

Closing by Sponsor: Representative Stepler closed

DISPOSITION OF HOUSE JOINT RESOLUTION 43

Discussion: Senator Thayer - "I think it is a wrong approach. I don't care for resolutions that basically go against our free enterprise system. The reason we don't have a beef packing plant in Montana is because they can't justify putting one in. If they thought we should have a big one, there would be one here. You have to have the kill numbers to make it work. We tried to put one in, in Great Falls. We did a study.

We did the whole thing. Ranchers won't support--they don't have the daily kill record number to support a big plant."

Amendments and Votes: None

Recommendation and Vote: Senator Bengtson moved HJR 43 TO BE CONCURRED IN. The motion carried with Senator Thayer voting no.

Senator Yellowtail was assigned to carry HJR 43.

HEARING ON SENATOR JOINT RESOLUTION 22

Presentation and Opening Statement by Sponsor: Senator Harp, Senate District 4, states "SJR 22 directs the Environmental Quality Council to study the protection and management of ground water quality. This resolution will direct the Environmental Quality Council to report its findings of the study to the 52nd Legislature."

List of Testifying Proponents and What Group They Represent:

None

List of Testifying Opponents and What Group They Represent:

None

Testimony:

None

Questions From Committee Members: Senator Devlin - "It looks like our study should have preceded all the bills. Did you think of that?" Senator Harp - "Yes, I realize that."

Senator Jergeson - "Don't you think this just monitors the bills we have passed this session?" Senator Harp - "That's right. We have got mean major pieces of legislation that have gone on."

Closing by Sponsor: Senator Harp closed.

DISPOSITION OF SENATE JOINT RESOLUTION 22

Discussion: Senator Beck indicated that there was no money
in SJR 22.

Amendments and Votes: None

Recommendation and Vote: Senator Jergeson moved SJR 22 DO
PASS. The motion carried with Senator Thayer voting
no.

ADJOURNMENT

Adjournment At: 1:00 P.M.



SENATOR TOM BECK, Chairman

TB/jj

ROLL CALL

AGRICULTURE COMMITTEE

DATE 4/17/89

51st LEGISLATIVE SESSION 1989

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

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

April 17, 1989

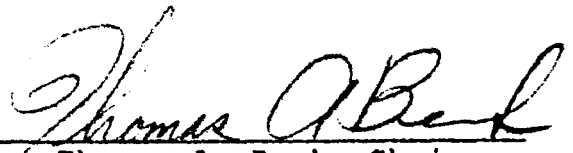
MR. PRESIDENT:

We, your committee on Agriculture, Livestock, and Irrigation, having had under consideration HJR 43 (third reading copy -- blue), respectfully report that HJR 43 be concurred in.

Sponsor: Stepller (Yellowtail)

BE CONCURRED IN

Signed:


Thomas A. Beck, Chairman

4/17/89
2:19 p.m.

SENATE STANDING COMMITTEE REPORT

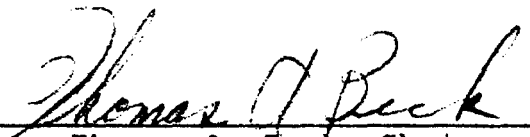
April 17, 1989

MR. PRESIDENT:

We, your committee on Agriculture, Livestock, and Irrigation, having had under consideration SJR 22 (first reading copy -- white), respectfully report that SJR 22 do pass.

DO PASS

Signed:


Thomas A. Beck, Chairman

Y.C.
4/17/89
2:19 p.m.



The Big Sky Country

SENATE AGRICULTURE

EXHIBIT NO. 1

DATE 4/17/89

BILL NO. HR 43

MONTANA HOUSE OF REPRESENTATIVES

REPRESENTATIVE DON STEPPLER

HOUSE DISTRICT 21

HELENA ADDRESS:

CAPITOL STATION
HELENA, MONTANA 59620
PHONE: (406) 444-4800

HOME ADDRESS:

BOX 429
BROCKTON, MONTANA 59213
PHONE: (406) 774-3425

COMMITTEES:

BUSINESS & ECONOMIC
DEVELOPMENT
AGRICULTURE, LIVESTOCK &
IRRIGATION
HIGHWAYS & TRANSPORTATION

APRIL 10, 1989

THE INTENT OF THE STUDY RESOLUTION IS TO ADDRESS THREE AREAS.

