

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON AGRICULTURE, LIVESTOCK, & IRRIGATION

Call to Order: By Senator Rea, on January 8, 1993, at 1:00 PM.

ROLL CALL

Members Present:

Sen. Jack "Doc" Rea, Chair (D)
Sen. Francis Koehnke, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Sen. Jim Burnett (R)
Sen. Gerry Devlin (R)
Sen. Gary Forrester (D)
Sen. Mike Halligan (D)
Sen. Bob Pipinich (D)

Members Excused: Sen. Bruski-Maus

Members Absent: None

Staff Present: Doug Sternberg, Legislative Council
David Martin, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: SB 48
Executive Action: SB 30, SB 59

HEARING ON SB 48

Opening Statement by Sponsor:

Sen. Burnett, District 42. (Exhibit # 1)

Proponents' Testimony:

None

Opponents' Testimony:

Erik Kalsta of Beaverhead Meats, Dillon, spoke representing Mike McGinley. Mr. McGinley expanded his business from a custom-exempt to a state-inspected unit. State inspection programs have allowed this expansion and are more responsive to his needs than federally inspection programs. This expansion has broadened both

local and state tax bases and economies. Removal of this inspection program would save approximately \$300,000 in the short run but would lose much more in the long run. Control of small business would also be lost. The state program is not a subsidy, but meets the needs of Montana's small meat shops.

Cork Mortenson, Executive Secretary to the Board of Livestock. (Exhibit #2). Mr. Mortenson added there is indirect funding coming in to the Department of Livestock to help with administrative costs ranging from 14% to 18%. The state program covers 29 official plants and 164 custom exempt operations. The budget for the State Meat Inspection Program for:

FY 94 - \$617,018

FY 95 - \$621,890

Both figures include Federal Matching Funds.
The program currently employs 15.5 FTEs.

Wes Plummer, Director of Montana Meat Processors Association, also owns a business in Kalispell which is under state inspection. He was unable to go with federal inspection and has found the state program very responsive.

Connie Townsend, Executive Director, Montana Beef Council.
(Exhibit #3)

Jim Pomroy, Deputy Administrator of Division of Corrections and Human Services, represented the meat cutting program at the state prison. This program provides meat for some state institutions and a vocational training program for inmates at Montana State Prison. Without state inspection, the prison would fall under federal guidelines and could not afford to meet 1993 regulations. This in turn would affect meat supplies for some state institutions. In the past there has been a positive relationship between the inspection program and the prison. The state allows for local quality control, which avoids litigation and provides job training for inmates.

T.S. Laurens, outgoing Associate Director of Pork Producers Council, represented Sue Huls Executive Director of Council.
(Exhibit #4)

Mr. Laurens spoke on his own behalf as owner of both a federally and state inspected plants. The "federal" plant supplies raw material to the "state" plant. Virtually all the products at state plant are 100% value-added which would be impossible under a federal program. He has found the state inspectors easier to work with than the federal system, as well as being less expensive for producers. The state system works well and meets the needs of local producers.

Candice Torgerson, Montana Stockgrowers Association and Montana Wool growers Association. (Exhibit #5).

Informational Testimony:

None

Questions From Committee Members and Responses:

Sen. Pipinich asked Sen. Burnett if he had brought this through the Public Health Committee before and if he had affidavits. Sen. Burnett replied that he had none. He added that rather than using the general fund, this program could be self-supporting like the brand inspection program.

Sen. Halligan asked for a clarification of the federal funding. Sen. Burnett replied the federal government would match any funds that the state raised. Any beef crossing state lines would require USDA approval. Meat processed within state boundaries needs only state inspection. However, some processors desire USDA approval.

Sen. Devlin asked if there could be a fee charged to the processors and thus maintain the 50/50 federal funding. Cort Mortenson had a letter stating that a user fee would eliminate the federal funding. Sen. Halligan requested a copy of the letter.

Sen. Aklestad requested a fiscal clarification of the budgets including the federal match. Mr. Mortenson replied:

FY 94 - \$617,018

FY 95 - \$621,890

This is the total for the biennium and includes the federal match. Sen. Devlin clarified that the budget included federal funds and that the state contribution was half of that. Mr. Mortenson replied yes.

