

MINUTES

MONTANA SENATE 55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON AGRICULTURE, LIVESTOCK & IRRIGATION

Call to Order: By CHAIRMAN KEN MESAROS , on January 27, 1997, at
1:02 p.m., in Room 413/415.

ROLL CALL

Members Present:

Sen. Kenneth "Ken" Mesaros, Chairman (R)
Sen. Ric Holden, Vice Chairman (R)
Sen. Thomas A. "Tom" Beck (R)
Sen. Gerry Devlin (R)
Sen. Don Hargrove (R)
Sen. Reiny Jabs (R)
Sen. Greg Jergeson (D)
Sen. Walter L. McNutt (R)
Sen. Linda J. Nelson (D)
Sen. Bill Wilson (D)

Members Excused: None

Members Absent: None

Staff Present: Doug Sternberg, Legislative Services Division
Angie Koehler, Committee Secretary

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

Committee Business Summary:

Hearing(s) & Date(s) Posted: SJR 4, 01/22/97
Executive Action: SJR 4

HEARING ON SJR 4

Sponsor: SENATOR GREG JERGESON, SD 46, CHINOOK

Proponents: Bob Stephens, MT Grain Growers Association
Janet Ellis, MT Audubon
Candace Torgerson, Women Involved in Farm Economics
Marilyn Wessel, Montana State University
Ted Lange, Northern Plains Resource Council
Ralph Peck, MT Department of Agriculture

Opponents: None

Opening Statement by Sponsor:

SEN. GREG JERGESON, SD 46, CHINOOK: I'm something of a refugee from active farming and ranching. The place that I've been operating on as a tenant came up for sale. I had the right, as the tenant, to match any offer made for the place. The price offered was well beyond my capacity to cash flow it, to make debt service and to cover various operating costs. As a consequence, I had to find a different career for my life. When we think about it, hear statistics and find out information, the average age of farmers and ranchers in the country is at an all time high. I suspect that phenomenon exists in Montana as well as anywhere else. That indicates a problem for younger or new generations of people to be able to take over ownership and control of farms and ranches around the country and in Montana, in particular. There are a number of factors driving that change in higher ages. I suppose a lot of our young people have identified greener pastures somewhere else.

The other day, **SEN. BECK** told me that he sold his calves and after he calculated everything that it cost him to operate for the year, he had \$112.00 left. Most young people looking at that kind of margin are going to say, "I might want to find something else to do." In any business equation you have to deal with production, price and cost. You hopefully make those balance out to make a profit or at least have some money left when you're done. Increasingly, agriculture is confronted with a situation where, when you multiply your production times your price you don't have enough money to pay the costs. Included in those costs are fixed costs that would be represented by debt service on the land base that you would like to operate on.

Last fall, the Wheeler Center at Montana State University had, as their conference subject, Ranching in Montana - Viable or Vulnerable. A number of people showed up in Bozeman for the full component of that conference and a number of us were able to participate for an hour or two on the final afternoon of that conference via MET NET from various locations around the state. I believe **CHAIRMAN MESAROS** participated in that. We discussed land values and the costs that are confronting farming and ranching operations. I'm going to hand out this document for the members of the Committee. **(EXHIBIT 1)** I don't mean to criticize the realtors who participate in this document and the business they're engaged in. I was looking at the values that are placed on agricultural land for sale in Montana. There are some ranches for sale in there for \$2,500 to \$3,000 per animal unit. Be darned if I can figure out how you can cash flow that, much less pay your operating costs and your taxes and all the rest. There are ranches that are not even advertised for sale to farmers and ranchers. They are advertised for their recreational and scenic values. In the Bearpaw Mountains, south of where I used to operate, there is a 4,800 acre cattle ranch. That's all it has ever been and all it can ever be. It's advertised for sale for \$2.4 Million. That is \$500.00 per acre for grazing land. Let's

face it, a producer of food and fiber who makes their living that way cannot buy it. If a movie star or somebody does finally buy it at that price, and it clearly is a scenic area and is generally a good area for hunting and all the other values that these places are advertised for, they may lease that property to a producer. Will that producer have or can they ever entertain the dream of actually owning that property as their very own? One of things we look at as afflicting our big cities is generation after generation of people living in tenements and rental property simply do not have the dream and cannot even imagine the dream of owning property. **Jack Kemp** and **Henry Cisneros**, both as housing and urban development secretaries, talked about trying to facilitate, in the cities, the ability of people to own their own home and property. There is civic pride, personal pride and social stability that comes from people owning their own property. If this trend were to continue with what you see in this magazine, we're going to end up where the producers of food and fiber lose the dream of owning property. I think that would be a shame.