1. IT ACKNOWLEDGES THAT INCREASING CONCENTRATION OF THE LIVESTOCK FEEDING AND PACKING INDUSTRY IS OF CONCERN TO RURAL ECONOMIES, SUCH AS MONTANA, THAT ARE DEPENDENT UPON A HEALTHY, PROSPEROUS AND COMPETITIVE LIVESTOCK INDUSTRY.
 2. THIS RESOLUTION ASSIGNS A STATE LEGISLATIVE INTERIM COMMITTEE TO EXAMINE THE IMPLICATIONS FOR MONTANA OF MONOPOLISTIC PRACTICES IN THE LIVESTOCK AND FEEDING INDUSTRIES.
 3. IT CALLS FOR CONGRESSIONAL OVERSIGHT HEARINGS TO INVESTIGATE THE IMPLICATIONS OF CONCENTRATION IN THE LIVESTOCK INDUSTRY WITH THE PURPOSE OF FACILITATING AND FORMULATING APPROPRIATE FEDERAL RESPONSES.
- CHANGES IN THE LIVESTOCK INDUSTRY IN RECENT YEARS ARE MAKING INDEPENDENT LIVESTOCK PRODUCERS A THREATENED SPECIES. THREE COMPANIES NOW CONTROL 75% OF THE U.S. FAT CATTLE SLAUGHTERING BUSINESS AS OPPOSED TO SIX YEARS AGO, WHEN THE TOP FOUR COMPANIES CONTROLLED LESS THAN 30% OF THE U.S. FAT CATTLE MARKET.

Ex. #1
4/17/89
HJR 43

MONTANA'S LIVESTOCK INDUSTRY COULD FACE THE SAME FATE AS THAT OF THE POULTRY INDUSTRY. JUST A FEW YEARS AGO, POULTRY PRODUCERS OPERATED INDEPENDENTLY, MUCH LIKE CATTLEMEN TODAY. MEANWHILE POULTRY PROCESSORS WERE BECOMING BIGGER AND FEWER, ENABLING THEM TO INTEGRATE THEIR CONTROL OF THE PRODUCT FROM CONCEPTION TO WHOLESALER.

THE EFFECT OF MERGERS, VERTICAL INTEGRATION, BUY OUTS AND LARGE SCALE FORWARD CONTRACTING ON MONTANA PRODUCERS ARE NOT FULLY KNOWN OR UNDERSTOOD. THIS RESOLUTION ASSIGNS AN INTERIM STUDY TO EXAMINE THE SITUATION AND, IF APPROPRIATE, MAKE RECOMMENDATIONS FOR CHANGE.

IT WILL TAKE LEADERSHIP FROM ELECTED OFFICIALS REPRESENTING LIVESTOCK PRODUCING STATES TO CALL FOR CONGRESSIONAL INVESTIGATION. THE MONTANA STATE LEGISLATURE HAS THE OPPORTUNITY TO LEAD AND WORK WITH OTHER LIVESTOCK PRODUCING STATES TO CALL FOR ACTION.

I BELIEVE THIS IS VERY IMPORTANT TO THE LIVESTOCK INDUSTRY OF MONTANA TO HELP ENSURE COMPETITION WITHIN THE INDUSTRY, AND FOR THE CONSUMERS OF MONTANA AND THE U.S.

DON STEPPLER
REPRESENTATIVE

DS/vm

NORTHERN PLAINS RESOURCE COUNCIL

Field Office
Box 858
Helena, MT 59624
(406) 443-4965

Main Office
419 Stapleton Building
Billings, MT 59101
(406) 248-1154

Field Office
Box 886
Glendive, MT 59330
(406) 365-2525

STATEMENT BY STEVE CHARTER ON HJR 43: APRIL 17, 1989.

Mr. Chairman, Members of the Committee;

My name is Steve Charter. I am a member of the Livestock Task Force of the Northern Plains Resource Council and am testifying on behalf of the Council in favor of House Joint Resolution 43.

I run our families cow-calf operation in northern Yellowstone County. We occasionally retain ownership and feed yearlings out to fat in a custom lot. I'm here today because I feel our future as independent operators is in jeopardy.

In order to negotiate a fair price for our product we need a broad choice of buyers to sell to. This necessary ingredient of a free market system no longer exists in the meat industry. Nationwide, three companies now control over 75% of the fat cattle slaughter. In our marketing region the figure is even more alarming -- 95%, according to Bruce Marion, Ag Economist from the University of Wisconsin. To quote Dr. Marion, "This rate of concentration is unprecedented. There is no parallel in any of the other industries -- food and non-food." According to Dr. Marion the minimum efficiency of scale for a modern beef packing plant is to be large enough to process 1 to 2% of the annual U.S. beef production. This means that instead of 3 companies controlling the market we could have 30 or 40 with no loss of efficiency.