Sen. Koehnke asked if interstate transportation required federal inspection. Mr. Mortenson replied yes.

Sen. Halligan asked about the amount of personnel the program involves. Mr. Mortenson said that it has gone from 1 FTE in 1987 to 15.5 currently and that the program has stabilized. Sen. Halligan asked how he computed the demand for this service. Mr. Mortenson said it was based on type of operator and the volume. Also geography plays a large part, with most of the plants being in the western half of the state. Sen. Halligan asked about the number of inspectors. Mr. Mortenson replied that there are also a small number of contract inspectors mostly in the eastern part of the state.

Closing by Sponsor:

Sen. Burnett stated that he has dealt with the Stillwater Packing Plant in Columbus, Montana, which is probably the smallest in the state. This plant is inspected by the FDA. Sen. Burnett

SENATE AGRICULTURE, LIVESTOCK, & IRRIGATION COMMITTEE

January 8, 1993

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challenged the members to call Dr. Nash at the USDA and find out the particulars of that program. He did not feel that the federal program is too tough, as previously stated. The state cannot afford this program. Before executive action is taken, these questions should be researched by individual committee members.

Sen. Rea responded that a fiscal note is ordered and that action on this bill would be postponed until the Committee received this fiscal information.

EXECUTIVE ACTION ON SB 30

Sen. Halligan moved SB 30 DO PASS. Motion CARRIED UNANIMOUSLY.

EXECUTIVE ACTION ON SB 59

Discussion:

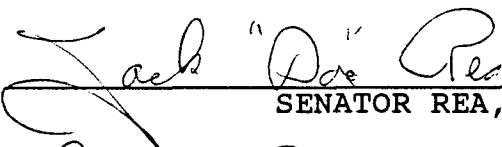
Doug Sternberg, Legislative Council, informed the committee regarding possible amendment of this bill. The bill could be amended to deal with other aspects of criminal intent besides "negligence". There are three elements which apply to most crimes, purposely, knowingly and negligently. Willfully is longer defined in the criminal code. It was replaced by purposely.

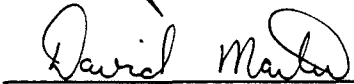
Motion/Vote:

Sen. Pipinich moved to TABLE SB 59. Motion CARRIED UNANIMOUSLY.

ADJOURNMENT

Adjournment: Meeting was adjourned at 1:50 p.m.


SENATOR REA, Chair


DAVID MARTIN, Secretary

jr/dm

ROLL CALL

SENATE COMMITTEE AGRICULTURE DATE 1/8

[illegible]

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
January 8, 1993

MR. PRESIDENT:

We, your committee on Agriculture, Livestock, and Irrigation having had under consideration Senate Bill No. 30 (first reading copy -- white), respectfully report that Senate Bill No. 30 do pass.

Signed: Jack "Doc" Rea
Jack "Doc" Rea, Chair

SENATOR JAMES BURNETT
SENATE DISTRICT 42

RE: SB 48

January 8, 1993

This bill is an effort to be a part of downsizing state government that will have a minimal effect as to the services provided.

It is nothing personal against the agency, the people or the service it provides.

The problem is the drain on the General Fund of the state budget. Whether it is a hundred thousand dollars or a million, the agency's share comes from the General Fund. Regardless of whether we want to, before this session ends, we will have to bite the bullet and make many tough and unpopular decisions. Many services and many employees will be hurt. We are all going to hurt in one form or another before Montana gets back on track.

I believe Rep. Bardanouve, myself, and maybe one or two others, may remember the session of 1971. At that point in time, we were also in an economic crunch. Montana was in the meat inspection business and a sharing cost of 50/50 with the USDA. At that time, we felt it was a duplicate service, and it is today. If the state doesn't do it, USDA must provide the service and remember, that if the State provides the service, it must be equal to or better than what is required by USDA.

Now, if any agency, Federal or State, is not providing or performing the service the law requires, you should put in writing your complaint to that department with copies going to the director, the Governor or President, and the elected officials who are your legislators.

