

MINUTES

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

COMMITTEE ON AGRICULTURE, LIVESTOCK, & IRRIGATION

Call to Order: By Senator Rea, on March 8, 1993, at 3 p.m.

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. Betty Bruski-Maus (D)
Sen. Mike Halligan (D)
Sen. Bob Pipinich (D)

Members Excused: Sen. Devlin

Members Absent: Sen. Burnett and Sen. Forrester

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: HB 193, HB 516, HB 535
Executive Action: None

HEARING ON HB 193

Opening Statement by Sponsor:

Rep. Tuss, District 35, said HB 193 would upgrade outdated portions of previous law and is a good example of sound produce inspection protocol. She said the Montana Retailers Association, Montana Independent Retailers, Potato Growers, and Independent Cherry and Apple Growers support HB 193. Rep. Tuss said amendments would be proposed during the hearing to address concerns of various groups.

Proponents' Testimony:

Will Kissinger, Department of Agriculture, read testimony for Leo Giacometto of the Department of Agriculture supporting HB 193 (Exhibit #1). He said there would be industry amendments which the department considered "friendly".

Bill Stevens, Montana Food Distributors Association, said that originally his group was in a position to oppose HB 193 but that differences have been worked out. The primary concern was the 60% increase in assessments and the 10 cent cap on the units. Since it has been a decade since an increase in fees, a 7 cent cap would be agreeable.

John Bloomquist, Montana Stockgrowers Association, said he had amendments to offer to HB 193 (Exhibit #1A). The amendments would clarify exemptions under the current definitions.

Another amendment (Exhibit #2) would set up a special revenue account rather than depositing funds in the general fund. This would reverse the intent of amendments proposed in the House concerning accounts.

Opponents' Testimony:

Mike Koehnke, seed potato grower and broker, opposed HB 193. He said he had been involved in past efforts to revise rules and regulations for certification. One of the past recommendations to the Department of Agriculture was for an earmarked account. He had also recommended removing seed potatoes out of produce legislation due to the number of conflicts. He said HB 193 was a result of those recommendations but was not what seed potato growers wanted.

Mr. Koehnke said there were several problems with HB 193. One problem was that the assessments were too high and he referred to proposed amendments to correct that situation. Another issue was whether to place the funds in either an earmarked revenue account or in the general fund. He said general funds could be cut and thus employees necessary to perform inspections could also be cut. He said he was licensed under the United States Department of Agriculture's Perishable Agriculture Commodities Act. This requires anyone selling produce, seed potatoes, frozen or fresh foods to be licensed. The license fee for this is \$450. Ten years ago attempts were made to exempt seed potato brokers from this law. HB 193 would place seed potato growers back under these regulations. He said adequate federal legislation to cover seed potato brokers already existed. He said the Section 10 assessment was similar to an excise tax. He suggested tabling HB 193, waiting 2 years and in the meantime working with different commodity groups such as cherry growers and seed potato growers to draft effective legislation.

Questions From Committee Members and Responses:

Sen. Halligan asked about federal regulations concerning produce inspection. Rep. Tuss said federal regulations superseded state regulations in reference to produce. Mr. Kissinger said he would like to clarify some aspects of Mr. Koehnke's testimony. He said the federal program works with the state concerning interstate movement of produce. Licensing would not be required in HB 193, and wholesalers would be exempted on page 3, line 19. The cherry growers, squash growers, or potato seed growers would not be classified as wholesalers.

Sen. Halligan asked if the growers could go through a broker or a grain elevator so that in effect the growers would not be selling the product. Mr. Kissinger said they would not have to get a license. The seed potato and cherry growers would be required to obtain shipping point inspections.

Sen. Halligan asked if all sugar beets, corn, and cherries are required to have an inspection. Mr. Kissinger said the purchaser, or sometimes other states, require an inspection on produce entering their state. An inspection can be performed in Montana on request.

Sen. Halligan asked if the misdemeanor penalty was requested by the department. Mr. Kissinger replied yes, the department worked on the language with the Legislative Council.