If these three multinationals were only in control of the beef packing industry it would be bad enough. However, these same companies are moving into a dominant position in all meats: lamb, pork and poultry, as well as beef. In Montana today, there is basically only one buyer for lamb -- Conagra's Monfort.

These companies are dominant in grain marketing and cattle feeding. Further they contract fed cattle and have sweetheart deals with the nation's biggest feed lots. This puts them in the position to pull out of the buying market for long enough periods of time to be disastrous in an industry where fat cattle must be sold when ready. No independent feeder could withstand this strategy. All they can do is pass their losses back to the basic producer which is people like us and states like Montana.

The only reason we have not felt the full effects of all this yet is because of extremely tight cattle numbers. Cow

numbers are down to a 27 year low, but this condition will not last.

It's hard to imagine what the Montana livestock industry could look like in a few years. We have only to look to the Southeast where the poultry industry has changed from a free enterprise system of moderately sized, independent producers, to a contract production system controlled by a processor monopoly. The chicken producer owns the debt on capital intensive facilities and has no choice but to take the contract and poor terms offered, or go broke. Farmers who speak out against the companies are "blacklisted", and their facilities sit idle because there is no one to sell chickens to.

There is no reason for us, as cattle producers, to expect better treatment from these same companies. I am free to speak my mind here today, but I seriously whether I will be able to do so in the future without fear of reprisal.

The resolution before you calls for an anti-trust investigation and enforcement. Our free-enterprise system is a creation of our democratic government, and it is the duty of government to preserve free enterprise from monopoly takeover. There is a long history of anti trust enforcement in the U.S. meat industry. The first time Congress intervened was in 1888 -- over 100 years ago. Since then, government has preserved the free market system and broken up packer concentration several times.

The livestock industry needs anti-trust enforcement because at one end we have many unorganized producers in a highly competitive situation, while at the other end the industry bottlenecks into a few well organized processors capable of concentrating enough to control the market. The few processors left, in order to compete with each other, start working backwards to control their supply. Iowa Beef Packers, now owned by Occidental Petroleum, publicly recognized the need for government intervention at this point. IBP ran some remarkable ads last year practically begging for anti-trust enforcement to prevent them and their competitors from moving into cattle feeding. When they got no response, IBP went ahead and made a sweetheart deal with Cactus Feeders, the biggest feeder in the world.

Most anti-trust legislation is in place and is probably adequate with some updating for the 1980's. The problem is that there has been no anti-trust enforcement in any part of the economy for ten years. Some individual states have tried to fill this void. For example, Maine sued successfully to protect its fisherman from processor concentration in the sardine industry.

The law is there. The precedent is there. The need is there. The only thing lacking is leadership from producers and producing states. We need the king of active interim study

Ex. # 2
4/17/89
HJR 43
Pg 3

committee this resolution establishes to more full look into the problem and appropriate solutions. I am pleased that all of the producer organizations we have talked to, the Montana Stockgrowers, Montana Farm Bureau, Montana Farmers Union and the Montana Cattle Feeders, support this bill, as do such noted Legislators as Senators Delwyn Gage and Bill Yellowtail and Representatives Francis Bardanouve and Dennis Iverson. If Montana takes a strong stand, other states will join us to add to the momentum building at the producer level to get Congress and the Justice Deptment to take action. I would like to thank you for the opportunity to present testimony and urge your support for the resolution.

Montana State Senate

Exhibit #
4/17/89
HB 462



The Big Sky Country

April 11, 1989

The Honorable Stan Stephens
The Governor of Montana
Capitol Station
Helena, MT 59620

Dear Governor Stephens:

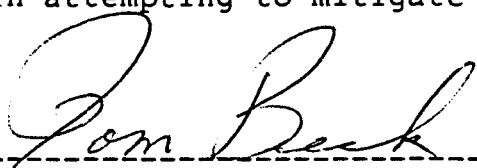
The Senate Committee on Agriculture, Livestock and Irrigation recently considered House Bill No. 462, An Act Providing for a Comprehensive State Drought Mitigation Program and Creating a Drought Policy Commission. The Committee tabled House Bill No. 462 because of technical questions in the bill, primarily regarding funding and the designation of priority basins. However, the Committee is aware of the potentially disastrous effects of continued drought in Montana, and is generally supportive of some concepts set out in House Bill No. 462.

Due to the necessity for quick response to drought and its potential harm, the Committee feels that the Governor's Office is the appropriate forum for coordination of drought information and identification of resources available to provide drought relief, possibly through emergency and disaster services. The Committee urges you to be responsive to input from municipal, industrial, tribal, agricultural, irrigation, environmental conservation, tourism and recreation interests, as well as state and federal agencies that monitor water quality and quantity, in order to lessen drought impacts on the people and economy of Montana. The Committee believes that cooperation among affected parties and promotion of public education on water conservation, possibly through use of public service announcements, are necessary to meet the needs of all water users.