There are a number of conflicting factors we'll have to look at as we engage in this study. The other day, when **SEN. BECK** was telling me about the problem he was going to have figuring out what to do with this \$112.00 profit, he mentioned he was looking at the value of his land as his retirement. He has spent a lot of years with low or nonexistent margins hoping that eventually his assets would constitute his retirement. I hope they do. I'm not suggesting we try to find some regulatory scheme or something that would take away **SEN. BECK'S** retirement. There may be a number of tools that we could utilize such as tax incentives and disincentives, perhaps use of what are termed, conservation easements, although I don't want to imply some sort of an environmental standard to these instruments. But some sort of similar instrument that would be dedicated to making sure that as **SEN. BECK** retires, he can have the value of his property for his retirement, yet we are able to preserve the agricultural base of that land as something that a person interested in producing food and fiber can afford and cash flow. That's the reason I brought this resolution in.

I don't know what answers this study committee may come up with if, in fact, there are answers that are acceptable. It's worth a try because it's in our interest to make sure that succeeding generations of Montanans can own farm and ranch land on which they produce food and fiber. Obviously, we cannot ignore other factors that go into that business equation like what we can do to help increase production and foster better prices for what we produce in Montana. We have to look at the whole picture, but as we look at answers to all those questions, we have to look at the basic one that I've identified for you today. I did notice there were a couple farms around Wolf Point that had prices that, from my experience in farming and ranching, were at least within range. However, I don't know all the circumstances, like how productive that land is. A person would have to analyze it and

maybe those were as overpriced as anything else. This is in all of our interest to survey in the next two years and see if there are some legitimate and I would like to stress, nonregulatory means, of solving the problem.

Proponents' Testimony:

Bob Stephens, MT Grain Growers Association: We're here to support SJR 4. There is a problem out there. It's going to be tough to figure out how to solve or do anything with it. In the Augusta area, people come in that can buy an \$800.00 an acre cattle ranch and pay cash for it. It makes a lot of difference if, when selling your ranch, you're getting cash money and don't have to worry about it. Say you have a young guy wanting to buy it and it's going to take 20 to 30 years to pay for it. All along the way you hope he's making it, but if he's not you may have to get your ranch back. If he has to go to bankruptcy court, the judge has the right to reduce the price of the place. So it is a problem and we wish that something could come of this.

{Tape: 1; Side: A; Approx. Time Count: 1:14 p.m.}

Janet Ellis, MT Audubon: We support this resolution because we think this study would provide useful information. We recognize the economic, environmental, cultural and social importance of family farming and ranching and we want to work to preserve that tradition in Montana.

Candace Torgerson, Women Involved in Farm Economics: Our organization supports the concept behind **SEN. JERGESON'S** bill. I have some personal concerns regarding studies. I was put on the Governor's Task Force on Tax Policy and while I learned a lot, I'm not sure we got anything done. That's a personal reservation on these type of studies, but it's certainly a good concept and I hope it works.

Marilyn Wessel, Montana State University: MSU has, as a part of its mission, the Agricultural Experiment Station and the Extension Service which are two potential players in this. Not only do we welcome the opportunity to work with some sort of interim legislative committee on how we can be helpful in the area of family farms, but we also have a number of resources we could make available. **SEN. JERGESON** mentioned the Wheeler Center Conference. The reports from that conference are available. We have also just done a new publication on an agricultural profile in Montana which might be available as a resource for you. Interestingly enough, our library has, for many years, been collecting farm and ranch papers. We have the papers of a great many family farms in this state that have been made available to us since about 1898. Anytime you look at the future of family farming and ranching you might also want to look at its past. We would be happy to be a participant in this and urge your support for this resolution.

Ted Lange, Northern Plains Resource Council: We support this bill. A study would be a very important and timely thing to do right now. Two particular issues mentioned in the resolution are of particular concern to us. Northern Plains has worked with and is concerned about issues of continuing subdivision and development of productive agricultural land and the effect that has on agriculture and land prices. In the last several years, we have become very active on the issue of corporate concentration in the cattle industry.

