

## Minutes

### Producer Committee Conference Call Meeting

July 7, 2015 9:00 a.m.  
Milk Control Bureau Office  
1225 8<sup>th</sup> Avenue, Helena, Montana

#### Conference Call Access:

Call-in Number: 1-866-740-1260  
Access Number: 4445210#

#### Call to Order

Committee Chair David Miller called the meeting to order at 9:01 a.m.

#### Attendance

Committee Member	Present	Absent
David Miller, Chair	X	
Sam Hofer, Vice Chair	X	
Andrew Wipf, Secretary/Treasurer	X	
Loren Dyk	X	
Michael J. Hofer	X	
Tim Huls	X	
Daron Kamerman		X
Nelson Kamerman	X	
Larry Klompien	X	
Jeremy Leep		X
Walter Wipf		X
Ruben Wurz	X	

#### Montana Department of Livestock Staff:

Chad Lee, Bureau Chief, Milk Control Bureau

#### Guests:

None

#### Approval of Minutes from May 4, 2015

Nelson Kamerman moved and Loren Dyk seconded the motion to approve the minutes of the May 4, 2015 meeting as written. The motion carried. All members voted in favor.

## New Business

### Quota Transfer Requests

**Request:** Daron Kamerman requested approval of sale and transfer of 9,168 lbs/day of quota to Leep Dairy, LLC with July 1, 2015 as the effective date of transfer.

Tim Huls moved and Ruben Wurz seconded the motion to approve the transfer of quota as requested by Daron Kamerman. The motion carried. All members voted in favor.

**Request:** Brad Kamerman requested approval of sale and transfer of 11,794 lbs/day of quota to Dairyland Farms with July 1, 2015 as the effective date of transfer.

Sam Hofer moved and Tim Huls seconded the motion to approve the transfer of quota as requested by Brad Kamerman. The motion carried. All members voted in favor.

**Request:** Amsterdam Holsteins LLP requested approval of sale and transfer of 700 lbs/day of quota to Big Creek Dairy with August 1, 2015 as the effective date of transfer.

Tim Huls moved and Ruben Wurz seconded the motion to approve the transfer of quota as requested by Amsterdam Holsteins LLP. The motion carried. All members voted in favor.

### Leasing of Quota

At the request of Sam Hofer, the committee discussed to topic of leasing quota. Under ARM 32.24.501(1)(a), leasing quota is prohibited. Mr. Hofer discussed that allowance for leasing quota could provide financial benefit to a dairy with production exceeding its quota, as well as financial benefit to a dairy that had production below its quota. Mr. Hofer explained that circumstances can arise in which a temporary transfer would be beneficial to the dairies involved. Mr. Hofer also expressed that he does not think that the conditions currently exist that were part of the original purpose of the rule.

Mr. Lee discussed research performed by the bureau to determine the purpose of the administrative rule. The Montana Dairymen's Association presented a petition for rule making at the September 10, 1991 Board of Milk Control meeting that included the provision. A hearing on the proposed rule change was held on October 7, 1991.

In Hearing Docket #10-91 (prepared from the October 7, 1991 hearing), the following was documented pertaining to the prohibition of leasing quota. During the hearing, no opposition was voiced to the lease prohibition component of the petition.

- In the section labeled "Findings of Fact":
  - Prohibition against leasing is needed to preserve the integrity of the quota plan.
  - Ease of re-entry into the quota system after exiting, creates quantities of unneeded quota and speculation in the marketplace.
- In the section labeled "Conclusions of Law":
  - Restricting re-entry of producers will better tailor the milk supply in relation to demand and eliminate speculation in the marketplace.

- Prohibiting leasing will place the responsibility for production of milk with the owner of the quota, thus insuring the quota plan's effectiveness.

Mr. Lee noted that at the time of the petition and hearing, it was possible for a producer to lose quota if production was less than quota and that overall reduction of the pool's outstanding quota was possible. Mr. Lee also noted that based on the bureau's research, his understanding of the original purpose of the quota system was to control production, not to create an asset for dairies.

Mr. Lee discussed pros and cons for eliminating the prohibition on leasing quota.

The following were identified as pros:

- economic benefit to the lessee and lessor
- "more efficient" use of the intangible asset – quota might flow more readily to the party that would benefit most from it

The following were identified as cons:

- leasing might encourage speculation in quota ownership
- leasing would likely lower quota blend prices for dairies not involved in quota leases
- complication of quota record keeping by the bureau and risk of errors in quota records, particularly if the minimum duration of leases was allowed to be a short period of time

Tim Huls stated that he was present for the discussion at the time the rule originated and that reasons for the rule at the time included concern about additional quota record keeping requirements and research that showed that quota systems elsewhere typically did not allow for leasing. Presently, Mr. Huls believes that if leasing were allowed, the bureau's required effort for record keeping would increase and may lead to higher assessment rates, offsetting any benefit leasing might provide.

Ruben Wurz expressed that quota can be sold and that he saw no benefit for leasing.

The committee discussed the process and timelines for amending administrative rules. If the committee were to decide to pursue a rule change, a proposal for a rule change would have to be advanced through the Board of Milk Control, and the process might take six months before such rule change became effective.

### **Other New Business**

Mr. Lee informed the committee that spreadsheets projecting quota prices for June 2015 and July 2015 were posted on a bureau webpage. Mr. Lee informed the committee that after the pooling of June 2015, the bureau will send each committee member a report showing surplus milk sale information.

### **Public Comment**

None

**Adjournment**

Nelson Kamerman moved and Tim Huls seconded the motion to adjourn the meeting. The motion carried. All members voted in favor.

Meeting adjourned at 9:30 a.m.

\_\_\_\_\_  \_\_\_\_\_ **David Miller, Producer Committee Chairman**

Date: 8-3-15