AGRICULTURE
NO. B 1
DATE 1/8/93
NO. 8348

STATE AGRICULTURE

EXHIBIT NO. 2

DATE 1/8

BILL NO. SB 48

SB 48

My name is Cork Mortensen, Executive Secretary to the Board of Livestock, and the Board and I must rise in opposition to this bill for the following reasons:

1. Federal inspection is structured more for the larger plants in interstate commerce. State inspection is structured more for small plants involved with intrastate commerce.

2. Discontinuing an effective state inspection will cause considerable disruption and confusion to plants already operating in intrastate commerce and reverting back to federal inspection could cause additional costs to those plants.

3. Additional costs could mean some plant closures and reduced business which would mean the potential for loss of jobs for the plant owner, his or her family and employees.

4. It is important that these meat slaughtering/processing businesses remain in operation. It is important for purposes of the local tax base, for employment and wage purposes and it is important for the convenience and economic advantages of the local livestock producer who can sell live animals to these plants and not have to ship them other places in or out of state. This adds value to locally produced livestock and assists the local livestock producer in continuing in business.

We believe that state inspection provides the consumer and plant owners with a more responsive program. If someone has a question, a complaint or a concern they merely have to pick up the phone and contact the Helena office or local inspector, and we make every effort to satisfy that question, concern or complaint. With federal inspection they could end up contacting the bureaucracy in Washington, D.C.

I will close by pointing out to this committee that the state inspection program is funded on a 50 - 50 basis with state and federal funds. *29 official plants - 164 Custom ex.*

I should be happy to respond to any questions this committee may have. Thank you.

74 94 617,018 *Proc. fed. match*
74 95 621,890 *Proc. fed. match*

15.5 FTE



SENATE AGRICULTURE

MONTANA BEEF COUNCIL

420 N. California • P.O. Box 5386 • Helena, Montana • 59604
406-442-5111

EXHIBIT NO. 3
DATE 1/8/93
BILL NO. 348

SENATE BILL 48

My name is Connie Townsend. I am the Executive Director of the Montana Beef Council. The Council and I speak in opposition to this bill. There are forty-four state Beef Councils and they are responsible for the advertising, promotion, education, research, new product development and marketing of our product: BEEF.

In fact, the Mission Statement of the Montana Beef Council states that "The Montana Beef Council is organized to protect and increase demand for beef and beef products through state, national and international marketing programs thereby enhancing profit opportunities for Montana beef producers."

One of the organizations represented on the Montana Beef Council is that of the Montana Meat Processors. This group is composed of member processing plants around the state. State inspection of these plants is of the utmost importance as they typically manufacture value added products made from locally produced livestock or meat. In order to market these products in sufficient volume they must enter the wholesale chain allowing product for resale. This requires Meat Inspection!

If these products cannot be made in Montana, they will be replaced by out-of-state products, sold by out-of-state distributors. Furthermore, it would obviously eliminate a local market for Montana livestock, particularly those animals that cannot be shipped to distant markets.

These State Inspected Plants preferred state inspection to federal inspection because they found Montana State Meat Inspection to be responsive to their needs within their time frame and budgets. For example, to get a Federally approved label can take several months. To get help or an opinion for a label can cost hundreds of dollars paid to an expediter. Under State Inspection a processor can call Helena, present his case or ask his questions, submit his label and have approval within the same week. A plant cannot sell a product without an approved label.

It is doubtful the plants currently under state inspection could afford the physical improvements required to satisfy all the stringent

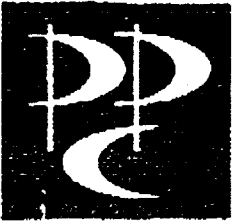
requirements USDA requires of its "new" plants. These plants would not have the protection of "grandfathering". They certainly could not afford the time and money required for blue print approvals, changes, approvals to the changes etc.

There are currently 46 Federally Inspected Plants in the State of Montana. USDA/FSIS employs over 40 people to administer this program. Montana administers its program with 15.5 FTEs.

You should especially be aware that the USDA provides matching funds for state inspection and consequently, retains the right to review State Meat Inspection as often as it deems necessary to assure a program equivalent to Federal Meat Inspection. The frequency of review is determined by the results of the previous review. The quality of Montana Meat Inspection is such that it is currently reviewed every four years.

We will be most appreciative of your consideration of the total effect of the termination of state inspection on the economy of Montana from plant closures, unemployment, loss of market and value added opportunity

Thank you.