Sen. Koehnke asked if the shipping point inspection was the only requirement at the point of origin. Mr. Kissinger said the Department of Agriculture would provide the service of grading seed potatoes. Sen. Koehnke asked how the new inspection fees compared to fees in the past. Mr. Kissinger said the fees would not increase under HB 193.

Sen. Beck asked if the department had come to an agreement of 7 cents in Section 10 and if an amendment had been written up to that effect. Mr. Kissinger said no.

Sen. Beck said the House amended HB 193 to place the revenue back in the general fund. The Senate was trying to amend the bill back to its original form. He asked if this would lead to a conference committee, and would the House accept these amendments. Rep. Tuss said she was reasonably sure there would be a "squabble". She said she needed to introduce this legislation anyway and prior to this meeting there was no industry opposition. The industry realized the fees would increase but the services would improve as well. The industry insisted on accountability, to show that the increased fees went to those services.

Sen. Koehnke asked how HB 193 would affect dealers and brokers. Mike Koehnke said if a dealer sells for someone else then a broker's license must be obtained. The ambiguity lies in where the money comes from when the assessment is collected. The USDA

has a mandatory Potato Protection Act. This fee is collected and charged back to the grower. If a broker forgets to collect the fee they become responsible for that fee. He said an agricultural excise tax, unlike a gasoline excise tax, was difficult to pass forward. Seed potato growers have to compete with growers from other states. Last year growers charged less than the cost of production just to remain in business. This was a result of over-production of seed potatoes. If the fee is removed from the commission then the brokers will have to raise their commissions. However, if the fees are taken from the growers then they will be adversely impacted. If a seed grower sells direct to another person the assessment would not have to be paid. He said HB 193 had a lot of "gray" areas that needed to be answered.

Sen. Rea asked if any states do not require shipping point inspections at the point of origin. Mr. Koehnke said the shipping point inspection regulations were good as written. The seed grower pays directly for that service. He said there are receiving point inspections also conducted by the USDA.

Sen. Bruski-Maus asked how HB 193 would affect the owner of a produce house. Rep. Tuss said the produce house owner would receive produce that has already been graded and inspected. An inspection from the department may be requested at their own expense. This would provide assurance to the owner as to the quality of the produce.

Sen. Bruski-Maus asked about produce purchased from local growers. Rep. Tuss said the purchaser would not be affected by purchasing from local growers. Sen. Bruski-Maus asked about produce raised by the owners themselves. Rep. Tuss said they would not be affected either.

Sen. Aklestad asked for an explanation of the fiscal note for HB 193 as it stood at that point. Mr. Kissinger said HB 193 would be funded through the general fund and the fiscal note he had did not reflect that. Sen. Aklestad said under current law the funding was through general funds, and under the proposed law that would change to special revenue funding. Mr. Kissinger said that was correct. Sen. Aklestad asked how amendments affecting the reduced rate would affect the fiscal note. Mr. Kissinger said there would be no effect because the fiscal note was only recommending a produce assessment fee of 5 1/2 cents.

Closing by Sponsor:

Rep. Tuss asked the Committee to consider the amendments for their merit. She said HB 193 should not be tabled until the next session because the inspection protocol is very sound and had not been updated since the 1930s. She said it was important to have laws that reflect current technology. The Department of Agriculture amendments have merit and might satisfy some of Mike Koehnke's objections. The idea of a special revenue account

would give accountability to some of the fees that were being generated. She said the amendment from the Stockgrowers Association was acceptable.

HEARING ON HB 535

Opening Statement by Sponsor:

Rep. Foster, District 32, said HB 535 authorizes cash renewal on state lands with agricultural leases where the lessee has made significant irrigation improvements. He read page 2, lines 8-12, which he said explained the bill. Rep. Foster said a typical problem arose when a lessee placed an irrigation system on grazing land which would cause renegotiation of the lease. However, the Department of State Lands (DSL) has been insisting on a "percentage of the crops" type lease. This has been creating a difficult situation for lease holders and may mean removal of the irrigation systems which would ultimately result in losses of revenue to the state. He said the state receives more money for land on which improvements have been made.

