

## **Montana Organic Commodity Advisory Council (MOCAC) Meeting**

May 23, 2006

3:15-5:15

Helena, MT

### **Conference Call Minutes**

#### **MOCAC MEMBERS:**

1. Steve Baril – present in person
2. Laura Garber – present via call
3. Andre Giles – present via call
4. John Hoffland – present in person
5. Mikel Lund – present via call
6. Nancy Matheson – present in person
7. Nancy K. Peterson – present in person

#### **DEPARTMENT STAFF:**

1. Greg Ames
2. Doug Crabtree
3. Donna Rise
4. Sean Mulla
5. Carol Kimble

#### **ABSENT:**

Mark Bruckner

#### **OTHERS IN ATTENDANCE:**

Judy Owsowitz (organic producer; ex MOCAC member)

#### **MOTIONS:**

1. Steve Baril moved that **the Department of Ag follow-up with people who haven't returned applications to get feedback on the status of their applications and the reasons for not submitting the applications.** John Hoffland seconded the motion. Nancy Matheson asked for further discussion. Laura wondered if the follow up survey would take the place of calling the individuals. The calling would still be done but later, the survey would be done by mail. Nancy M. asked for other questions or discussion. There were no questions. Nancy called for the vote and the motion was approved, unanimously.
2. **March 17, 2006 minutes approved, unanimously.**

## **ACTION ITEMS:**

1. MOCAC members will contact prospective applicants that have NOT yet submitted applications. Volunteers: **Laura Garber, John Hoffland, Andre Giles, Nancy Matheson, and Steve Baril.**
  2. **Doug** will provide volunteers with lists of prospective applicants in their area who have not submitted applications.
  3. **Doug** will be responsible for drafting a follow-up “customer service” survey to be mailed to certified operations. The draft will be presented to the MOCAC for comment prior to the next meeting.
  4. **Doug** will develop a program brochure, to be reviewed by the Council, to aid in publicizing and promoting the certification program. The draft will be presented to the MOCAC for comment prior to the next meeting.
  5. **Doug** will report to the Council after a budget analysis, at the next meeting.
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## **Welcome, Opening Remarks and Announcements**

The meeting was called to order by Greg Ames, acting for Director Nancy K. Peterson, at 3:15 p.m. in the Montana Department of Agriculture Conference Room. Greg provided the welcome for Nancy K. Peterson and asked those in the room to provide their names. Greg asked that Nancy Matheson act as chair for the meeting.

Doug announced that the Council was successful in obtaining a \$10,000 grant from the Montana Wheat & Barley Committee, to be used to fund the ISO 65 Accreditation project. The Grant application was written by Andre Giles and Nancy Matheson.

Nancy Matheson, acting as chair, provided a brief agenda review. Old business will be discussed first, followed by a budget update and then new business, as time allows.

## **Old business items:**

Regarding programs, promotions, and public relations issues:

- 1) The MOA newsletter has not been published yet. As such, there has been no response to the article, written by Steve Baril, regarding the Council.
- 2) Doug reported that, due to recent turnover in the administrative assistant position, letters had not been sent to certified operations regarding the Council member bios and introductions.
- 3) Doug reported that he may not be able to provide a draft “customer service” survey to the Council for review by July 15, as previously committed. Work involving inspections, certifications and accreditation precludes other commitments.

A discussion of public relations and publicity related issues followed, with the following ideas proposed:

- 1) The department needs to communicate with the current certified operations to let them know who the Council members are and that the Council is in place to represent each operation certified by the department. **The “customer service survey” should be prepared and sent to each certified operation.**
- 2) The department needs to do more to publicize the services offered by the certification program, the opportunity organic production represents to producers and the benefits of organic food to consumers. **A program brochure should be developed and distributed to realtors, extension offices and natural food stores.**

Andre Giles joined the meeting (via conference call), providing the necessary representation to reach a quorum.

Doug stated that one of the issues concerning him is that only two or three applications are submitted to the department for every 10 that are requested and sent out. He senses that new prospective applicants are simply overwhelmed by the application packet. Doug further stated that he thought it would be very helpful if Council members would contact the prospects and offer assistance, based on their own experience as certified operators, to the new folks. The following Council members volunteered to contact prospects in their area and/or with similar types of operations:

Laura Garber  
John Hoffland  
Andre Giles  
Nancy Matheson  
Steve Baril

Director Nancy K. Peterson and Mikel Lund joined the meeting. Nancy commented on drought and crop conditions across the state and in the “Triangle” area, specifically. She assumed the chair for the remainder of the meeting.

