

MEETING MINUTES

AGRICULTURAL PRODUCER SECURITY COUNCIL

December 11, 2012

Call to order

The Agricultural Producer Security (APS) Council held a meeting on Tuesday, December 11, 2012, at the headquarters of the Wisconsin Department of Agriculture, Trade and Consumer Protection, 2811 Agriculture Drive, Madison, Wisconsin.

Chairman John Manske called the meeting to order at 1:05 p.m.

Attendance

Eight council members were present: John Umhoefer, Craig Myhre, Dave Daniels, Louise Hemstead, Nick George, Don Hamm, Duane Maatz, John Manske.

Two council member were absent: Doug Cropp and Jim Zimmerman.

DATCP staff members present were Eric Hanson and Jeremy McPherson. In addition, Secretary, Ben Brancel, Sandy Chalmers, David Meany, and Jeff Lyon each attended some portion of the meeting.

Members of the public present included Joan Sanstadt, Jim Massey, and Tom Bressner.

Agenda Item I Secretary Ben Brancel

Secretary Brancel began the meeting by addressing a motion regarding the grain warehouse license program which the Council passed at its August 9, 2012 meeting. The motion was to recommend that, as described in Option #1 of the Grain Warehouse Keeper Licensing Program Issue Paper dated November 7, 2011, DATCP should pursue eliminating DATCP's grain warehouse keeper license and replace it with a requirement that elevators obtain a grain warehouse keeper license from USDA/FSA. The Secretary said that DATCP will not pursue elimination of the grain warehouse program, in part due to the difficulty several Wisconsin warehouse would have meeting the federal licensing requirements. He stated that DATCP would continue to advise grain warehouses of their licensing options. He explained that producers expect security for their grain.

Secretary Brancel next addressed a motion regarding the vegetable contractor license program which was passed by the Council unanimously by the 8 members in attendance at its August 15, 2012 meeting. The motion was to recommend that DATCP eliminate the licensing requirement for chipping potato buyers, sellers, and producer agents of chip potatoes, and replace it with a requirement that chipping potato buyers, sellers, and producer agents of chip potatoes obtain a Perishable Agricultural Commodities Act license. Secretary Brancel concurred with the Council's recommendation to make changes to the statute. He directed DATCP staff to work on the proposal, but cautioned that any statutory proposals may open up the law to mischief.

He also indicated that DATCP would look at how we may run our programs differently and how we may streamline our audits to avoid lengthy visits from staff.

A discussion ensued about both motions. John Manske thanked Secretary Brancel for his comments and acknowledged the difficulty in requiring just a federal license is developing the legal mechanism to do so in an effective manner in order to maintain protections for producers. John Umhoefer suggested that the license program coverage and protections could be separated. Ben suggested a review of fees would be appropriate for each of the separate programs, but cautioned that there are interconnections between these farming industries making it important to try to maintain the health of all programs. Duane Maatz welcomed the opportunity to look at, or work on, legislation. John Manske pointed out that Council member organization name changes for Cooperative Network and Wisconsin Agri-Business Association should be included in any proposed legislation. Tom Bressner asked what the next plan is for DATCP's grain warehouse program. WABA is not in favor of combining grain dealer funding, coverage, and protections with those of the grain warehouse keeper program. John Manske suggested follow-up conversations on this topic.

Agenda Item II Approve Minutes from August 9, 2012 Meeting and August 15, 2012 Meeting.

Motion to Approve Minutes from the August 9, 2012 meeting by Louise Hemstead, seconded by Nick George. Motion was approved unanimously.

Motion to Approve Minutes from the August 15, 2012 meeting, with one minor correction, by Duane Maatz, seconded by Dave Daniels. Motion was approved unanimously.

Agenda Item III A Annual Report for Fiscal Year ended June 30, 2012

Eric Hanson led this discussion. The group first examined total revenue into the fund. Overall assessment revenue has declined by over \$250,000 in FY 12. Grain dealer assessments went from about \$682,000 to about \$728,000. This was due mostly to more deferred payment assessments collected. Grain warehouse keeper assessments went from about \$120,000 to about \$94,000. This was mostly because of changes in licensees' balance sheet ratios. Milk contractor assessments went from \$438,000 to \$123,000. This was partially because of changes in licensees' balance sheet ratios, but mostly because more milk contractors have become eligible for the "Assessment Holiday" that began with the license year started May 1, 2011. Vegetable contractor assessments went from about \$18,000 to about \$35,000. This was mostly because of changes in licensees' balance sheet ratios.