Rep. Foster said HB 535 would provide a very consistent approach for handling these leases. In addition there would be no fiscal impact. A lease holder would be able to budget better. HB 535 would remove subjectivity involved in determining market value of the crop. In House committee hearings, the DSL testified as a neutral party. The DSL did have one concern, which was addressed with an amendment which was included with HB 535.

Proponents' Testimony:

Hugo Asbeck, Fairview, Montana, supported HB 535. He said his land has 80 acres of state land in the middle of his property. He said he raises sugar beets. Mr. Asbeck said the state wants "1/4" rent and other places the going rate is "1/5". In addition, water assessment fees are paid to the Bureau of Reclamation. Since he farms state lands as well as his own the state "ties up" checks relating to his business. Mr. Asbeck said that every ten years he has to renegotiate the terms of lease since there is new personnel in DSL.

Sen. Tveit, District 11, supported HB 535. He said improvements by lessees are beneficial to the state as lessor. HB 535 would be fair by permitting a cash lease situation. Sen. Tveit said the percentage of the lease depends on who is paying for the water. If the lessee pays the water assessment the percentage is lower. He said the state should have the same "going rates" as other landlords. The more improvements there are, the more money the state will make.

Herb Townsend, White Sulphur Springs, supported HB 535. He said the cost of the improvements would be carried by the lessee and the state would be rewarded by higher revenues due to increased

production of the land. He said by adding cash leases to law each situation would be negotiated to the benefit of each party, the state and the lessee. The key to the success of HB 535 would be increased production on state lands. He said a "1/4" share required on state lands would make farming the land economically unfeasible.

Bill Williams, Toston, Montana, supported HB 535. He said the state receives \$25 per acre currently from production on his land. If he were to remove his irrigation equipment the state would only receive \$1.65 per acre. He said the 1/4 crop share the state demands would not work.

Diana Graveley supported HB 535. She said the lease on her ranch was originally valued at 15% and then increased to 20%. In 1992 her ranch lost \$46 per acre. This figure did not include depreciation or equipment. She said HB 535 would stabilize expected costs and make it easier to farm.

Opponents' Testimony:

None

Questions From Committee Members and Responses:

Sen. Beck asked for a definition of "substantial" improvements relating to the House amendments. Rep. Foster said the DSL concern was that very minor improvements, for example \$100, would qualify a lessee for a cash lease. He said in most cases it would not be a problem since most irrigation systems involve a substantial sum of money. Sen. Beck said he still did not understand the meaning of "substantial". He said land converted from grazing to irrigation land represented a substantial change regardless whether it was a sprinkler system or a flood irrigation system. The issue was improving the productivity of state land. He said the lessees needed a break. Rep. Foster agreed and said the department should interpret the law in this manner.

Sen. Beck asked the DSL for clarification of a "substantial" improvement. Jeff Hagener, DSL, said HB 535 originally addressed any type of improvements. He agreed with Rep. Foster's interpretation and said the determining factor was a substantial cost. For example, a simple diversion on to a major floodplain would not be a substantial improvement.

Sen. Beck questioned the need for the term "substantial" in HB 535 and said any irrigation was a substantial improvement. Mr. Hagener said he agreed. The main objective was to differentiate between "irrigated" and "dry" land.

Sen Aklestad asked about the \$15 renewal fee on page 2. He asked if the fee would be charged at the time of renewal. He also asked if a lessee was being charged at a different rate, would it stay the same until the lease was renewed. Rep. Foster said no.

If a person had a share crop lease they should be able to change over to a cash lease before the renewal date.

Sen. Aklestad said the fiscal note does not reflect that, and asked if there would be as much money generated from new cash leases as would be lost from old cash leases. Rep. Foster said the negotiation process would neutralize the money situation. He said the state could lose more money by allowing irrigation equipment to be removed from state lands.

Sen. Halligan asked what type of notification the lessee needed to give DSL before making substantial improvements to state land. Mr. Hagener said the lessee must file an Improvement Request Form. The improvement must be approved by the DSL in advance and an Environmental Assessment (EA) must be done. Sen. Halligan asked how long that process had been in effect. Mr. Hagener said at least since 1979, to the best of his knowledge.

