

***** NOTE: meeting minutes were recorded from individual comments since the agenda was not formally followed.**

Montana Organic Commodity Advisory Council (MOCAC) meeting

Monday November 8, 2004
7:00am – 10:00am

MOCAC Conference Call

Attendees: Nancy Matheson, Randy Hinebauch, Mikel Lund, John Hoffland, Donna Rise, Kim Cobos, Doug Crabtree, Greg Ames, Judy Owsowitz & David Oien

Greg A., Chairperson, Opening remarks: Some people have requested that we revisit the fee proposal and I appreciate you taking the time to do this. Please review the agenda. The last motion that past, stands. However, today we can revisit the fee proposal, if a new proposal is requested we can entertain that today. If there are any actions today, it will over rule any previous action.

David Oien given the floor: I believe it is wise to re-visit the last decision, as there are concerns around consideration of all documents and workload of the Organic staff. Two fundamental issues:

- 1) Examine projected revenue streams & reasons behind those
- 2) Expense side

Randy- did we receive the expense side information

Doug – expense side details

Greg- how long program could go without doing anything, when would we run out of funds, Doug will answer that question and we go on, myself, Tim M and Director Peck discussed that we have other additional things we need to do, for this to be effective before our next season.

Turned over to Doug

- 1) Expenses (last sheet of budget handout)

Judy – time spent in certification efforts Doug had answered her in an e-mail already

Doug – replied to Judy's question of 1/3 time goes into paperwork.

Nancy – How much inspector time in doing paperwork – I feel they need to spend less time on paperwork.

Randy- a lot of it is driven by NOP in his estimation, the paperwork is less

Nancy – we only have to submit our OPSP every 3 years rather than 2 year

Doug – not sure because we're a new program and did not have any experience before
NOP

Greg –The Department regularly analyses our program – financial & time commitments.
It's as lean as possible from our eyes, we welcome outside eyes

Mikel – surcharge on inspection fees

Randy – minimal

Mikel – inspections should not be the focus because we have larger issues funding the
program. How best to make the application & assessment fees line up with the
program administrative costs.

Consensus made from the group that inspections costs are where they need to be.

Senator John Tester joined conf. Call at 7:30am

Discussion on sources of outside revenue (donations, grants)

Randy – we need to look at the larger picture. Fees need to be consistent across the
board. Larger producers have choices. How are we going to reach out to larger
producers?

Nancy – What would it take to attract the bigger producers?

Randy – Competitiveness

Nancy – Where?

Randy – application fees; assessments are larger

Judy – marketing more effectively to the local growers.

Mikel & Randy discussion-what is their (local growers') business worth with the organic
label vs. no organic label

Randy – 6 tenths to pay for the assessment to OCIA, also the MDA does not offer the
certifications that they do.

Doug – 1% of all sales over \$20,000 in sales For MDA

Judy – Are growers happy with OCIA now?

Randy – OCIA service is better now

Judy – in fighting, have things changed?

Randy – yes; OCIA changed its fees – lost 700 members; now runs in the black. Fee went from \$30.00 to \$60 and then to \$120. Increased fees, lost business, but made more profit.

Randy – this is not a state funded program, it's a producer-funded program. Large producers are comfortable. Doesn't think the program should be designed for large producers (from other certifiers) particularly old-time OCIA producers. Should try to certify new, larger groups.

Nancy – I agree

Randy – How are you going to make the program self-sustainable with the current certified users?

David – fees – its really value, not cost. It says I perceive I'm not getting value out of the fees being paid.

Randy – if I were farming conventional, my value would be 50%. Example \$10,000 – organic vs. \$5,000 conventional look at it that way.

John T: 20-30% increase, being organic

Nancy – my margin is not what yours is

Judy: Seed-yes; vegetables – if you're selling wholesale you need it; if not wholesale, maybe not

Nancy: I disagree with Randy. The program is growing.

Randy – how we're going to get through the transition period

Doug – almost universally, new operations are small and likely to remain that way

Nancy – safer assumption to say we'll serve organic growers that are smaller.

Randy – 2003 crops 4.5 million in sales (between 2 chapters = 50 members) ea. Paid approx. \$100,000

Nancy – are we trying to make the program self-supporting by Dec. 2004 or within the next biennium.

Greg- by now. We can't fund the program on soft money but we need to program to be self-supporting. General fund for 2 years funded us and then Director provided \$80,000 in grants. We will be provided \$18,000 from indirects for the next two years. Based on current stipulations & cash. Must have revenues to support expenses.