After limited discussion, **the March 17, 2006 minutes were approved**, unanimously.

Nominations for upcoming Council vacancies are needed for two producers and one consumer. The present terms expire on August 19, 2006. Nancy Matheson, Mikel Lund, and John Hoffland have served two full terms and are ineligible to return. Nancy K. Peterson advised the following:

- 1) Council members are encouraged to solicit nominations from any interested individual and from organized (farm or consumer) groups.
- 2) While individuals certified with the program may be preferred, others will be considered (particularly for the “consumer” position).
- 3) Nomination letters should be forwarded to her office;

- 4) Nominations may be submitted at any time, but should be received by August 15<sup>th</sup> to be considered for the current vacancies; and
- 5) The Council itself will not submit nominations, but individual members may do so.

Steve Baril indicated that the Montana Organic Association (MOA) would likely submit a slate of nominations.

### **New Business:**

#### ***Budget Update:***

Doug Crabtree reported that, as of the end of April, the Program had collected almost \$102,000 in revenue and expended nearly \$124,000 in expenses. The Program is operating at a deficit. Approximately \$15,500 is directly related to the ISO project. In FY02 we collected \$700.00 in revenue, FY03 \$28,000, FY 04 \$70,000, FY05 \$96,000. So, revenue continues to increase.

Addressing the impact of the fee increase, Doug explained that prior to the fee increase, fees increase roughly equivalent to the number of certified operations, 35% growth in clients and 37% growth in revenue from 2004 to 2005. Then, from 2005 to 2006, when the fee increase took affect, there was an 8% growth in certification and a 28% growth in revenue. While the situation has improved, we still anticipate a negative balance for FY06. The long term solution is to complete the ISO accreditation, add larger growers and increase the sales of our existing growers to generate more assessments.

Due to storm severity (in Scobey, MT), Mikel Lund disconnected from phone conferencing at this point of the meeting.

#### ***Certification Fees:***

Nancy Matheson requested certification fees remain on the agenda, because, as Judy Osowitz pointed out, the Council obligated itself (to the growers) to reexamine the \$20,000 exemption. She asked if the department had determined the impact of (elimination of) the exemption on certification revenue. Doug Crabtree explained that when the exemption was in place, fee revenue increased at approximately the same rate as the number of certifications (37% vs. 35%); whereas with the exemption removed, fee revenue increased by 28% from an 8% increase in certifications. While revenue is still not meeting expenses, the fee change definitely improved the situation.

Nancy Matheson expressed concern that the burden is placed (excessively) on small growers. For example, a grower with a \$20,000 income before the change would have paid no assessment fee, after the change, the same grower paid \$200.00. The percent increase was felt more by the smaller producers. Laura Garber stated that the extra \$200.00 has hurt people. Nancy asked if someone in the program could analyze the fees in relation to the sizes of operations certified. Doug said that he could do such an analysis, but not until after completing the 2006 producer certifications, hopefully in November or December. Nancy asked that the discussion be continued at the next (fall) Council meeting.

Judy Owsowitz asked if there would be time, after the fall meeting, to revise fees before the 2007 applications are sent to growers. Doug stated that revising fees requires amending the Administrative rule, which requires a minimum of 90 – 120 days.

Nancy K. Peterson said that any discussion of changing fees is premature and can only be considered once revenues (at least) meet expenses. She went on to say that we shouldn't even, at this point, consider a restructure of fees for 2007. She feels the process can begin in January 2007 to have any changes in place for 2008.

Nancy K. Peterson pointed out that the failure of the federal government to adequately fund the National Certification Cost Share program has contributed to the increased burden of certification fees on our producers. The Cost Share program was authorized through 2007, but Montana's allocation was exhausted in 2005, leaving many eligible operations without assistance. Nancy stated that she has brought this issue (underfunding of the Cost Share program) to the attention of the National Association of State Departments of Agriculture (NASDA). NASDA has addressed the concern with the USDA, but, so far, no additional funds have been allocated.

General consensus was reached on the following:

- 1) That the Council needs to see a detailed analysis of the fees collected and the relative burden of fees on the sizes of operations certified;
- 2) that the fee issue will be reexamined at the next Council meeting;
- 3) that fees seem especially burdensome for small producers;
- 4) that there is not time to change fees for 2007; and
- 5) that fees cannot be lowered until / unless revenues (at least) meet expenses.

### ***ISO Project Update:***

Doug's Report:

- The letter to the USDA, Agricultural Marketing Service (AMS) requesting ISO 65 accreditation has been drafted for the Director's signature.
- The internal audit has been completed. Corrective actions are being formulated to respond to the audit findings.
- The department's goal is to have the entire program be ISO compliant and accredited.

- Different types of certification will be added for operations needing to export organic products. Example: to export to Europe, be certified to EEC-2092/91; to Japan must be certified to JAS requirements; to Switzerland, BioSuisse.
- Doug envisions that each of these additional certifications will have their own fee. This could be part of the discussion on the structure of fees. The gain of enough of producers needing multiple-certifications may reduce the fees for those who only need domestic certification.

Doug stated that it is very clear that NOP and ISO are becoming one. The program will be subject to an ISO audit and a \$108 per hour fee each year. The NOP and ISO audit should be able to be done concurrently.

### ***Record keeping requirements:***

Steve Baril stated that he continues to hear from certified operations that the record keeping requirements are excessive and onerous. Doug stated that the vast majority of Non-compliances involve inadequate records. Steve stated that producers do not understand what is required or how the records improve the quality of their operations or of the (organic) food they produce.

Steve brought up one particular problem, that there is inconsistency between inspectors as to what records they expect to see from producers. For example, one particular inspector expects every hay producer to have a “stack record” of hay in storage. This inspector reports as (potentially) non-compliant any producer that does not have such a “stack record.” While this seems to be an extreme requirement, it is also inconsistent with the expectations of other inspectors, who do not seek a specific inventory / storage record for hay. Steve related that he thinks the inspectors (in general) are going beyond what they need to do for audits. He feels that it is not necessary to do three audits each year. As long as the system is unchanged and was successfully audited (in previous year(s)), there should not need to be so much time spent “proving the system.”

Laura Garber commented that she feels it is unclear what the certifier (or inspector) is looking for in terms of records. Doug stated that the purpose of the inspection is to verify what the producer states in the Organic System Plan (OSP). So, the “list” of what is expected and of what the inspector wants to see is the OSP, what each producer tells the department that they maintain for records. The best place to look for templates / examples of records is the Alternative Technology Transfer for Rural Areas (ATTRA) program. ATTRA has numerous forms available, on their web site or via mail, which can facilitate record keeping.

John Hoffland stated that their first inspection was a “nightmare” because they did not understand the purpose of the records or what the inspector needed to see. However, he believes that “jumping through the hoops” has greatly improved their record keeping system and the business as a whole.

Steve stated that the state (program) needs to be very specific in telling producers what records are required. Then, we need to better train all inspectors to be consistent in what they communicate to producers about the record keeping requirements.

Doug stated that one finding of the internal audit was that our administrative rule is TOO SPECIFIC in what it specifies for records. The auditor indicated that he saw the rule as an “additional requirement,” which is not permitted under NOP accreditation. The NOP rule says operators must have whatever records are necessary to track all activities and transactions of the operation in sufficient detail to be readily understood and audited. The Administrative rule spells out for producers of crops, producers of livestock and for handlers what specific items are needed to accomplish that. Doug said that the department has chosen to disagree with the auditor’s finding, but, that it indicates that we should probably NOT consider being more specific with regards to records requirements. Doug suggested that this discussion be continued at a later meeting.

Doug Crabtree asked if another meeting is needed before the usual fall in-person meeting. Since no one indicated the need for (or ability to attend) another meeting before fall, discussion moved on to scheduling the fall meeting. It was proposed for Thursday, September 28, in Helena, from 8:00 to 5:00.

The Conference Call ended at 5:00 p.m.

Doug stated dairy and milk companies are paying cash bonus to people to begin transiting to organic production. 100% premiums over conventional market are available. Nancy K. Peterson related that there are dairies moving to Montana from other states. How can the department make producers aware of this opportunity? Greg Ames stated that we may get a list of all the dairies in the state from the Milk Control Board, Department of Livestock.

Meeting adjourned at 5:15.