Sen. Koehnke asked Mr. Hagener if he agreed with Rep. Foster that a lessee could change from a share lease to a cash lease under HB 535. Mr. Hagener said a lessee already had that ability. He said current law required a 1/4 crop share basis at the time of renewal which does not give the department flexibility to renew on a cash basis. The DSL does have the authority to negotiate on a cash basis on a lease that has a crop share.

Sen. Koehnke asked if a person could renew their lease at anytime. Mr. Hagener said no renewal only occurs once every 10 years. However, if a person has a crop share lease they may renegotiate to change their lease before the 10 years is up.

Closing by Sponsor:

Rep. Foster said from his perspective the intent of HB 535 is to allow crop share lessees to be converted to cash leases without hardship or fiscal impact.

Sen. Koehnke agreed to carry HB 535.

HEARING ON HB 516

Opening Statement by Sponsor:

Rep. DeBruycker, District 13, said HB 516 was a "self-help" bill. The Montana Dairy Association has been faced with funding cuts and are willing to assume responsibility for funding the milk inspection and dairy research programs themselves. The fee would be 18.46 cents per 100 weight of number one milk which would represent a 1.6 cent increase on a gallon of milk to the consumer. Of the money raised from this fee, approximately \$300,000 would go to the Department of Livestock and \$70,000 would go to Montana State University to the Dairy Extension Service.

Proponents' Testimony:

Ted Doney, Montana Dairymen's Association, said HB 516 was proposed by the Montana Dairymen. He said funding for the Department of Livestock, Milk and Egg Division and the Milk Inspection Program are currently funded by general fund money. The Association was concerned that funding could be cut from the general fund and HB 516 would protect those programs through earmarked fees. The fee would be assessed through an existing system. The Board of Milk Control regulates milk in Montana and was already funded by assessments on milk processors. 18.46 cents per 100 weight would be added to that fund. HB 516 would result in a 1.6 cent per gallon increase at the retail level. Mr. Doney provided a breakdown on the funds for HB 516 (Exhibit #3). He also presented a letter submitted to the House Chair of the Ag Committee (Exhibit #4) and a fact sheet concerning HB 516 (Exhibit #5).

Steve Van Dyken, President of Dairy Herd Improvement Association (DHOW), submitted testimony (Exhibit #6) supporting HB 516.

Dick Flikkema, Country Classic Dairies, supported HB 516.

Cork Mortenson, Department Of Livestock, supported HB 516. (Exhibit #7)

Jim Kembel, Department of Commerce, supported HB 516.

John Bloomquist, Montana Stockgrowers and Montana Woolgrowers, supported HB 516.

Opponents' Testimony:

None

Questions From Committee Members and Responses:

Sen. Aklestad asked about the status of the dairy extension program. Mr. Van Dyken said the extension specialist had been lost about 5 years ago and was replaced with a DHIW manager monitoring the DHIW. This position has been cut back several times in the past few years.

Sen. Aklestad said the \$70,000 that goes directly into the University System could be subject to cuts or rechanneled without proper protection. He asked if the Association had considered this. Ted Doney said the Association would resist such changes. MSU is the only land grant college in the nation without a dairy extension service, but the Association was willing to take that chance and leave HB 535 as is.

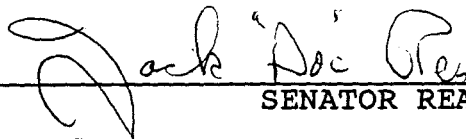
Sen. Beck said another option would be to send the funds to another agency and have that agency send it to MSU, thus ensuring the funds would not be lost. Mr. Doney said HB 516 essentially does that. He said he was open to other solutions which would ensure the monies go directly to the desired program.

Closing by Sponsor:

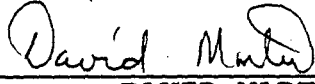
Rep. DeBruycker said HB 516 is a tax regardless of how you look at it and will ultimately come back to the consumer. He said the milk industry has been "robbed" for quite a few sessions. They need this inspection to maintain a healthy dairy industry. He said MSU would try to protect the earmarked funds and that the Milk Control Board would also monitor the funds.

ADJOURNMENT

Adjournment: Meeting adjourned at 2:23 p.m.