Montana Pork Producers Council

MONTANA STATE UNIVERSITY • LINFIELD HALL • BOZEMAN, MONTANA • (406) 994-3595

SENATE AGRICULTURE

EXHIBIT NO. 4

DATE 1/8/93

NO. SB 48

January 8, 1993

TO: Chairman Jack Rea
Senate Agriculture, Livestock & Irrigation Committee

RE: Hearing on Senate Bill 48

On behalf of Montana Pork Producers Council I would like to urge the committee to retain Montana's state meat inspection program for the benefit of Montana livestock producers, meat processors and consumers.

This federal matching program offers an alternative to federal meat inspection for small meat processors who successfully turn Montana's raw materials into high-quality consumer products.

This concept of adding value is the cornerstone of many of the current plans for state revitalization.

Why, at a time when Montanans look to move from a simple economy providing cheap raw materials for the rest of the U.S. to a more complex and financially rewarding economy of value-added products, would the Montana Senate want to endorse a plan to undermine such an effort?

The Montana livestock producers who market to local meat processors do so because they realize a greater profit for their products. The meat processors using state inspection are able to sustain a small business by reducing the costly delays and red tape associated with the federal government.

Montana consumers have a wider choice of meat products and services available to them because of state inspection. In the case of pork, nearly all products purchased in Montana supermarkets come from hogs produced in the Midwest or Canada, since hogs raised in Montana are shipped to processing plants on the west coast. A Montana consumer can purchase pork products she knows are produced in Montana only from small local processors.

Montana pork producers appreciate this opportunity to be part of the legislative process and urge the Senate Ag Committee to consider this legislation carefully. We are confident you will find the benefits of state meat inspection in Montana and the income generated by it far outweigh the costs.

Sue Huls
Executive Director

TESTIMONY
FOR SENATE BILL 48
AN ACT TO ELIMINATE THE STATE MEAT AND POULTRY INSPECTION PROGRAM.
SENATOR JIM BURNETT

SUBMITTED BY
Montana Stockgrowers Association and
Montana Wool Growers Association
by Candace Torgerson

SENATE AGRICULTURE COMMITTEE
Friday, January 8, 1993

Mr. Chairman, members of the Committee, for the record my name is Candace Torgerson, and I am providing testimony on behalf of the Montana Stockgrowers Association and the Montana Wool Growers Association regarding Senate Bill 48.

The Montana Stockgrowers Association and the Montana Wool Growers Association oppose elimination of the State Meat and Poultry Inspection Program.

MSGA and MWGA supported this program when it was first initiated in 1987. This program was implemented because there was a need - it helped support small business in Montana. The small businesses served by the State Meat Inspection cater to the local livestock producer and are also an important link in local communities as an important part of the local tax base.

The bottom line is, the meat must be inspected to protect the public health and safety. Whether the Federal government inspects the meat or the State government inspects the meat, the taxpayer is going to have to pay for it. Why not keep the control where it will be more responsive to the local needs, keep it at the state level.

The Montana Stockgrowers Association and the Montana Wool Growers Association request a "do not pass" on Senate Bill 48.

Thank you.

SENATE AGRICULTURE

EXHIBIT NO. 5

DATE 1/8/93

BILL NO. SB48

DATE 1/8/93

SENATE COMMITTEE ON AGRICULTURE

BILLS BEING HEARD TODAY: SB 48

Name	Representing	Bill No.	Check One	
			Support	Oppose
Cork Mortensen	Dept. of Livestock	48		X
Dr. Hal Hatt	" " "	48		X
Carl Thompson	Mont. Stockgrowers Assn. Meat Wool Growers Assn.	48		X
E. K. Kuhl	Beaverhead Meat Co	48		X
W. J. Schuck	DHES	48		
T. J. Hansen	SELF	48		X
Wes Plummer	Montana Meat Processors association			
Clay Crippen	Aide to Senate Min.	48		
Connie Townsend	Off of Beef Council	48		X
Mike O'Sullivan	Mt. Danners' ASSOC	48		X
Jim Pomroy	DCHS	48		X
Gary Dilsen	2-JS/Mcat	48		X
KENADINE JOHNSON	OFFICE OF PUBLIC INST	48		X

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY