

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 1st Meeting of the 2018 Interim

July 20, 2018

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Agriculture was held on Friday, July 20, 2018, at 10:00 AM, in Bardwell, Kentucky. Representative Richard Heath, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Paul Hornback, Co-Chair; Representative Richard Heath, Co-Chair; Senators Stan Humphries, Dennis Parrett, Dorsey Ridley, Robin L. Webb, and Whitney Westerfield; Representatives Myron Dossett, Derrick Graham, Mark Hart, James Kay, Kim King, Jason Petrie, Steven Rudy, Wilson Stone, Walker Thomas, and James Tipton.

Guests: Dr. Tony Brannon, Dean, Hutson School of Agriculture, Murray State University; Jai Templeton, Commissioner, Tennessee Department of Agriculture; Dean Didato, Partner, Innova Ag Innovation Fund IV; Grant Norwood, farmer, Norwood Farms; Todd Cooper, County Judge/Executive, Ballard County; Greg Terry, County Judge/Executive, Carlisle County; Kenny Wilson, County Judge/Executive, Hickman County; Jim Martin, County Judge/Executive, Fulton County; Greg Curlin, Director, Hickman-Fulton County Riverport Authority; Bill Miller, Executive Director, Paducah-McCracken County Riverport Authority; and Larry Klein, Board Chairman, Alexander County/Cairo Port Authority and General Manager, Cairo Public Utilities.

LRC Staff: Kelly Ludwig, Nathan Smith, and Susan Spoonamore, Committee Assistant.

Panel Discussion on Investment Opportunities in Agriculture Innovation.

Dr. Tony Brannon, Dean, Hutson School of Agriculture, Murray State University (MSU), explained that Tennessee, Missouri, Arkansas, and Kentucky formed West Kentucky Agriculture Bioworks (WKAB) to help fund agriculture innovation. The most significant accomplishment of WKAB was receiving a \$309,000 grant from the Tennessee Valley Authority (TVA). Murray State used the money to install a biomass heating system in the equine barn.

Jai Templeton, Commissioner, Tennessee Department of Agriculture, stated that Tennessee and Kentucky have many similarities in their agricultural industries. The

Tennessee Department of Agriculture partnered with Memphis Bioworks in 2012 to develop the Ag Launch Program. The program was designed to determine what Tennessee agriculture might look like in the future. Two incentives identified were Ag Entrepreneurship and Ag Innovation. Another program that was developed was the Governor's Rural Task Force, co-chaired by the Commissioner of Agriculture, Commissioner of Economic Community Development, and Commissioner of Tourist Development. The purpose of the task force was to identify distressed agricultural counties whose economies were struggling. Nineteen counties were declared as distressed.

Commissioner Templeton said that Ag Launch began working with model farmers to help with cost-sharing to fund innovative agriculture tech startups. Ag Launch and the private sector do the work and shoulder most of the investment. There is also funding from the Tennessee Ag Enhancement Program to continue developing opportunities for Tennessee farmers. The goals are to give progressive-minded farmers a leading edge on new technology and a position of ownership and to develop economies around the technology in rural Tennessee. Agriculture is the number one industry in Tennessee, with an \$82 billion economic impact, or about 13 percent of Tennessee's economy. Another programs derived from Ag Launch was Ag Launch 365, which is a cohort type of program that develops mentoring avenues to finance. There is also a boot camp in which companies learn about government, other industries, and those involved in financing start-up companies.

Commissioner Templeton explained that the Tennessee Ag Enhancement Program is a result of the tobacco settlement money and a tobacco tax increase. Of the tobacco tax collections, the Tennessee Department of Agriculture receives the first \$21 million; the remainder of the tax dollars are allocated to the Department of Health and Education.

Dean Didato, a partner in Innova Ag Innovation Fund IV, a private venture capital firm nestled within the Memphis Bioworks Foundation, said that having capital to provide to early start-up companies is critical to the success of companies. Innova Memphis was formed in 2007 and has two partners and a senior analyst. Innova Memphis has four funds totaling approximately \$80 million. The fourth fund, the Innova Ag Innovation Fund has been running for thirteen months and is a United States Department of Agriculture (USDA) Rural Business Investment Company licensed fund. This license entitles the Innova Ag Innovation Fund to seek funds from banks and other private organizations to invest in high risk investments of early stage companies. Since last May, the Innova Ag Innovation Fund had raised \$31 million, of which \$2.4 million was invested in 11 companies. The fund invests in technologies that could significantly help farmers with their operations. The firm offers assistance for legal work, patents, Business 101, Agriculture 101, finance, and other issues that may arise. *Fortune* magazine listed Innova Ag Innovation Fund as the seventh best fund for seed financing in America.

Mr. Didato explained that Ag Launch 365 includes pilot projects during the summer months and works one-on-one with farmers. Grant Norwood, Norwood Farms, Henry County, Tennessee, stated that he farms 3,000 acres of row crops that require five irrigation systems. Through Ag Launch 365, his farm has been testing two different irrigation systems from different companies. The systems have in-ground sensors, which provide information such as ground temperature and when and how much water is needed to optimize crop yields. Higher crop yields mean more money to keep the farm profitable. Mr. Norwood said that he can manage one of the irrigation systems through an app on his cell phone, and the other system is managed through texts and emails.