SENATOR REA, Chair



DAVID MARTIN, Secretary

JR/dm

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

DATE 3/8/93

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Attach to each day's minutes



MARC RACICOT
GOVERNOR

STATE OF MONTANA
DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
AGRICULTURE/LIVESTOCK BLDG.
PO BOX 200201

HELENA, MONTANA 59620-0201

SENATE AGRICULTURE

EXHIBIT NO. 1

DATE 3-8-93

BILL NO. HB 193

LEO A. GIACOMETTO
DIRECTOR
(406) 444-3144

FAX (406) 444-5409

MARCH 8, 1993

HOUSE BILL 193

SENATE AGRICULTURE, LIVESTOCK AND IRRIGATION COMMITTEE

MONTANA DEPARTMENT OF AGRICULTURE

LEO A. GIACOMETTO, DIRECTOR

Chairman Rea and members of the Committee. For the record, I am Leo Giacometto, Director of the Montana Department of Agriculture.

House Bill 193, sponsored by the Montana Potato Growers Association, is the first general revision of Montana's Produce law in approximately 25 years. As such, it updates many provisions of the law which the produce industry and the Department believe will benefit the produce trade and the consumers of produce sold in Montana. The revisions will greatly improve the efficiency of Montana's produce law. The Department supports passage of House Bill 193.

I wish to commend the Montana Potato Growers Association for their action of revising and updating the Produce Law.

Will Kissinger, Administrator of the Department's Plant Industry Division, is here to answer any technical questions you may have.

Mr. Chairman and members of the Committee, I request that you support and vote for the passage of House Bill 193.

SENATE AGRICULTURE

EXHIBIT NO.

1A

DATE

3-8-93

Amendments to House Bill No. 193

FILE NO.

HB 193

Requested by Montana Stockgrowers and Montana Dairymen's Associations
For the Committee on Agriculture, Livestock and Irrigation
March 8, 1993

1. Page 3, line 3.
Following: "rule."
Insert: "The term does not include livestock and its byproducts, poultry and its products, apiary products, dairy products or grain."

AMENDMENT TO HOUSE BILL 193

1. Page 4, line 11.

Following: "funds."

Insert: "(1) There is a produce account in the state special revenue fund."

2. Page 4, line 14.

Following: "deposited in the"

Insert: "account to the credit of the department."

3. Page 4, line 16.

Insert: "(2) Money received as revenue under [sections 1 through 14] that is not immediately required for the purposes of [sections 1 through 14] must be invested under provisions of the unified investment program established in Title 17, chapter 6, part 2. All interest earned on the account must be deposited in the account."

4. Page 4, line 21.

Following: "account"

Strike: "GENERAL FUND."

5. Page 13, line 5.

Following: "treasurer shall"

Insert: "transfer"

6. Page 13, line 5.

Following: "transfer"

Strike: "RETAIN"

7. Page 13, line 6.

Insert: "the produce account established in [section 4]"

8. Page 13, line 6.

Following: "[section 4]"

Strike: "AND DEPOSIT IT IN THE GENERAL FUND"

-End-

SENATE AGRICULTURE

EXHIBIT NO. 3DATE 3-8-93BILL NO. HB 516House Bill No. 516

Fiscal Year '94 - Montana Dairy Program Funding

Assessment on Class I milk needed: 18.46¢/cwt

1992 Class I packaged lbs. bottled by Montana processing plants:
200,557,734

Funds needed to be generated: \$370,246.00 (see below)

Special Source Revenue Funding - - -
allocated for:

1.	Milk Inspection Program (Dept. of Livestock)	
	General Fund Current Level	\$187,551
	Replacing General Fund \$	
2.	Diagnostic lab fees (Dept. of Livestock)	
	General Fund Current Level	\$ 85,000
	Replacing General Fund \$	
3.	Centralized Services Division (Dept. of Livestock) Portion	
	General Fund Current Level	\$ 27,695
	Replacing General Fund \$	
4.	M.S.U. Dairy Extension Service DHIA - Position Funding	
		\$ 70,000
Total		<hr/> = \$370,246



SENATE AGRICULTURE

EXHIBIT NO. 4

DATE 3-8-93

BILL NO. HB 535

16 February, 1993

COPY

Representative Vernon Keller, Chairman
Montana House of Representatives
Agriculture, Livestock and Irrigation Committee
Capitol Station
Helena, Montana 59620

Dear House Agriculture, Livestock and Irrigation Committee:

Thank you for the opportunity to present our statement of position on House Bill #516 introduced and carried by Representative Roger DeBruycker and sponsored by the Montana Dairymen's Association.

