

# INTERIM JOINT COMMITTEE ON AGRICULTURE

## Minutes of the 5th Meeting of the 2018 Interim

November 14, 2018

### Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Agriculture was held on Wednesday, November 14, 2018, at 1:00 PM, in Room 154 of the Capitol Annex. 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 Jared Carpenter, C.B. Embry Jr., David P. Givens, Stan Humphries, Dennis Parrett, Dorsey Ridley, Damon Thayer, Robin L. Webb, Stephen West, and Whitney Westerfield; Representatives Myron Dossett, Derrick Graham, David Hale, Mark Hart, Angie Hatton, James Kay, Kim King, Suzanne Miles, Sannie Overly, Jason Petrie, Phillip Pratt, Rick Rand, Brandon Reed, Rob Rothenburger, Steven Rudy, Dean Schamore, Wilson Stone, Walker Thomas, James Tipton, Tommy Turner, and Susan Westrom.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy; Joe Bilby, General Counsel, Kentucky Department of Agriculture; Larry Thomas, President, Kentucky Soybean Association; Ryan Bivens, Chairman, Kentucky Soybean Promotion Board, Dave Maples, Executive Vice President, Kentucky Cattlemen's Association, and Maury Cox, Executive Director, Kentucky Dairy Development Council.

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

The October 10, 2018 minutes were approved upon voice vote, without objection, on a motion made by Senator Embry and seconded by Representative Reed.

### Report from Subcommittees:

Representative Reed stated that the Equine Issues Subcommittee heard from Dr. Jeanne Flounders, veterinarian, regarding the effects of fireworks on horses and the problems facing horse owners dealing with injured horses as a result of fireworks use. Dr. Nancy Cox, Dean of the University of Kentucky's College of Agriculture, Food and Environment and Dr. Mick Peterson, University of Kentucky's Director of Ag Equine Programs, stated that the programs focus on safety, integrity, careers, and workforce development.

Senator West noted that the name of the subcommittee was recently renamed Equine Issues to better reflect the issues regarding the horse industry. Marc Guilfoil, Executive Director and Jamie Eads, Deputy Executive Director, Kentucky Horse Racing Commission said that the Breeders' Incentive Fund is financially stable and Kentucky's equine industry had remained flat in numbers of horses. Anne Hardy, Executive Director, Horse Country, Inc. said that Horse Country, Inc. was a collection of horse farmers and people in the horse industry whose goal is to promote the horse industry. It has been successful in promoting the Kentucky brand, horses, hospitality, food, and bourbon.

A motion was made by Senator Hornback and seconded by Representative Tipton to accept the report. The motion passed.

Representative Thomas stated that the Rural Issues Subcommittee heard from Holly Spade, Director of External Affairs, AT&T regarding projects across the state. AT&T is running broadband to the cell towers in order to transmit wireless internet to homes in and around those areas. Hilda Legg, State Director, United States Department of Agriculture (USDA), reported that it was the intention of USDA to work with other partners, such as utility companies and telecom companies, to help get broadband to rural communities. Representative Thomas said that Jeff Hurd, General Manager, Hopkinsville Electric System (HES), explained that HES had applied to make 1 gig internet available for all the houses in the city of Hopkinsville. HES had also been in talks with Pennyryle Rural Electric about a joint effort in laying fiber-optic lines.

A motion made by Senator Embry and seconded by Representative Reed to accept the report. The motion passed.

### **Legislative Issues for 2019 Regular Session**

Warren Beeler, Executive Director, Governor's Office of Agricultural Policy (GOAP), agreed that it was important to have broadband available statewide so farmers can farm with the latest technology. About \$6 million has been approved for use at the Kentucky State Fairgrounds. The funds will be used to tear down Cardinal Stadium and the old transportation building before next year. GOAP is looking to fund beekeepers and woodlands owners. GOAP has already funded three hemp projects and looks to fund more projects in the near future. Some of those projects will depend on the Farm Bill and its inclusion of hemp as a legal crop. Ag Finance has done 954 loans for over \$125 million. Over 68 percent of the loans have been to beginning farmers. Ag Finance receives between \$600,000 and \$700,000 thousand a month back on those loans. The goal now is to figure out how to reach young farmers. As to legislative issues, language was not included in HB 366 regarding veterinarian sales tax exemptions for poultry. With poultry being the largest agriculture industry in the state it needs to be added. Mr. Beeler reported on the North American International Livestock Exposition (NAILE). The number of livestock entries remained the same with the exception of dairy entries. The largest show was breeding sheep

with over 7,600 entries. The total number of all entries in the NAIL was 20,000. The shows have outgrown the capacity available. More pens are needed as well as technology to help with checking in livestock quicker.

Joe Bilby, General Counsel, Kentucky Department of Agriculture, stated that the Department would be recommending that the statutes regarding grain laws in Kentucky be rewritten. There are several aspects within the statutes that are not clear nor concise, which creates a lot of confusion for owners of grain elevators and farmers. The statutes are old and are not current for today's market. The Kentucky Grain Insurance Corporation (KGIC), created in the 1980s, was the primary risk management vehicle for farmers in the Commonwealth. KGIC enabled farmers to be compensated for some of their losses in the event of a failure of a grain elevator. Any producer who paid into the fund would be eligible for some payment. In the 1990s, once the fund reached a balance of over \$4 million, the legislature suspended the assessments. Since then, no farmer has paid into the fund but the definition states that once a farmer paid into the fund and never opted out the farmer would still be eligible. The farmers who entered the industry after the assessments were suspended are not covered.

In response to Representative Rothenburger, Mr. Bilby stated that the language includes financial or structural failure of a warehouse.