John T – yes, those funding sources supported the program

Randy - \$225,000 in support

\$70,000 FY04

\$30,000 FY03

Nancy – early assumptions were incorrect

John T – assumptions were off – larger producers from OCIA have not come in

- National org. standards – advantages of working government to government with the NOP

- Feds have dropped the ball (on ISO and exports)

Randy –thought that ISO 65 would come with NOP

John T – Small growers are growing the organic movement; they also got it going. Small growers are not charity, they are the backbone.

John H – Commonly asked question: Skepticism on value/integrity of “self-certified” organic (under \$5,000). If he didn't have the organic label in his store he would be out of business.

Doug – ½ certification; ½ advocacy & outreach – education. Free rider question, those not certified with the state also receive the benefits, without paying any fees to support the program.

Nancy – It is not (who is) willing but (who is) able to pay the increases. Conversation is important but not getting us there ...

Randy – There's a political agenda in MOA and he doesn't like it.

John H – What are the proposals? I take seriously what Greg & Doug have told us. We need to resolve to do something.

Nancy – keep a \$5000 exemption (from assessment) for small growers. We'll lose them otherwise.

Randy – Doesn't think we'll lose them (small growers) because of the availability of cost share. Options are few and he recommends what we have.

Mikel – listening intensely. Reason for making the original motion is still valid – we have little choice growth – promotion – keep moving forward. It doesn't appear as if we have much of an option.

David - \$174,414 budget of running program = \$1,700 per entity. Some growers pay (only) \$200-\$400, a whole bunch of money needs to be made up (\$1300 - \$1500). Need to spread the burden

Judy – Why is there a \$4,000 CAP in handlers' assessment.

Randy – they will go to QAI otherwise

Discussion:

Randy – need to reach a decision

Mikel – doesn't want to disgruntle some growers what affect would a \$5,000 exemption have on the program?

Doug - Has seen people structure they're business to fall below the exemption.

Mikel – hard to fathom that up to \$50.00 extra when you've made up to \$5,000

John H – application fee, decrease from 165 – 140 \$25 less = -\$1400 less in revenue

Judy & Nancy – want concession on assessments because you pay on what you make

Randy – Too much opportunity to fudge it inspectors are not financial auditors

Question on intent of 80-11-601 (4)(C)

Taking proposal to the certified comm..., for approval by majority.

David – Change medium handler definition from 5-100,000 to 20,000 – 500,000
Application fee to \$275 from \$215 diff is small (only 1 or 2) but psychological it will be easier to accept.

Nancy – defer to handler on the council David

Nancy – will go with what the council decides because of cost-share & because program will grow and become self-supporting

Mikel – info for Senator Tester – should we attempt to contact him?

Judy – cost share – can we raise administrative (\$25) fee?

Doug – probably not

Mikel – interpretation of low; promote or sugar coat message – support in their heart or support in their pocket book

John Tester – run by majority initially but then the MOCAC would recommend – approve (advise) to the department thereafter. It's unworkable to proceed with a majority of community, that's the purpose of the advisory council

Randy – move to stick with decision made in Bozeman meeting

Greg – we don't need a motion unless there's a change different than the decision in Bozeman.

Randy – Doesn't believe there will be a sufficient change to bottom line budget.

Mikel – Maybe approach these two suggestions for the psychological effect or acceptance of proposed changes. Where changes are made (decrease), we'll have to make changes elsewhere (increase)

David – Handler? How many large would be needed?

Doug – Approx. 8 x \$125 (\$1000) almost revenue neutral

Greg – the proposal is tight so if we don't realize those projections, even 1-3 entities, it won't cash flow.

Randy – growth area is in handlers will commit to talk to his handlers can lean on buyers to change

John – agrees

Randy – Agrees

Mikel – add something to letter about council looks at fees annually.

The council is committed to reviewing the program budget and fee structure as needed a review will be conducted, at a minimum, annually.

Grant sources:

Wheat & Barley check off (\$1,000,000)

No way unless law was changed or an application was put in (for an exact amount) receptive (committee); project specific but not a source of funding, target marketing & research. Most research goes through MSU.

Who may apply (for Wheat & Barley funds)? Better off doing it outside the agency don't have anyone apply that's not in good standing. Who is the contact: Jim Christianson (vacant). Hopefully new person will be hired by Dec 10th.

The W&B checkoff is State Legislation

Organic growers exempt from federal check off but not from the state. It's not mandatory – they can request money paid back.

Funding Sources:

\$100,000 USDA specialty crop block grant

\$80,000 to organic program FY2003-4

University – research

Ag Stats – specialty crop survey

AERO – Farmer markets

Ag Exp. Station

Director makes the decision on how it's spent, discretionary money given to each state.