We are part of a nationwide campaign to try to get the USDA to take strong enforcement action under the Packers and Stockyards Act against the big three monopolies, Cargill, ConAgra and Iowa Beef Processors (IBP), who we believe are using monopoly power to manipulate the cattle market. These companies control over 80 percent of the cattle market. Between April of 1994 and May of 1996, the producers' share of the retail beef dollar dropped 25 percent while the packers' share increased 82 percent. This is a very disturbing trend. This 80 percent concentration level has been steadily increasing since the 1980's.

Most recently, what has developed is Northern Plains, with other groups in the region, have proposed a rule which the USDA has published in the federal register. It was published on January 14. A rule which, under the Packers and Stockyards Act, would remove some of the tools that the monopolies use to manipulate the markets. The comment period for that runs through April 14. Certainly that issue will continue for the next several years while this study takes place. In a nonregulatory vein, unfortunately, because of the devastating cattle prices, this study will probably be too late for a lot of family ranchers. As far as that concentration is concerned, in a nonregulatory vein, one thing the study could also look at is alternatives for circumventing the monopoly power of the big three, things like direct marketing and electronic options. We support this bill and hope all these issues will be addressed in the study.

Ralph Peck, Director, MT Department of Agriculture: We're concerned about the future of agriculture and that we maintain it as a viability, having economic impact in Montana. We support SJR 4.

Questions From Committee Members and Responses:

SEN. GERRY DEVLIN: You talk about the extension for the University and so on. I've heard some bad rumors that some of those monies have been filtrated out of that program into another one. Do you want to comment on that? Have you heard anything like that?

Marilyn Wessel: Can you enlighten me a bit more? Where have they migrated?

SEN. DEVLIN: It seems like there was money for Extension Service that was moved around in the budget down at the Montana State University to accommodate some other programs in different areas. Is there anything to that or did I hear a rumor?

Marilyn Wessel: I hope it was just a rumor **SEN. DEVLIN** because the Extension Service is separately budgeted and separately line itemed, as you know, in House Bill 2, which is the bill you folks work on every year. It would be very difficult for us to move any money out of there quietly or even in a public sense.

SEN. DEVLIN: Personnel services?

Marilyn Wessel: I'm not aware of that, sir. I would surely be happy to check into it if you have more details for me.

SEN. DEVLIN: If I find more details, I'll let you know.

SEN. HARGROVE: I might be able to clarify a little bit. I think there was an understanding in the last session that some of the tuition increases that were going for salary raises would migrate to the Extension Service and that didn't happen.

Marilyn Wessel: Is that the issue, sir?

SEN. DEVLIN: It's something that had to do with money that didn't get there or was diverted.

Marilyn Wessel: I can comment on that. It's a huge issue. I could give you something brief on it. **SEN. JERGESON** can help me out on this because he sits on the sub-committee that does this work. At the end of the 1995 Session, the legislature made the decision to authorize the universities to raise tuition to provide salary increases for the faculty who were insitu, if you will, on the six four-year campuses. There are also faculty in the Extension Service and Experiment Station. They have faculty rank and they are asked to do faculty work. Unfortunately, they do not collect any tuition.

You don't have to pay tuition to use Experiment Station services or Extension Services so there was no money to provide for salary increase for those people. Tuition is not an appropriate source of funding for them. As a quick fix, if you will, Montana State University agreed to move some student tuition into the Extension Service/Experiment Station salary lines so that we, literally, would not have to lay people off in those agencies. We have now come back to the legislature and have presented that problem to this body and have said we need to try to resolve that because tuition is not an appropriate funding source for the Extension Service and the Experiment Station. Students pay tuition for the work they do on campus and that's not where Extension Service and Experiment Station faculty work. They work out in the state. If that's what you're referring to, indeed they did not lose anything. In fact, we helped them out for the two year interim

period. If I could just add, the House Agricultural Committee has asked for an informational hearing on this subject wanting to know more about it. If that would be something the Senate would be interested in, we would be happy to provide that for you in more detail.

SEN. DEVLIN: Do you have a date on that yet?

Marilyn Wessel: The House Agriculture hearing is tomorrow afternoon. They have an informational hearing on this at 3:00.

SEN. TOM BECK: I think this is a fairly large ticket item. I think we're looking at, in excess, of maybe 1.7 million. I don't know what the Agriculture Committee can do, but I would like to have firsthand information on this. Something has to be done before we get out of here. I don't want to see anything happen to the Extension Service or the Experiment Stations. If we can possibly address this problem, we should do it. Maybe we could get some suggestions from the University on what we should do. Perhaps that same hearing could be brought before this Committee on Wednesday. The problem I have with it is the House Agriculture hearings are at the same time we're in floor session. It makes it difficult for us to get over there and listen. If there is any chance we could have the same presentation to this Committee, I would sure appreciate it.

CHAIRMAN MESAROS: We could have time Wednesday to do that.

Marilyn Wessel: The director of the Experiment Station and the Extension Service are in town this week. If you would like me to inquire, I can find out.

SEN. REINY JABS: The trend now is to merge, get bigger and bigger, like the railroads. The same with agriculture. An oil company came in and bought the big ranch next to me and they're buying a lot of the little farms and ranches around. These things are irreversible. We have to do something, but that's the trend in this country and I don't know if you can stop it. It's just the way things go.

SEN. JERGESON: I agree with you that there are some trends that we see going by. Like the concentrations and mergers, apparently everything has to get bigger to survive. The kinds of trends that we see are kind of troubling like some of the issues that we've discussed in the last couple days relating to brucellosis control and marketing of livestock. I suggested, in some of our Committee discussion, that often times it's like we're standing at the door of the convenience store watching the calves go north and then watching the fat cattle go south. What are we doing to capture any of that market? I don't know that the trend of property being purchased by somebody outside the community with a lot of money is necessarily irreversible. At one time **Wellington Rankin** owned a lot of property in Blaine County. That property was finally sold and in the process of selling it, it was divided

up and a lot of family farmers and ranchers are now operating economic units on portions of what, at one time, was one huge operation. There was, very definitely, a benefit to the community of Chinook when that occurred because they didn't have the kinds of employees that **Mr. Rankin** was known to bring in to work on the ranch. The story was that, as a sharp attorney, he would get people out of Montana State Prison on parole and one condition of their parole was that they work on his ranch for him. Those folks weren't adding a whole lot to the social or economic life of the community. When that property was bought by a number of farmers and ranchers, those people have been tremendous contributors to the life and vitality of our community. I don't know that it's entirely out of the realm of reversing some of these things. Perhaps a wealthy television magnate with an unpopular movie star wife will at some point tire of owning that property and decide that he needs to sell it.

SEN. DEVLIN: What is the cost on this? Is this one of those that gets ranked with the rest and takes its chance at the end when we find out we don't have hardly any money?

SEN. JERGESON: That's right. It will only happen if our budget says we're going to fund three studies at \$14,000 apiece or whatever and this happens to make that cut.

SEN. DEVLIN: Each of us gets a chance to prioritize. Do you have any idea what something like this will cost?

SEN. JERGESON: No, I don't. I could look at what the ones approved last session cost.

SEN. DEVLIN: **Candace Torgerson** talked about the study that she got burned out on and I happened to be the Chair of that. We had \$30,000 which barely got us out of the starting gate on an issue such as that. Also, the membership was made up of just a few legislators and it took at least three just to educate the rest of the Committee.

SEN. JERGESON: This study would be strictly legislators. We'll have to see, given what other study ideas may surface in the session, what the interest of the legislature is in this. I would hope that it would rank fairly high because these issues are all intertwined in what really defines Montana.

{Tape: 1; Side: A; Approx. Time Count: 1:30 p.m.}

Closing by Sponsor:

SEN. JERGESON: The questions for **Marilyn Wessel** were timely. We're discussing those issues in the Sub-committee right now. On Wednesday again, we'll be taking up SJR 2, some global issues relating to the university system. I think this speaks to the future of Montana and I'm hoping that the members of the

Committee, who so generously signed it, will help me get this to be a high priority study for the next interim.

EXECUTIVE ACTION ON SJR 4

Motion:

SEN. BECK: MOVED SJR 4 DO PASS.

Discussion:

SEN. DEVLIN: I just happened to run across a ranch that is \$100,050,000 for 8,000 acres. If you put a pencil to that and knowing that country, I think you're probably looking at \$6,000 per animal unit. I don't know how that would pencil out.

Vote: MOTION CARRIES UNANIMOUSLY. SJR 4 DO PASS.

ADJOURNMENT

Adjournment: 1:35 p.m.


SEN. KEN MESAROS, Chairman


ANGIE KOEHLER, Secretary

KM/AK