MEETING MINUTES

AGRICULTURAL PRODUCER SECURITY COUNCIL

June 27, 2016

Call to order

The Agricultural Producer Security (APS) Council held a meeting on Monday, June 27, 2016, at the headquarters of the Wisconsin Department of Agriculture, Trade and Consumer Protection, 2811 Agriculture Drive, Madison, Wisconsin.

Attendance

Eight council members were present: Nick George, Don Hamm, Louise Hemstead (via phone), John Manske, Craig Myhre, John Umhoefer, Doug Cropp, and Jim Zimmerman.

Council members Dave Daniels and Jeremie Pavelski were absent.

DATCP staff members present included Eric Hanson, Jeremy McPherson, Frank Frassetto, and Lauren Van Buren. Also in attendance were several members of the public.

Agenda Item I Call to Order

Chair John Manske called the meeting to order at 1:08 p.m.

Agenda Item II Approve Minutes

A typo was noted on page two of the minutes.

Nick George moved to approve the minutes, as corrected, from the April19, 2016 meeting. The motion was seconded by Jim Zimmerman. The motion passed unanimously.

Agenda Item III Open Meeting Information

Karley Downing, DATCP Chief Legal Counsel, gave a presentation regarding Wisconsin's Open Meetings Law. She said that all government bodies, including this advisory council, are subject to open meeting requirements. Karley reviewed the definition of a meeting. She also said that meetings do not require a quorum and could include social meetings or electronic communication, if Council business is discussed. Karley cautioned the group about serial or "walking" quorums and discussed how to comply with the Open meetings law, including noticing requirements, open session requirements, closed session requirements, and enforcement.

The group discussed allowing for public comments at the meeting. It was agreed that future meeting agendas will specifically allow for public comments.

Agenda Item IV Updated Actuarial Study

An updated actuarial report from Milliman was handed out.

At its last meeting, the Council asked DATCP to re-engage Milliman to revise the actuarial

study issued last December. The Council specifically requested an analysis of a scenario that increases producer co-insurance to 35%.

Jeremy McPherson reported that Milliman found no significant funding differences by increasing co-insurance to 35% from the amounts reported in the original study. However, the actuary found that producer recovery rates, on average, drop from 74% to 62% as a result of the change. There are several reasons that the funding level doesn't significantly change:

- Using the 90% confidence interval, the Fund balance necessary to cover expected losses is $11.5 million, which is still above the current Assessment Holiday threshold.
- Expected payouts under the revised scenario do not change enough to cause a significant funding difference.
- Administrative costs, which make up more than half of total program outflows, don't change by increasing co-insurance.

Agenda Item V Policy Change Recommendations

The Council discussed the policy items identified on the agenda, and agreed to take motions out of the listed order.

Jim Zimmerman moved to recommend **not** segregating the Fund by industry group. (The reverse of agenda item V5) Craig Myhre seconded the motion. During discussion, Don Hamm mentioned that he originally felt that it was appropriate to segregate the Fund, but now thinks that the Fund is stronger together. Doug Cropp said that a large default could have happened in any one of the industry groups and asked the group to consider the purpose of the Fund. John Umhoefer questioned why the milk industry should subsidize other industries. On a roll call vote, the motion passed 6-2.

Nick George moved to ask DATCP to develop assessment incentives for vegetable contractors who maintain 30 day payment terms with growers. (Agenda item V1) The motion was seconded by Jim Zimmerman. The motion passed unanimously.

John Umhoefer moved to support the concept of an assessment reduction for milk contractors. (Agenda item V2) Louise Hemstead seconded the motion. The motion passed unanimously.

Jim Zimmerman moved to recommend **not** combining the grain dealer and warehouse Fund limits and balance thresholds. (The reverse of agenda item V3) The motion was seconded by Craig Myhre. During discussion of the motion, Doug Cropp said that there was too much uncertainty regarding the fairness for federally licensed warehouses. John Manske acknowledged Doug's concern but suggested that the door not be shut on this concept. There was a general discussion about the reasons why a company would choose a federal vs. state warehouse license. Doug said that cost was a factor when state fees were raised several years ago, but federal fees have since increased and it's more about convenience for larger warehouses with a presence in multiple states. On a roll call vote, the motion failed 2-6.

John Umhoefer moved to ask DATCP staff to research pros and cons for providing incentives that would encourage state licensed warehouses to enter the federal program. (Related to agenda item V3) The motion was seconded by Don Hamm. During discussion, John Manske said that this motion wouldn't prevent moving forward with developing a concept to combine the dealer and warehouse programs. On a roll call vote, the motion passed 6-2.

John Manske moved to ask DATCP to develop a concept to combine the grain warehouse and dealer programs but consider fairness for federally licensed warehouses. (Agenda item V3) Don Hamm seconded the motion. The motion passed unanimously.

Doug Cropp moved to ask DATCP to explore allowing milk contractors to use a deferred payment structure similar to that allowed by grain dealers. (Agenda item V6) Jim Zimmerman seconded the motion. Discussion from the public and council members supported the issue, sighting consistency with neighboring states and interest on behalf of producers. On a roll call vote, the motion passed 7-1.

The Council discussed creating a producer specific Fund assessment (Agenda item V7). No motion was made on this agenda item.

Nick George moved to support increasing producers' co-insurance to 35%. (Agenda item V4) John Umhoefer seconded the motion. On a roll call vote, the motion failed 2-6.

John Umhoefer moved to recommend adjusting Fund balance limits and thresholds to match the actuarial study's 80% confidence interval. (Agenda item V8) The motion was seconded by Nick George. There was a request for clarification of this motion. Adjusting Fund balances under this motion would mean that on average DATCP would be able to cover expected defaults to producers 80% of the time. Approximately 20% of the time, there would not be enough money in the Fund to cover anticipated producer losses over a 10 year period. On a roll call vote, the motion failed 4-4.

Agenda Item VI Adjourn

The next Council meeting will be scheduled for some time between December 5th and 8th.

Motion to adjourn the meeting was made and seconded. Motion was unanimously approved, and the meeting was adjourned at approximately 3:45 p.m.

Craig Myhre by [illegible]

Craig Myhre, Secretary

John Manske

John Manske, Chair