This statement of position represents the opinion our Montana cooperative corporation known as DARIGOLD Farms, headquartered in Bozeman and owned 100% by Montana dairy farmers.

DARIGOLD markets approximately 42% of the fresh cows milk produced in Montana from some 80 Montana dairy farm entities. We believe that HB-516 will provide for the necessary earmarked funding to sustain the dairy industry in Montana at a level necessary to remain certified and in compliance with the "Pasteurized Milk Ordinance" which is mandated and administered by the Food and Drug Administration (FDA) division of United States Department of Agriculture (USDA). This certification compliance is necessary to allow any Montana Grade A milk processing plant or grade A dairy farming unit to have market access for selling milk to Federal agencies such as Malmstrom Air Force Base or selling milk as an export product outside of Montana state boundaries.

The dairy industry generated funds would relieve over 53% of the "General Fund" revenues in the FY 1993 budget for the Department of Livestock. The terminated use of "General Fund" monies is a prerequisite to negate the pressures of maintaining adequate services in Montana to allow the dairy industry to prosper.

Most other Montana agricultural commodity groups under the Department of Livestock have resorted to internal earmarked funding. The dairy industry administrative funds for the Montana Department of Commerce, Milk Control Bureau, are generated in this manner as well. It seems logical for our industry to become totally internally funded to guarantee we can pass muster with the scrutiny placed upon us by the FDA as more and more testing and regulating will be demanded to safeguard the integrity of milk produced and processed in the United States.

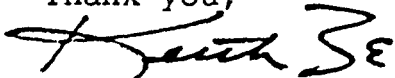
COUNTRY CLASS DAIRIES, INC.

1001 N. 7th Ave. • P.O. Box 968 • Bozeman, Montana 59711-0968 • 406-586-5425 • 800-321-4563 • Fax 406-586-5110



DARIGOLD Farms joins Montana Dairymen's Association as a PROPONENT to this important legislative bill which will relieve fiscal pressures from the "General Fund" budget and grant adequate funding authority to an important Montana agricultural industry. DARIGOLD Farms of Montana solicits your support to also act as PROPONENTS to House Bill #516.

Thank you,



Keith Nye, General Manager, CEO
Country Classic Dairies, Inc.
dba DARIGOLD Farms of Montana



SENATE AGRICULTURE

H.BIT NO. 5

DATE 3-8-93

BILL NO. HB 516

HOUSE BILL 516

Fact Sheet
by Montana Dairymen's Association

House Bill 516 is a bill requested by the Montana dairy industry. It received the support of the Departments of Livestock and Commerce, the Montana Stockgrowers Association and the Montana Woolgrowers Association at the hearing. There was no opposition to the bill.

The bill proposes to levy an assessment on Montana Class I milk produced in Montana of 18.46/cwt, which is the equivalent of about 1.6 cents per gallon of milk sold at the retail level. These assessments would be collected through the existing system of milk production assessments which currently fund the operation of the Milk Control Bureau.

Revenues collected with the assessments will be used to replace general fund revenues which are now paying for the milk inspection and testing programs in the Department of Livestock. For fiscal year '94, this amounts to \$300,246 in general fund revenues which will be saved, as shown by the fiscal note.

In addition, the bill proposes to fund a dairy extension program at the Cooperative Extension Service at MSU, using \$70,000 collected from the milk production assessments.

As can be seen from the fiscal note, the long-term effects of this bill will be to save \$370,230 in general fund needs each year.

NB 516

SENATE AGRICULTURE

COMMITTEE NO. 6

D. C. 3-8-93
SENATE AGRICULTURE
COMMITTEE NO. 6
HB 516

Mr. Chairman, and members of the committee. I am Steve Van Dyken, Gallatin Valley dairyfarmer from Manhattan and present President of Montana DHIA.