License fee revenues were down from around \$640,000 in FY 11 to \$575,000 in FY 12 due mainly to larger license fee credits for grain dealers who became eligible for credits when their fund balance exceeded \$2 million as of May 31, 2010. Fund Expenditures increased by \$23,000 in FY 12. Overall the fund balance grew by over \$425,000 in FY 12, from just under \$11.4 million to just over \$11.8 million.

Eric Hanson discussed financial results for individual license programs. The fund balance for the grain dealer program grew by almost \$500,000 in FY 12. The increased grain dealer fund balance resulted in larger license fee credits for the license year beginning September 1, 2012.

While the grain warehouse keeper program continued to show a negative balance of about \$255,000, this deficit decreased in FY 12 by \$84,000. This positive change is a continuation of decreased expenditures and increased assessment revenues implemented during the FY 11. The decreased expenditures in the warehouse program are largely due to an allocation of less resources towards the warehouse program that resulted from the recent decline in the number of state licensed grain

warehouses. The excess revenue over expenditures in the warehouse program is projected to continue to some degree in the near future resulting in future reductions in the negative balance.

The fund balance for milk contractors decreased for the first time in FY 12 by \$100,000 to just under \$7.7 million. This was largely due to the "Assessment Holiday" and license fee credits for milk contractors.

The vegetable contractor balance was down \$35,000 in FY 12. This was largely due to the partial license fee credits still in place for vegetable contractors.

Dave Daniels asked if, because of the fee credits and holidays, we were seeing a cap being placed on the Fund. Eric said that the Fund does have statutory caps, but they are so high that they likely will never be met. Jeremy added that, the effect is like a soft cap, because some licensees don't qualify for fee credits and holidays.

Other discussion regarding the FY 12 report involved individual security filed by certain licensees (Manske) and the amount of obligations reported by licensees (Umhoefer)

Agenda Item III B Financial Results, First Quarter, September 30, 2012

Eric Hanson led a discussion on the Producer Security Fund's financial results for the three months ended September 30, 2012. Eric reminded the group that a three-month statement can have some inherent timing problems that make comparisons from one year to the next somewhat less valuable. With that caveat in mind, the group examined revenue amounts compared with the previous year. Grain dealer assessment revenue was down slightly, from about \$318,000 to about \$308,000. Grain warehouse was down substantially, from about \$51,000 to about \$18,500. This decrease was due to improved balance sheets ratios and to timing of when assessments were collected. Milk contractor assessment revenues were down considerably from about \$32,000 to about \$18,500. This decrease was because more milk contractors are becoming eligible for the "assessment holiday" currently in effect. Eric explained that the assessments collected from milk contractors was greater than zero because only those licensees that have been a part of the program for five years or more are granted the holiday.

Eric pointed out that revenues from grain dealer license fees went down from \$171,000 on the First Quarter, FY 11 statement to \$69,500 in FY 11-12 and \$31,000 in FY 13. This was because of license fee credits. There were some license fee credits available last year, and greater amounts available this year, because the balance in the grain dealer portion of the fund had grown.

Agenda Item IV Agricultural Producer Security Trust Fund Projections

Eric Hanson led a discussion about the 3 year APS Fund projections. Eric highlighted a continuing drop in estimated revenues from \$1.56 million in FY 13 to \$1.17 million in FY 14-15. For expenditure projections of Salaries and Fringe and Supplies and Services a 2% annual increase was assumed which reflect the rate of increase DOA uses for its budget forecasts. Defaults continue to be projected at \$396,000 annually. The net result is a projection for the Fund to decline from \$12 million at the end of FY 13 to \$11.2 million at the end of FY 15.

Agenda Item V Default History

Eric summarized the default history of each of the 4 programs, highlighting the recent default of Cuff Nutrition Service (Cuff) where one producer was reimbursed \$1,982 for grain sold to Cuff. Grain producers lost almost \$35,000 in grain deposits that were no longer in storage. Those losses were not covered by the Fund because Cuff was not required to hold a grain warehouse keeper license.

Agenda Item VI Other Business

None.

Next Meeting.

The group agreed to schedule a meeting as needed to review draft legislation. The thought was that this meeting may occur during the late spring or early summer of 2013.

Motion to adjourn made by Nick George and seconded by Duane Maatz was approved.