In response to Senator Hornback, Mr. Norwood stated that one pivot has five sensors and it irrigates 180 acres. Before placing the sensors, he sends a soil map to the companies, which choose where to place them. The goal of using this technology is to conserve water and increase yields.

Discussion on the Importance of Ports and Waterways to Kentucky Agriculture

Greg Terry, County Judge/Executive, Carlisle County, introduced Larry Klein, Board Chairman, Alexander County/Cairo Port Authority and General Manager, Cairo Public Utilities. Mr. Klein stated that they had received a significant grant from the State of Illinois to improve ports and waterways. Illinois, Kentucky, Missouri and Tennessee had joined to promote the importance of ports and waterways. None of those states is capitalizing on the importance of the waterways for moving agriculture products, and thus none is receiving the benefits.

Kenny Wilson, Hickman County Judge/Executive explained that 91 percent of the land in Hickman County is used for agricultural purposes, especially for growing corn. Hickman County is interested in having a port to ship soybeans and corn. It would not take that much money or equipment to make it possible. Hickman County would like to see the construction of a processing plant.

Bill Miller, Executive Director, Paducah-McCracken County Riverport Authority stated that the Cairo Port is one of the hottest spots for economic development. Over 70 percent of the population in the United States can be reached in a day's drive. The goal is to see a port system running between Tennessee and Lyon County.

In response to Representative Tipton, Mr. Miller stated that, since 2014, about roughly \$7 million had been spent improving the Paducah-McCracken County Riverport, including the purchase of a new material handler and a crane capable of lifting 53 tons. In 2016, a new crane, capable of lifting some containers, had been purchased for Fulton County. Concrete had been laid to handle large containers. If a marine highway grant materializes, then the Port of Paducah could acquire equipment. The Port has been able to acquire foreign trade zone status for the Kentucky area. The Port Authority applied for a

grant; if received, the grant would be used for the first phase of a \$27 million construction project. The Paducah-McCracken County Port Authority asked the federal government to help with the first phase. As to the infrastructure for the waterways, Mr. Miller said that the Authority only receives \$500,000 from the Kentucky General Assembly, which has to be voted on bi-annually, for its eight ports. The Authority does not receive highway funds.

Greg Curlin, Director, Hickman-Fulton County Riverport Authority, said that the Coast Guard, a ferry, and the Elvis Stahr Harbor are at Hickman. Agriculture companies and grain companies utilize the Riverport. There were approximately 15 million bushels of grain that shipped from the port in 2017. Everything is done on a limited budget and through fees that are charged for loading and unloading. Being on the Mississippi River requires dredging; the Authority works closely with the U.S. Army Corp. of Engineers to keep the river open for business. Hickman-Fulton County Riverport Authority receives infrastructure money from the general budget which helps, but it is a challenge to maintain an operational port.

Representative Rudy stated that Paducah is the river hub of the world.

Mr. Miller stated that it is difficult to find the 20 percent match funds that are required to be eligible for federal dollars. More money from state and local entities could help toward qualifying for federal money.

In response to Senator Humphries, Mr. Curlin explained that Hickman monitors flood control, water levels, dredging, and navigation. The main thing is to keep the flow of materials coming and going. The total weight of exports leaving the harbor is 1.3 million tons, which is substantial for a small harbor. Hickman is preparing for the day when grains will be shipped via containers instead of a bulk barge. The Hickman-Fulton County Riverport works with the Army Corp of Engineers out of Memphis to develop a budget for the cost of maintaining and dredging the harbors. The key is working with Kentucky's officials in Washington, D.C. regarding what gets dredged. Some local funds from the Water Transportation Advisory Board are used to dredge areas not maintained by the Army Corp of Engineers.

In response to Senator Webb, Mr. Miller said there are three phases that total \$27 million. The first phase mostly affects pouring concrete to provide a place for containers. The increase in manufacturing should generate enough money to pay for phases two and three. There is a lot of volume that ships from the Kentucky region.

Senator Hornback stated that these projects are important to all of Kentucky's waterways.

In response to Representative Stone, Mr. Miller said that the city, county, and Paducah-McCracken County Riverport own the port facility. Mr. Curlin stated that the port

boards usually make most of the decisions, but they work with the mayors and county judges to manage what is done. Board members are selected by the counties and cities. Port fees are uniform for the area. The mayors and county judges are continually working with state officials to get funding to maintain infrastructure.

In response to Representative Graham, Mr. Miller said that other states like Missouri are putting up \$3 million to maintain their riverports. Indiana invests a lot of money to support its ports and programs. Riverports provide a service to the communities and create economic development. Mr. Curlin stated that the port board in Hickman-Fulton County does not appropriate money for the riverport. The Owensboro Riverport supports the city with its funds. Kentucky riverports just need money to maintain and grow.

Representative Webb requested that the committee be updated on the Cervid Chronic Wasting Disease as it affects the deer population.

There being no further business, the meeting was adjourned.