

# Agricultural Advisory Committee

Thursday, June 26, 2014 @ 3:30 p.m. – 5:00 p.m.

## Conference Call

I. Call to order and Introductions, Chairman Mike Jopek @ 3:36 p.m.

### **Attendees:**

Committee Members: Mike Jopek, James Johnson, Helen (Jo) Shipman, Jane DeBruycker, Senator Greg Jergeson, Representative Mike Miller

Department of Revenue: Mike Kadas, Cynthia Monteau Moore, Bonnie Hamilton, Frank McCall

Others: Nicole Rolf, Farm Bureau, Bob Story, Montana Taxpayer's Association, Mike Murphy, Montana Water Resources, Megan Moore, Legislative Services.

- Meeting convened at 3:36 p.m., overview of agenda and discussion by Chairman Jopek.
- Director Kadas, scheduled this conference call to further discuss the two items on the agenda.
- Frank McCall, provided a short review of the issues and from the prior committee meeting.
- The department emailed and posted on the department's website updated documents for the conference call. Jo Shipman did not receive the updated documents.

II. Regional Wheat Productivity Adjustment, Frank McCall, Management Analyst, DOR/PAD

- The department proposes to change the current methodology of county adjustments based on Ag Statistics to temper spring wheat productivity to using static regional adjustments. Weighted averages of the current adjustments were compiled to come up with 3 regional adjustments. There are the 2 regions that were proposed at the last meeting and a third region was added to carve out the northeast portion of the state as suggested by committee members. This region consists of 8 counties with a proposed adjustment of .70.
- Senator Jergeson noted that there are some pretty startling numbers that result by changing to a .77 adjustment (for the counties he is familiar with) when comparing the current methodology to the proposed methodology. He did

recognize that the current system has to be changed, however he is concerned about mitigation to achieve tax neutrality.

- Chairman Jopek pointed out that the adjustment is a discount for valuing farmland, and that tax mitigation comes later in the process.
- Director Kadas added that mitigation measures are legislative issues. The department is proposing to find a methodology that accurately represents the productivity that is occurring “on the ground”, and to adhere to the law.
- James Johnson stated that the NASS is changing their regional framework; therefore, the likelihood of improved county yield information in the future is very low. He agreed with Senator Jergeson that we do not have the option of using the current system into the future.

MOTION: James Johnson. The motion is to accept the changes as presented.

SECOND: Jane Debrucker.

Chairman Jopek called for discussion. The motion is to move to adopt the department’s adjustment for wheat productivity.

James Johnson commented that the regional adjustment addresses the main concern (from the committee) at the last meeting. He commends the department for their effort and thinks it is satisfactory.

Senator Jergeson commented that he will not object at this time, but he is anxious to see what kind of recommendations the legislature may arrive at to mitigate some of the sticker shock of the combination of price and productivity.

#### Public Comment

Bob Story – (entered the discussion late) commented that if the discussion concerns a regional adjustment from the last meeting, he thinks it is a positive thing. He recommends revisiting using spring wheat as the dry land crop. Probably don’t want to change this cycle but it’s an upside down process of using spring wheat.

Chairman Jopek responded that spring wheat was put in statute the last reappraisal cycle.

Frank McCall stated that he analyzed all wheat numbers and changing from spring wheat to “all wheat” made some difference but not a huge amount.

James Johnson agreed that the difference between irrigated and non-irrigated is something to work on in the future.

Helen (Jo) Shipman discussed using all hay instead of alfalfa to price dry land hay. This will be an agenda item for the next committee meeting.

Chairman Jopek stated that the motion is to approve the department's recommendation on the adjustment as presented.

Roll Call Vote:

Mike Jopek – Yes

James Johnson - Yes

Helen (Jo) Shipman – Abstain.

Jane DeBruycker – Yes

There is not a majority of the committee present, but there was no objection to moving forward with the department's proposed recommendation at this time.

### III. Dry Land Hay Air Dry Herbage

- Frank McCall updated the committee regarding the discussion from the last meeting.
- At the last meeting the committee was comfortable with the department's proposed change.
- Frank discussed the current step-through approach and the proposed method using air dried herbage to determine productivity on dry land hay land.
- The advantages include: air-dried herbage is almost always available in the soil survey, and it would result in productivity that more accurately reflects the actual productivity occurring on dryland hay acres
- This will result in a reduced productivity across much of the state, however it will have little impact on agricultural values overall, as dryland hay comprises only about 2 ¼% of the total ag acres and only about 6% of the total taxable value of ag land.

Public comments:

Bob Story asked whether moving to this methodology would result in the possibility of hay land being valued less than range land.

Frank McCall responded by stating that that should rarely occur, since we are only using 25% of the air dried herbage to calculate grazing productivity. The only caveat is if the prices change, but with prices where they are at right now it is unlikely to occur.

Bob Story commented about having a consistent methodology, but management may be the issue rather than a soil capability issue, i.e. work harder to get more. He also wanted to know how much forage was left after the clipping.

Frank McCall responded that the clipping that the NRCS does is pretty close to the ground. NRCS explored the issue and considered applying an efficiency factor to dry land hay productivity to account for the amount of forage left behind and some of the waste. NRCS ended up not using an efficiency factor because they could find no support. Rather than applying an efficiency factor we use the below normal and average midpoint and stay away from using above normal conditions. We in essence are applying an efficiency factor by using the lower range of conditions.

Chairman Jopek asked if there was any objection to the department moving forward using air dried herbage. No objections, therefore, the department will implement.

Discussion ensued concerning the Olympic average and the commodity prices. Olympic averages will be discussed at the next committee meeting. The department will post the commodity prices on our website.

- IV. Next Meeting. The next meeting will occur mid to late August. The department will send out a meeting notice within the next couple of weeks.
- V. Adjourn: 4:25 p.m.