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.
Randolph—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.

Randolph—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).

Randolph—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?

Randolph—Competitiveness.

Nancy—Where?

Randolph—application fees; assessments are larger.

Judy—marketing more effectively to the local growers.

Mikel & Randolph discussion—what is their (local growers’) business worth with the organic label vs. no organic label.

Randolph—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 that 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.