

Montana Organic Commodity Advisory Council (MOCAC)
Montana Department of Agriculture
Best Western Plus Heritage Inn, Missouri Room, Great Falls, MT
December 3, 2014

Council Members Present: Ty O'Connor, Catherine Odden, Lise Rousseau, Matt Johnson, Greg Thayer, Mark Smith

Council Members Not Present: Kiki Hubbard

Staff Members: Ron de Yong, Georgana Webster, Breanna Caldwell, Andy Gray, Sean Mulla, Cort Jensen

The meeting began at 1:05 AM. Introductions were made.

Previous Meeting Minutes

Meeting minutes from December 11, 2013 were reviewed. Lise Rousseau moved for approval, Catherine Odden seconded, the motion passed unanimously.

Program Update – Program Summary Form

Georgana Webster explained the Program Summary form. Georgana discussed the internal audit with TreeTop Systems prior to the USDA audit. The USDA audit occurred June 9-12, 2014 and the exit interview stated that there were no findings. However, the official report has not come back from the USDA confirming this.

Matt Johnson asked if there were unannounced inspections of Accredited Certifiers by the USDA NOP. Georgana explained that there weren't any currently since the cost to the Department would be extremely high (roughly the \$16,000 range).

Georgana explained that unannounced inspections of Organic operations are required by the USDA NOP. The program will inform Producers and Handlers about the potential for an unannounced inspection.

Georgana explained that Random Sampling was required by the USDA NOP. All test results from the sampling were negative this year.

Ty O'Connor asked if soil sampling was occurring. Georgana Webster explained that soil sampling is not required at this time. Ty suggested using soil samples to show soil quality and freedom from pesticides. Ty has noticed that the fertilizer needs are not the same for Organic and only needs about a pound of nitrogen to create a bushel of wheat after two soil samples.

In 2015 the program will have an internal audit with Greg Stordahl, Department of Agriculture. Suggestions for the audit scope are welcome.

Greg Thayer explained that Montana Milling could have sold more Organic grain but the grain wasn't available due to Producer numbers. Greg commented that Organic growth is high at this time. Mark Smith asked about program growth. Georgana explained that CRP land played a big role in growth. The program hopes to certify more handling operations in the future. Georgana said she has talked to several cattle producers that may certify. Mark commented that CRP acres are decreasing due to lower CRP payments. Cort Jensen said the input needs of conventional are starting to encourage Organic grain growing.

Georgana commented that surrenders were due to retirement, weeds, and handlers that were no longer processing Organic products.

Organic Program Fiscal Analysis and Rule Change

Georgana Webster explained that the Fee Schedule that was distributed is a starting point for the discussion.

Cort explained the Rule Change process. Cort stated that the law gives authority to the council which allows a simple rule making process rather than a law change. The council should recommend the rule change. A drafted rule notice will be sent to the interested party list. The Secretary of State maintains this list and anyone can ask to be added. The notice is also available via email. Cort said the department also distributes the notice to anyone they think may also be interested. All comments must be responded to, positive or negative, along with possible changes due to comments. If the rules are amended then there is a second round of changes. Cort said the process from suggested rule changes can be a 6-8 week process, but generally 2 months with few comments. With hundreds of comments it takes much longer so the process depends on that. There is no limit to the number of rule changes. Each comment is \$25 a page and \$50 filing fee. Positive and negative comments cost money due to the number of pages used.

Cort explained that the Organic Program is supposed to be self-sufficient. However, support from other Department programs has been allowed in the past. The overall purpose is for the program to stand alone. Fee increases must go to the Governor's Office for approval prior to moving forward. Cort explained that the fees should remain the same for 3 or more years. Ty asked if a fee decrease would go to the Governor. Cort explained that decrease didn't need to pass by the current Governor. Cort explained that other fee increases with the programs had gone well with the current administration. The current administration wants to know if rule changes are controversial. Letters and emails are preferred for comments but phone calls are also allowed. Controversial phone calls aren't preferred because they are open to interpretation.

Georgana explained that the current fees were outdated for several reasons. For example, several fees no longer apply: additional certification fees, transaction document forms, and transaction document books. The Department attempted to change the fees in 2010 but the change was not approved by the previous Governor's administration. Georgana added that the fees were not equitable for Producers and Handlers which was another reason for change.

Three years were examined and an estimate budget was discussed with Department staff. Several certifier fees were examined to ensure that the option fees were competitive. The main competitor for the program is Global Organic Alliance. They have 40+ producers in the state. Greg asked how the option fees compared to other programs for new producers. Georgana explained that GOA was fairly low. MOSA is \$1000, OTCO is \$300, GOA \$105 plus royalty fees. Matt Johnson asked what Greg's thoughts on these changes were. Greg said going from \$4,000 to \$15,000 and he could go to another certifier for that price. He says they would leave as would several others. Greg said QAI's fees were based on products and Montana Milling would pay around \$5,000.

The tiers were increased in the new fee schedule. Federal cost share was taken into account too. The, "option", fee schedule doesn't charge for Handler label review or Producer acres. Lise asked if the percentage of income paid was equitable for the large Producers vs small Producers in the new schedule. Georgana explained that the small operations take a large amount of time and that the cost of certification averages about \$2200 per operation. Greg explained that a large number of small Producers do not cover their costs like a larger producer does. Ron explained that lower fees had been used to encourage program growth in the past.

Ty commented that the 0-\$5,000 bracket would pay close to their actual cost of service. Ty suggested a waiver on the sales fee for new applicants. Mark commented that it was important to make people aware of the new fees prior to implementation so they could plan for the change. Matt pointed out that the higher sales for Producers were going down. Ron asked about balancing the fees for Producers and Handlers. Ty said that the Handler fee change seemed drastic. Greg Thayer said that looking at program numbers currently it was important to get large operations involved. Ty explained that large producers shop during poor and average years. Ty said that acreage fees could harm producers during a drought year. He added that a cap on sales assessments may help encourage larger producers to join the program.

Lise asked if the complexity of an operation was considered (large grain grower vs small diverse crop grower.) A discussion of operation complexity and size followed. Tracking hours per file was considered. No changes were made.

Took a 10 minute break at 2:53PM. The meeting reconvened at 3:07PM.

Sean Mulla brought up the time spent reviewing product profiles and labels. Andy clarified that 5 labels for one company may take less time than 25 labels with another company. Sean added that inputs and ingredients on product profiles contributed to review times. Andy suggested charging per label review in addition to the option fees. Discussion followed. The council decided to charge a label/product profile fee for revisions, initial label/product profile submissions would not be charged. The group decided on a charge of \$35 per label/product profile revision.

Greg brought up the stipend and cash balance of the program. He asked if the goal was to use the extra money for special activities. Ron said that could be a possibility. Georgana explained that the main concern was use of the Produce revenue fund since it wasn't specified for the organic program in rule or law.

The inspection fee per hour was discussed. A proposed average fee was suggested of \$50 an hour. Andy said that some programs have not set a straight fee but rather analyze hourly fees every year instead.

The time frame of rule implementation was discussed. Andy and Ron said that adequate notification would be important and a couple months would be important prior to the change. Ron suggested waiting until the next year. Cort suggested the date of January 1st, 2016 and give time to do PR and give information for people.

Sean suggested an expedited fee for applicants that need immediate certification. Cort said an expedited fee should reflect the emergency circumstances based on the fact that it was a planned process. Cort said it should be high but they could waive it by Director discretion. \$1,000 was proposed for the expedited fee. Andy asked for clarification on the definition of expedited certification. Cort said that you look at the current turn around and common time frames. Cort suggested no less than \$1,000.

Mark suggested an increased late fee that is progressive. Mark suggested a \$200 fee and another \$100 fee per month they are late.

Lise suggested that the Producer/Handler allowance stay as long as the Handler paperwork is submitted with the Producer paperwork on March 15th.

Georgana explained that the mixed operation fee discourages conventional farmers from participating in the program. Georgana recommended removing the mixed operation fees and keeping the Multi-Enterprise Fees. Georgana recommended removing the Additional Certification fees and Transaction Document fees.

Public Comments

No public comments.

MOCAC Committee Review - None this year since fee schedule was reviewed.

Meeting adjourned at 5:18 PM. A follow-up meeting will be held to discuss the revised fee schedule from this meeting.