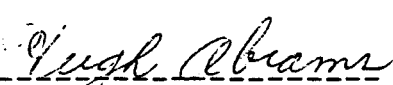
Ex. # 3
4/17/89
HB 462

Governor Stan Stephens
April 11, 1989
Page 2

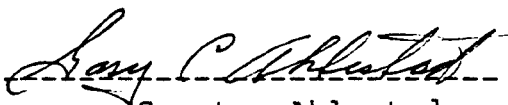
Therefore, the Senate Agriculture, Livestock and Irrigation Committee of the 51st Legislature strongly urges your cooperation in continuing to monitor drought conditions in Montana and, within present statutory authority, in attempting to mitigate drought problems in affected areas.



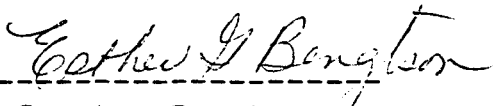
Senator Beck, Chairman



Senator Abrams



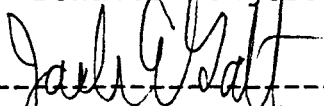
Senator Aklestad



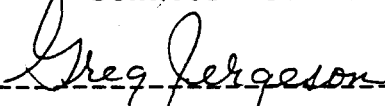
Senator Bengtson



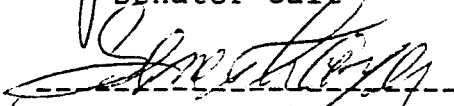
Senator Devlin



Senator Galt



Senator Jergeson



Senator Thayer

Senator Williams

Ex. #3 pg 3
4/17/89
4B 462

April 11, 1989

Governor Stan Stephens
State Capitol

Dear Governor Stephens:

The Senate Committee on Agriculture, Livestock and Irrigation recently considered House Bill 462, providing for a comprehensive state drought mitigation program and creating a Drought Policy Commission. The Committee tabled HB 462 because of questions regarding funding and the designation of priority basins. However, the committee is aware of the potentially disastrous effects of continued drought in Montana, and is generally supportive of the concepts set out in the bill.

Because of the necessity for quick response to drought and its potential harm, the Committee feels that the Governor's Office is the appropriate forum for coordination of drought information and for identification of resources available to provide drought response.

The committee urges you to solicit input from municipal, industrial, tribal, agricultural, irrigation, environmental, conservation, tourism, and recreation interests, as well as state and federal agencies that monitor water quality and quantity, in order to lessen drought impacts on the people and economy of Montana.

The Committee believes that maintenance of a "comprehensive inventory of the water resources of the state" in accordance with MCA 85-1-203 is vital to advance planning for drought response. The Committee further believes that cooperation among affected parties and promotion of public education on water conservation, possibly through use of public service announcements, are necessary to meet the needs of all water users.

Therefore, the Senate Agriculture, Livestock and Irrigation Committee of the 51st Legislature strongly urges your cooperation in continuing to monitor drought conditions in Montana and in attempting to mitigate drought problems in affected areas.

Senator Tom Beck, Chairman

Sen. Hugh Abrams

Sen. Gary Aklestad

Sen. Esther Bengtson

Sen. Gerry Devlin

Sen. Jack Galt

Sen. Greg Jergeson

Sen. Gene Thayer

Sen. Bob Williams



MONTANA FARM BUREAU FEDERATION

502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

SENATE AGRICULTURE

EXHIBIT NO. 4

DATE 4/17/89

BILL NO. HJR 43

BILL # HJR 43 ; TESTIMONY BY: Lorna Frank

DATE April 17, 1989 ; SUPPORT Yes ; OPPOSE _____

Mr. Chairman, members of the committee, for the record I am Lorna Frank, representing 3600 Farm Bureau members throughout the state.

We support HJR 43, our policy states, "We should closely monitor all mergers, ownership changes or other trends in the meat packing industry that would signal a lessening of competitive market availability or a violation of the Packers and Stockyards Act. Action should be taken to oppose further concentration of major packers and vertical integration of the red meat complex.

I am not sure what Montana can accomplish by appointing an interim committee to study the problems as outlined on page 2 lines three through twelve since we do not have any of the big three meat packers, Cargill, ConAgra and Idaho Beef Packers in the state.

We believe this should definitely be investigated by Congress.
Thank you.

SIGNED: Lorna Frank