I want to add to the testimony just given and mainly elaborate on the Extension Fieldman and DHIA position. For starters I just want to give some facts and statistics about Montana dairy industry.

- Montana has about 24,000 dairy cows
- There are approximately 200 recognized dairies in Montana
- Montana's dairy cows produce 341 million pounds of milk
- Montana dairy farms generate over 40 million dollars
- Beef, small grains and hay are the only ag industries that generate more dollars than dairy-- with sugar beets being almost equal and potatoes generating less than half the economic impact of dairy
- Dairying in Montana generates more dollars to producers than the sheep or swine industries, which both have support from Montana's Land Grant University through Extension, Research, and Teaching.
- DHIA is an essential part of the registered dairy program and is governed nationally by a certification program, which generates even more dollars to Montana through the sale of breeding stock with proven production records.
- At the present Montana State University is supporting the dairy industry with less than 20,000 dollars. These dollars help support the DHIA program, which also offers some help to non-DHIA members.

We the dairy industry feel it is important to keep our producers educated and able to get extension help when needed to keep up with the constant changes in the dairy industry and help us produce a quality product for the consumer.

The dairy industry is asking the legislature to allow them to finance part of a Dairy Extension Fieldman to be non-tenured, but housed and connected with Montana State University. The major source of financing for this position will be through a milk price adjustment. Our concern is that MSU still budget the \$20,000 to be a part of this position. We are not asking them for anything more, just not to cut any farther a budget that has been repeatedly cut since the closing of the dairy center at MSU.

thank you.

Steve Van Dyken

SENATE AGRICULTURE

EXHIBIT NO. 7

DATE 3-8-93

BILL NO. HB 516

HB 516

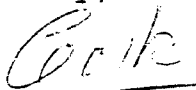
Mr. Chairman and members of the committee, for the record my name is Cork Mortensen, Executive Secretary to the Board of Livestock. On behalf of that Board I urge you to support HB 516.

While in its formative phase, Department of Livestock personnel met with the author of this legislation, industry representatives and Department of Commerce personnel. Our concerns about implementation of this legislation have been addressed to our satisfaction.

As written, HB 516 relieves the general fund by allowing the regulated dairy industry and not the general public to support the necessary industry regulators. At the same time it allows the Department of Livestock - Milk Inspection Program to properly safeguard the public from potential substandard products. We believe this to be a good piece of legislation which merits the approval of this committee.

Thank you for your time and consideration. I should be happy to respond to any questions or furnish more information if requested.

Sincerely,



E.E. "Cork" Mortensen, Executive Secretary
To the Board of Livestock

DATE 3-8-93

page 1 of 2

SENATE COMMITTEE ON AGRICULTUREBILLS BEING HEARD TODAY: HB 193, HB 516, HB 535

Name	Representing	Bill No.	Check One	
Herb Townsend		535	✓	
W. James Kembel	DOC Public Safety Div	516	✓	
Jerry Leep	Dairy IndusT	516	✓	
Erik Mortensen	Dept. of Livestk	516	✓	
DIANA GRAVELEY	GARY & DIANA GRAVELEY RD RANCH	535	✓	
Hugo J. Asbeck	Self	535	✓	
WILL KISSINGER	MT Dept. of Agr.	HB 193	✓	
Bill Williams	South Ranch	535	✓	
John Blomquist	Mt. Stockman	¹⁹³ 516	✓	
Bill Stevens	MT Food Nut Home	193	✓	✓
Dick C. Flickner	COUNTRY CLASSIC DAIRIES	516	✓	
Stephen Dyken	MT DHIA	516	✓	
Jeff Wagner	OSL	535		
MIKE KOENKE	Self	193		✓
Bob Helbert	Westmover	516	✓	
Ted Doney	Mt. Dairyman's Assn.	516	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE 3/8/93

Page 2 of 2

SENATE COMMITTEE ON AGRICULTURE

BILLS BEING HEARD TODAY: HB 193 - HB 516 - HB 535

Name	Representing	Bill No.	Check One Support Oppose
Senator Larry Truitt		HB 535	<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY