

Food & Ag KIN Meeting: Oct 7

Meeting starts at 10:11AM

Jim Peterson: Moving trade mission update to later in the morning.

Greg Thayer & Jim Peterson start introductions.

Comments on summary of July 22:

Mae Nan Ellingson -- summarized last meeting to develop direction and key points

Alan Merrill - President of Montana Farmers Union

Summary: MFU taking tour in Canada on industrial hemp and invited members of the Food & Ag KIN to join on tour. Alan's goal as President is to have a hemp processing plant somewhere in Montana. It will be two years before it can be legally grown in the United States.

MFU bought a fish farm that can grow vegetables year round and it can be seen at Great Falls College. The tank can grow trout to 16 to 18 inches with hydroponic vegetables and provide up to \$45,000 in yearly income for farmers after purchase.

The legislative issues identified by MFU include: exempt wells, navigable waters, Surface Transportation Board and rail issues.

President Merrill stated that MFU stands with COOL. MFU is getting prepared for legislature and going forward with a lot of new policies for members.

Janice Tusick: Asked about water compact with Salish and Kootenai Tribes (CSKT) and if MFU will support a negotiated contract with CSKT.

President Merrill stated that the resolution will come forward to MFU members.

Mark Black: What can you do with hemp?

Merrill explained you can use it for oil, fiber, clothing, concrete, canvass, twine, and animal bedding. The seed must be bought from Canada and that we are a good three years behind Canada in development of this crop.

Mark Black: What would the invest level be? Merrill said it would be a large investment.

John Youngberg - Exec VP of the Montana Farm Bureau

Summary: On the state level research is a big concern. We see big changes in agriculture and are an international stage and cannot fall behind. Research and Commercialization Board for every one dollar put in we get ten back. Board has been cut over the years to \$1.6 million. Other states are doing a lot more than Montana.

Restore money to the RCB. Agriculture is less than 6% of voting bloc. Water is vitally important. We do support a negotiated agreement on CSKT. If we do not get a negotiated, we foresee a long court battle. 60 percent of states wheat goes overseas. BNSF is now 13 days behind on some 700 cars for grain shipments. Gateway Pacific Terminal is a deep water port. Montana can ship a lot more grain with that port. Supports TPP with Asia. If we can lower the tariffs and equalize tariffs it will be beneficial. TTIP with European Union will result in additional \$11 million in trade for agriculture with this agreement. Waters of the US rule with EPA is a concern to a lot of producers. It puts the EPA and Army Corp in control of a lot more including ditches and ephemeral streams. Regulations on carbon would increase the costs of energy. Farm Bureau is trying to put a face on Montana Agriculture. Several generations removed from agriculture. We need public relations work in our industry. There is a lot of opportunity to add value before they leave the state.

Jon Stoner: Did legislature cut the Research and Commercialization program?

Youngberg: It was not included in the executive budget and legislature did not increase funding.

Nate Brown: Concerns with GMO Wheat. Wondering about TPP with wheat? John: GE not approved for trade. Until those trade partners are ready to do that, it probably won't happen.

Report on Trade Trip to China:

Jim Peterson introduces Governor.

Summary: Governor Bullock explained this is what embodies what we see with the private sector coming forward to find ways to advance industries. How can we continue to expand Montana's number one industry? Appreciate Jim and Greg taking this on as co-chairs and all of you for doing it. It's also a lot more than just the legislature and what we can do behind it. Went to foreign direct investment seminars and Minister Lee is visiting Montana. We had great conversations about meat. Going to have contact with Vilsack about getting something started. We heard about the grain, wheat, barley, pulse opportunity over in China. It isn't just a Governor going over once; it is recognizing and continuing to build off successes.

Governor turns it over to Meg O'Leary.

Summary: We came back with some real concrete things. To be involved in foreign markets you have to be more involved. The team met with Ambassador Baucus and he told us to be assertive in why this is important. Governor explained before the trip that if we are going it is going to benefit Montana and create Montana jobs. Golden key meetings with specific businesses and investors related to area. She tasked team to look at export opportunities with the Made in Montana brand and how to grow them to the next level and see if we can do some exporting.

Peterson told the committee of reception.

Governor explained that not since Racicot has a Governor visited from Montana. With Baucus as ambassador, it is a tremendous opportunity.

Peterson said he put together 4 min video of Montana. The Chinese love open area, clean air, clean water and Chinese investors already wanted to visit. He visited the largest pork plant in the world. I've been emailing with Chinese. Number for investment in a meat processing plant was \$70 million and no one blinked.

Governor asked if there were any questions.

Janice Tusick: What is the beef issue in China?

Peterson said U.S. beef is not legal but it's our 4th largest market. They made Canada and Mexico legal. They offered us a deal. It's not the whole loaf, but it's a pretty good deal. We have 30 days to keep the heat on China.

Governor explained that it's been more than a 10 year process. There will be posturing but my message to the U.S. Agriculture Secretary is let's take the deal.

Jim Fryer explained that in his experience in China is that we have a product that represents their most desired product. This can help Montana tremendously.

Governor said the team met with their equivalent of Chamber of Commerce and Montana is now on their mind.

Buzz Matlin: Did you promote coal and is that going to compete with our products?

Governor: Yes we did promote Montana coal. Only 10 percent of coal is imported in China. They have developed new regulations to make coal less GHG intensive. Production and investment would be in Montana. Rail capacity is an issue on both sides. He said he met with BNSF and said I don't want to be out suing the railroad but we need to get product to market.

Nate Brown: Are we going to release numbers on the beef plant?

Peterson: It's going to be released this afternoon.

Governor said we have a decision package to return Research and Commercialization to \$3.3 million. We are looking at the university and how that fits into the overall budget. I had to cut \$100 million last month and have to cut \$100 million next month to have structural balance. If it comes through here it looks better.

Jon Stoner: What are the revenue numbers?

Governor: We continue to trend up in revenue. I am not seeing great flexibility in state revenues coming in.

The KIN thanked the Governor.

Errol Rice - MT Stockgrowers

Summary: Key priorities at the state level include getting the Montana Department of Livestock some financial stability. Designated brucellosis disease management area funded early on out of per capita fee and would like to get 100% of area is funded by general fund monies. Working on the federal level on brucellosis area. Veterinarian diagnostics is currently 50/50 per capita and general fund. Stockgrowers would like to move it to full general fund. Increase brand inspection to 1.00 per head from \$0.75 increase per capita fee and diagnostics. Focused on property rights issues and water issues this session. Stockgrowers are still gathering information on CSKT water compact. Other issues include land use issues, grazing, access, state, federal, private. Rice commended the sage grouse efforts and private sector efforts to put investment in landscape. On the global scale: industry sustainability - environmental, social, and economic. There will be global roundtable for sustainable beef and they are working on a US roundtable on sustainable beef. They would like to use beef check off money to study life cycle of beef metrics. There is a need to increase food 70% production by 2050. Montana one a few states to increase herd size. There is concern over generational transfer and a need for more mentorship programs.

Elena Evans – Montana Conservation Districts

Summary: Conservation districts were formed out of dust bowl. Conservation districts provide local input on state and federal level. They are working with NRCS and local partners to put specific programs on the ground for Sage Grouse. Important now and moving forward to getting these conservation measures to succeed. Stewardship of the land is important. They are working on educating on what people in agriculture do. Resolutions from this session include public lands, expand communications and public exposure and expand coal bed methane other natural resources. Local ecological knowledge: How do we communicate it or share it with people? Transition agriculture: a frame work that is not top down or not agency driven. How do we get all of this information without spending time to get it? How do you gain information? BLM has expanded grazing to full year round. What impacts that has on NRCS plans, other grazing plans, etc.

Greg Thayer: Opens working session

Education priorities:

Vice President and Dean of Agriculture has been hired. Charles Boyer will be the new VP and Dean.

Added research funding and breeding to list

Janice Tusick: Food Safety and new food safety regulations should be a part.

Buzz Matlin: Barley breeder at MSU narrowed to three candidates.

Fred Wacker asked about credit transferability.

Jim Molloy indicated that the Board of Regents are working on it.

Dean Williamson request we add a next generation component to the list.

Value Added:

More local food in institutions

More grain processing

Ethanol plant

More food manufacturing

Increase exports

Meat and offal processing

Wool processing

Fred Wacker brought up the need for an ethanol plant and the need to help cattle feed.

Jim Fryer: Value added is a part of all parts

Janice Tusick: Capture access to capital because it is the investment capacity that makes things work.

Jim Peterson: With the trip to China someone asked why we aren't investing our money?

Mark Black: Why do they have these in other states?

Jim Peterson introduced Matt Bitz from One Montana who will give a presentation later.

Marketing:

Consumer awareness

Montana Publication

Agri-Tourism

Nate Brown spoke to the federal mandate for National Parks to purchase 50% of products within a 300 mile radius by 2015.

Buzz Matlin talked about sustainability and that California has a sustainability standard. Is that something we could do?

Janice Tusick: Food alliance in Washington as model.

Rules and Regulations:

Maryln Vogele informed the KIN of road issues in rural counties and eastern Montana. We are going back to the horse and buggy days.

Jim Fryer spoke on his list as a working list to build on. He indicated that one of our struggles with MDT is red road diesel.

Maryln Vogele asked if the KIN thinks county commissioners should control all roads.

Jon Stoner: It is hard and there is no gravel in our area.

Jim Peterson: Who pays for it? If we ask the cities then it becomes rural and urban. The only group willing to pay is hunters.

Maryln Vogele: What is the difference if we pay in maintenance or taxes? If we put a standard on it then they would be able to find the money.

Dean Williamson brought up food inspectors and the fact that we going to need more if we are going to add value.

Jim Molloy: It would help to focus. Where are we dealing with arcane regulations? Second, are we as a government facilitating and cooperating in such a way that we are helping you succeed as a business. Business portal is part of it. You can bring in specifics that can be brought to agency directors.

Janice Tusick: Things that the Grow Montana coalition is going to bring forward: Raw Milk, Cottage Food Law, and 1,000 bird limit.

Jim Molloy asked the group to help us inform from the private sector.

Jim Peterson: There are specific things that this group can bring forward. The red dye diesel issue with MDT enforcement could be one.

Jim Fryer: Water right adjudication is a big issue. FWP is so granularly opposed to any water right adjudication and spend time to fighting everything. Why is FWP allowed that amount of public funds to work against private enterprise?

Buzz Matlin: On a broad scale we need to get all our states water rights adjudicated.

Doug Stevenson: Thirty years ago it was a five year process that isn't done yet.

Jim Peterson: Water adjudication needs to be done.

Doug Stevenson: All the people that started the process are now have a conflict of interest.

John Rogers talked about business portal permit and regulation requirements online for businesses. The more detailed the more ability we have to get at the issue and work towards some level of improvement.

Fred Wacker: We need to get your lists and get specific regulations to get something fixed. We had issues with feed trucks and passed a law that it could be used. If they aren't licensed you could use red fuel.

Fred Wacker: CAFOs are very complicated. He made a recommendation to provide some money to help keep you out of trouble instead of waiting for a producer to do something wrong and get fined or threatened with jail.

Janice Tusick: The same thing needs to happen with food safety. Businesses want help instead of putting the hammer down.

Jim Frye said the public comment process on water rights needs changes. Review the public comment process.

Buzz Matlin said conservation districts are underfunded. Strengthening water conservation districts will help.

Jim Fryer: State veterinarians have no quarantine facility for incoming livestock. There is an issue with paying personal property taxes on livestock. Private land holders must allow wildlife deprivation on their land, FWP legal obligation for wildlife deprivation.

Janice Tusick: Laws in front of legislature include a Cottage Foods law, raw milk, and 1,000 birds limit.

Matt Bitz: Presentation on One Montana's feasibility study.

Summary: Full study available website at One Montana website ([onemontana.org](http://onemontana.org)). Looked at 250 head a day meat processing facility which is a big scale up from where we are at today. It is a capital intensive business that will require \$60 to \$70 million investment. The business model needs to capture every part of the animal and is essential that you capture value from offal to make it go. The plant design has to be big enough for anaerobic digester. The plant would be on 25 acres of land and could do 95,000 head annual to produce 42 million pounds of beef. It would be able to do both beef and bison. They found a need for workforce development and the plant would need strong leadership and have a market ready where your product can go.

Dean Williamson: What is the max?

Matt Bitz: Could double shifts to move to 500 head per day. Rendering is not on the table with scale in Montana.

Jim Peterson: Looking at ownership models is the next step and finding the capital to do it.

Nate Brown: What happens to small processors?

Matt Bitz: A survey of owners didn't seem to have an issue other than the possible workforce loss and skilled labor shortage.

Nate Brown: Where are proposed sites?

Matt Bitz: Great Falls, Butte, and Billings.

What is next? Priorities?

1. Value added -
  1. Meat Processing and Cattle Feed - Jim Peterson, Jim Fryer, Cole Mannix, Fred Wacker, Doug Stevenson, Maryln Vogele
  2. Food Manufacturing & Grain Processing - Janice Tusick, Dean Williamson, Randy Gilbertson, Greg Thayer, Mark Black, Jon stoner
  3. Wool Processing - Dave Tyler
  4. Increase exports – Buzz Matlin and Jim Peterson
2. Marketing
  1. More Local Food- Dean Williamson, Janice Tusick, Nate Brown
3. Education & Research
  1. Research – Buzz Matlin

Jim Peterson: KIN should meet sometime in early Dec to keep momentum going.

Mae Nan: We'll send out committees to members to see if others will join. Have one or two subcommittee meetings before December.

Meeting adjourned at 3:10pm