In response to Senator West, Mr. Bilby said adding an assessment fee has been discussed for inclusion in the new language, but it was decided to leave the assessment fee suspended. Every few years a grain warehouse will fail in other states. About two years ago, the biggest failure of a warehouse was in Arkansas – total claims were \$24 million. The last warehouse that closed in Kentucky was a long time ago.

Senator West recommended that KDA keep an eye on the grain elevators in Kentucky which have grown enormously in size. If an assessment fee is ever applied again, it would be important to protect the amount that is in the Kentucky Grain Insurance Corporation Fund.

In response to Senator Parrett, Mr. Bilby said that if a warehouse went into structural failure it would likely lead to financial failure. Senator Parrett asked that the new language clarify that particular definition.

In response to Chairman Heath, Mr. Bilby said that there is another additional risk management tool. Kentucky law requires surety bonds for licensees which create another layer for financial protection for other sorts of failures.

Larry Thomas, President, Kentucky Soybean Association and Ryan Bivens, Chairman, Kentucky Soybean Promotion Board discussed the assessment fees. Mr. Bivens said that every bushel of soybeans sold in Kentucky is assessed a fee and the Board is

responsible for handling the assessment. All the funds collected are used to produce, promote, and protect the soybean industry. Mr. Thomas stated soybean prices are severely depressed because of the market cycle. The tariffs have driven prices dangerously low on top of lower yields due to the weather. Grain elevators are normally the first purchasers of soybeans. There have been reports of grain elevators significantly changing their discount schedules at harvest when soybean prices were already low. Some grain elevators have been discounting considerably and inconsistently. In some cases, loads from the same field, planted and harvested at the same time, have been appraised significantly differently. At the insistence of some grain farmers, samples were forwarded to a federal grain grader and the results came back with much lower damage than the elevator-graded sample. A system needs to be in place for grain to be graded in a more consistent manner. There is no oversight or regulation of grain grading unless the farmer requests that the grain be graded by a federal grader. The Association supports a tax exemption program similar to the Georgia Ag. Tax Exemption program which issues a farmer a card. This would eliminate a farmer from having to complete a form at every farm supply store and machinery dealership. The Association agrees with KDA in regards to the new language for Kentucky's grain laws.

In response to Senator West, Mr. Thomas said that he has not talked to the Department of Revenue about a tax exempt program.

In response to Representative Rothenburger, Mr. Thomas said that in Hardin County, no farmer has finished harvesting soybeans. Mr. Bevin estimated that 50 percent of soybeans are still in the field.

In response to Representative Tipton, Mr. Thomas said that the Association has not officially talked to lenders regarding payments or lack of payments on loans. If the trade issues with China can get settled soon, hopefully prices will rebound.

Dave Maples, Executive Vice President, Kentucky Cattlemen's Association, said that the cattle industry is experiencing tough times as well. Kentucky has a vibrant cattle industry with 38,000 beef cattle farmers. The Association is interested in clean meat or cultured meat products. The Association wants to see the Ag Development Board funds remain focused on Kentucky's agricultural industries. Since most cattle are shipped out-of-state, Kentucky's cattle industry needs to pay attention to electronic logging devices and hours of service requirements. The veterinarian slots at Auburn and Tuskegee are invaluable.

### **Dairy Industry**

Maury Cox, Executive Director, Kentucky Dairy Development Council, explained that KDDC was established in 2005 to educate, promote, and represent Kentucky dairy farmers. Kentucky dairy farmers have increased milk production per cow over 5,700 lbs. in a year, which ranked Kentucky first in the nation in milk production for a five year

period. Mr. Cox said that there are 525 permitted dairy farms with 55,000 milking cows. Losing dairy farms has now become a nationwide problem. Wisconsin has lost more than 500 dairy farms this year and has dropped to 8,700 farms. Kentucky producers produce 1 billion pounds of milk, 92 million gallons a year. Approximately 450 million pounds of that production goes to Tennessee processing plants and one plant in Charleston, West Virginia. There are only three fluid milk processing plants in Kentucky: Winchester Farm, Borden Dairy, and Prairie Farms. A couple of issues facing the industry are the lack of consumption of fluid milk and finding access to markets. There will be more farms to sell out in the near future. If producers were able to get low interest loans, some might be able to hang on until milk prices increase. KDDC does not support the pre-filed bill (BR 138) allowing sales of up to 20 gallons of unpasteurized or pasteurized milk that would be exempt from Kentucky licensing, permitting, and inspection.

In response to Senator West, Mr. Cox stated the consolidation of markets in the dairy industry is extreme. There was a large anti-trust lawsuit that involved several plants and was eventually settled out of court.

In response to Senator Givens, Mr. Cox stated that when KDDC was formed there were 1,400 dairy farms and Kentucky is down to 525 dairies. Senator Givens noted that the negative economic impact amounts to the loss of 10,000 jobs. Mr. Cox said that Prairie Farms decided that Kentucky was not a good place to milk cows.

In response to Representative Hale, Mr. Cox said that there are three plants in Kentucky. The Winchester Farm plant buys around 20 percent of its milk from Kentucky while the other 80 percent comes from northern Indiana. Winchester Farms sells primarily to Kroger.

In response to Chairman Heath, Mr. Cox said that the milk being sold to schools was recently raised to 1 percent milk. There has not been a lot of assistance from the Kentucky congressional delegation. There is a National Milk Federation.

In response to Senator West, Mr. Cox said there may be a correlation between serving skim milk and the drop in milk consumption among school children.

There being no further business, the meeting was adjourned.