

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 4th Meeting of the 2018 Interim

October 10, 2018

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Agriculture was held on Wednesday, October 10, 2018, at 10:00 AM, in Room 149 of the Capitol Annex. Senator Paul Hornback, 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 C.B. Embry Jr., David P. Givens, Dennis Parrett, Damon Thayer, Robin L. Webb, Stephen West, and Whitney Westerfield; Representatives Myron Dosssett, Derrick Graham, Mark Hart, Angie Hatton, James Kay, Jason Petrie, Phillip Pratt, Rick Rand, Brandon Reed, Rob Rothenburger, Steven Rudy, Dean Schamore, Wilson Stone, Walker Thomas, James Tipton, and Susan Westrom.

Guests: Commissioner Ryan Quarles, Kentucky Department of Agriculture; Eston Glover III, General Manager, and Ben Westerfield, Grain Manager, Hopkinsville Elevator Company, Inc. and Mr. Wayne Hunt; Dr. Kirk Pomper, Dean, College of Agriculture, Communities and the Environment, Kentucky State University and Rachelle Johnson, Director of Government Relations, Office of the President, Kentucky State University.

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

The September 28, 2018, minutes were approved by voice vote, without objection, upon a motion made by Senator Westerfield and seconded by Representative Rudy.

Commissioner Ryan Quarles, Kentucky Department of Agriculture, stated that October is Farm to School month and there are 907 schools and 77 counties buying local foods. The crop yield for 2017 was amazing and some of the farmers have already exceeded last year's yields for corn. The yield for soybeans was lower due to extreme moisture. However, the mild weather allowed forage producers, which is a \$400 million business in Kentucky, to get an extra cutting of hay. He stated that the State Fair had over 600,000 attendees and the new exhibit "Ag Land" was a huge success. Commissioner Quarles stated that 6,700 acres of hemp were planted from 2017 through 2018 and there are 72 hemp companies in Kentucky. Hemp has now become a commodity in Kentucky. He stated that the USMCA (United States-Mexico-Canada Agreement) is a positive trade agreement that

will effectively reduce tariffs to almost zero on almost all commodities between the three countries. Kentucky Proud program has 7,000 members and continues to grow. Over 200,000 pounds of Kentucky ground beef have been sold to Kroger through the Beef Solutions program. KDA is working to protect the veterinarian slots at Auburn and Tuskegee. KDA is working to implement its own Food Safety Modernization Act in order to keep FDA off the farm. KDA will be discussing issues at the November meeting regarding the right-to-farm laws, labeling meat products, and possible changes to the hemp laws. KDA is working to make Kentucky the agriculture technology hub in the United States.

In response to questions from Representative Rothenburger, Commissioner Quarles said that Kentucky has approximately 550 dairy farms. The milk market appears to have stabilized for the time being. Prairie Farms, in Somerset, is spending \$5 million to expand their plant to receive fluid milk. Canadians have a supply management system of which they are very protective. The USMCA puts pressure on Canada to finish the deal. It might help the dairy industry, but there are bigger issues facing the industry.

In response to Representative Graham, Commissioner Quarles said that between there are 41 protected veterinarian slots at Tuskegee and Auburn. Those slots allow Kentucky's brightest and best students to attend veterinary school. The department is working to keep those slots.

Mr. Warren Beeler, Director, Governor's Office of Agricultural Policy, stated that there are ongoing projects such as processing yogurt, butter, and cheese that could financially help the dairy industry.

Senator Hornback discussed grain quality inspections and grain discounts. Certain weather conditions, like heavy periods of rain, can seriously damage corn or soybeans in the field. Within the last couple of weeks, grain elevators started changing discount rates on damaged grain quality. The problem with grading the quality of a soybean is that it is graded subjectively, making the discount rate inconsistent. Senator Hornback said he will prefile a bill giving the Kentucky Department of Agriculture more authority to investigate grain discounts.

Impact of the Grain Industry in Kentucky Agriculture

Eston Glover III, General Manager, Hopkinsville Elevator Company Inc., stated that it had been years since Kentucky had experienced damage to soybean crops. There are different factors that could account for the inconsistency of the amount of deductions taken at an elevator plant. There are older employees who have extensive experience with grading damaged crops, and then also some younger employees who do not. On a normal day-to-day basis, graders are well-qualified.

In response to Senator Givens, Mr. Glover stated that his company works hard to get information out to customers regarding quality discounts or storage charges before the

load is delivered. There is a website for pricing and other information. This harvest season was abnormal. Because there is a bottleneck of barges in the Gulf of Mexico, some beans will be sitting several days before they are loaded.

In response to Representative Tipton, Mr. Glover said that a lot of the crops are dealing with mold and other damage. Being able to use damaged kernels or beans would depend on the type of market and process.

Senator Hornback explained that inferior or damaged soybeans change the protein content for feed. Damage also changes the color of oils used for candlewax. Beans that are not heavily damaged can be blended.

Mr. Beeler stated it might be beneficial to discuss the grading of beans and corn with the federal delegation on setting standards for measuring grain.

In response to Senator Parrett, Mr. Glover said that they are not seeing as much damage in the later planting of beans.

In response to Representative Rothenburger, Commissioner Quarles said that there have been some discussions on whether or not to pursue disaster aid.

Commissioner Quarles said that he would like some information from other states on how they handle grading beans and corn. It would also be important to follow federal standards.

Ben Westerfield, Grain Manager, Hopkinsville Elevator Company, Inc. (HEC) explained that HEC has been a farmer-owned cooperative since 1968. There are 3,482 members, 164 full-time employees, and in 2016, HEC was ranked the 63rd cooperative largest in the nation. HEC is one of the largest express unit train shippers for CSX south of the Ohio River. HEC provides risk management services with crop insurance and financing. HEC merchandises beans, wheat, and corn and some specialty crops. Besides Hopkinsville, there are locations in Clarksville, Russellville, Casky, South Union, Skyline, and Planters.

In response to Senator Hornback, Mr. Westerfield stated that a person must buy at least one share of stock for \$100 to be a member of the cooperative.

Mr. Westerfield stated that, in 2004, Commonwealth Agri-Energy came on line as Kentucky's only ethanol fuel plant derived from corn. The ethanol plant recently been expanded to produce 45 million gallons of denatured ethanol per year. The plant is also able to produce 97,000 tons of distillers dried grains, which is a cost-effective ingredient in feed rations. About 75,000 tons of CO₂ are processed as carbonation for beverages,

medical packaging, and dry ice. The plant also produces 6,000 tons of corn oil per year and utilizes 16 million bushels of corn per year.

Mr. Westerfield explained that stockholder growth from HEC's inception has grown from 180 members to over 3,500. Members range from farming families who farm 80 acres to multi-county 35,000 acre operations. Members are located in 125 counties and across 27 states. HEC is now averaging nearly 70 million bushels of grain and is shipping 4,000 rail cars, 400 barges, and 10,000 trucks of Kentucky grown grains into the market place. In 2011, HEC handled over 51 million bushels of grain, and in 2017 that number grew to 75 million bushels. In 1996, HEC returned \$951,000 to members, and in 2017 HEC returned \$25,884,319 million to stockholders. Since 1968, HEC has returned approximately \$200 million to stockholders.

Mr. Westerfield stated that HEC's goals are to build and expand infrastructure, develop more value-added products, partner with end users in Kentucky and beyond to provide more markets, and to be a profitable cooperative.

In response to Representative Thomas, Mr. Wayne Hunt stated that restrictions were recently lifted so that marketing and use of E15 fuel could be done year-round.

Senator Westerfield said it is important to understand that HEC serves Hopkinsville and most of the rest of Kentucky.

Kentucky State University's College of Agriculture Programs

Dr. Kirk Pomper, PH.D., Dean and Director of the Land Grant Program, College of Agriculture, Communities, and the Environment, Kentucky State University, said that KSU tries to bring programming that will meet the needs of the agriculture community in Kentucky. The Land Grant Program works to resolve agricultural, educational, economic, and social problems of the people of the Commonwealth of Kentucky, especially limited-resource persons and families, in urban and rural areas. KSU's aquaculture program is a program of distinction as it is ranked in the top 5 in the United States that the Sustainable Agriculture and Human Health's Organic program is in the top 20 in the nation. KSU has several other research projects, including organic vegetable and hemp production. Professor Shawn Lucas is becoming a nationally-recognized expert in hemp. Human Health, Nutrition and Food Safety is researching value-added products, obesity and health, eating habits, DNA technologies for assessing food safety, and new methods to cleanse fruit, fish, and vegetables of bacteria. There is still interest also in what to do with Asian Carp. KSU is a part of the University of Kentucky Cooperative Extension. There are 25 agents and assistants located in the University of Kentucky Extension offices across Kentucky. KSU has a Third Thursday Sustainable Agriculture Workshop and Small Farmer Program. Kentucky AgrAbility is a University of Kentucky/Kentucky State University program that offers assistance to disabled farmers by installing hand controls on tractors. There is also a 4-H and STEM summer program located in Jefferson County.

Other programs include the Kentucky Small, Limited Resource, Minority Farmers Conference, and the Center for Sustainability of Farms and Families.

KSU offers an undergraduate degree in Agriculture, Food and Environment and is now offering a degree in Agriculture Business. There are also two Masters programs in aquaculture and environmental studies. KSU receives USDA federal funds, which require matching funds from the state. Since 2016, KSU has been able to add 10 new programs, along with the hiring of additional extension agents. The current matching funds from the state will be \$147,000 short of matching federal funding, which is a concern.

In response to Representative Graham, Dr. Pomper said there was a shortfall in matching the land grant federal funding in the last biennium. Other than KSU, only Auburn and LSU provide Master of Science degrees in aquaculture, and they are nationally ranked above KSU. The 4-H and STEM summer programs are for three weeks.

Representative Graham explained that, if KSU lost the federal funding, then the money would go to another 1890 land grant institution elsewhere.

There being no further business, the meeting was adjourned.