

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 4th Meeting of the 2019 Interim

October 7, 2019

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Agriculture was held on Monday, October 7, 2019, at 10:00 AM, in Room 154 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 Stan Humphries, Dennis Parrett, Damon Thayer, Robin L. Webb, Stephen West, and Whitney Westerfield; Representatives Myron Dossett, Joe Graviss, Angie Hatton, Kim King, Matthew Koch, Rick Rand, Brandon Reed, Rob Rothenburger, John Sims Jr, Wilson Stone, Nancy Tate, Walker Thomas, James Tipton, and Susan Westrom.

Guests: Ryan Quarles, Commissioner, Kentucky Department of Agriculture, Joe Bilby, General Counsel, Kentucky Department of Agriculture, and Brian Lacefield, Executive Director, United States Department of Agriculture (USDA) Farm Service Agency.

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

The September 9, 2019, minutes were approved by voice vote, upon motion made by Representative Reed and seconded by Representative Tipton.

Discussion on Issues Facing Kentucky Agriculture

Ryan Quarles, Commissioner, Kentucky Department of Agriculture (KDA), stated that the drought conditions have resulted in yield issues for corn and soybeans, as well as hay and forage shortages. Field fires have increased along with farm equipment catching fire.

He said that KDA is expecting the United States Department of Agriculture (USDA) to issue guidelines for hemp. He stated that KDA approved 60,000 acres of hemp for the 2019 growing season, although only 26,000 acres were actually planted. He said that 1,000 grower applications had been approved, which was up from 200 growers last year. Commissioner Quarles stated that there are 200 hemp processors versus 70 the year before. He explained that growing hemp involves risks since the market is in its infancy. Several issues still exist such as the Food and Drug Administration's (FDA) oversight of any consumable hemp products. The FDA still considers any consumable hemp product to be

illegal. Other concerns include hesitation among financial institutions to extend credit, a lack of technology, and no approved herbicides for hemp. He said that in 2020 there will be an insurance product available for hemp growers called Whole Farm Insurance. Commissioner Quarles stated that during the 2020 legislative session, KDA will ask for an update to Kentucky's hemp laws, pending USDA's guidelines.

Commissioner Quarles explained that KDA is preparing farmers, who meet certain criteria, to implement the new standards of the Food Safety Modernization Act (FSMA). He stated that KDA received a \$3 million grant from the FDA to train and educate farmers on the new rules for growing, harvesting, packing, and holding produce.

Commissioner Quarles said that KDA had implemented six budget cuts in three years. He said many KDA employees make less than \$35,000 a year which makes it hard to retain employees, especially when it comes to training and keeping inspectors.

In response to Senator Hornback, Commissioner Quarles said that KDA is a large regulatory agency. The KDA inspectors touch consumers on a daily basis by inspecting, among other things, food, gas pumps, carnival rides, airports, and trucks. The KDA performs over 60,000 inspections a year. KDA also monitors diseases related to livestock, internationally and across the United States, in order to stop diseases from coming into Kentucky.

In response to Senator Thayer, Commissioner Quarles stated any hemp legislation will be dependent upon the USDA's rules such as definitions related to hemp and the specifics of hemp licensing. He said that KDA may propose legislation to protect growers and processors with regard to THC levels of hemp at the processing centers, as well as implementing product standards.

In response to Representative Tipton, Commissioner Quarles said it was imperative that Kentucky farmers have access to international markets.

In response to Representative Graviss, Commissioner Quarles said hemp is experiencing growing pains. Though some companies are experiencing large orders, one major issue affecting payments to hemp farmers is the inability of legal hemp companies to access credit at banks. There are other companies who may have decided to change or renege on their contracts with the farmers. Commissioner Quarles stated that Kentucky is still a family-farm state with few corporate farms. Compared nationally, Kentucky is holding steady on the amount of farms still in business. He stated that it is important to farmers that the tax exemption on farm inputs be protected.

Representative Stone stated that the KDA farm safety program is a great program for educating youth about safety around tractors, ATVs, and mowers.

In response to Representative Rothenburger, Commissioner Quarles stated that the movie “Silo” was filmed in Kentucky and Iowa and is centered on grain entrapment, featuring Kentucky residents. Commissioner Quarles said that if money is available, KDA would be open to building a permanent facility for fire/rescue training related to farm safety.

In response to Senator West, Commissioner Quarles stated that the USDA is conducting an investigation into possible collusion with packing plants in the Midwest. KDA has challenged The Kentucky Cattlemen’s Association and other agriculture groups to begin discussions about Kentucky opening a large-scale packing plant.

Senator Hornback stated that the profits at the packers, per pound, are double that of the agriculture producers on the farm.

In response to Representative Graviss, Commissioner Quarles stated that he did not have an opinion on proposed legislation to eliminate the time change, but he said it might be good to start discussions with farm groups to get their opinion. He said that Kentucky is fortunate to have the Kentucky Agricultural Finance Corporation (KAFC), which has \$84 million in assets. He said half of the loans through KAFC are dedicated to beginning farmers in Kentucky.

Senator Hornback explained that the University of Kentucky (UK) and Eastern Kentucky University (EKU) would be merging its dairy programs, and this joint merger will be located at Eastern Kentucky University. He said that ECU is in the process of designing new facilities, but there is concern about the total cost of the project. The rough estimate is \$17 million, but cutting through red tape could save over \$10 million.

Update on Federal Issues

Brian Lacefield, Executive Director, United States Department of Agriculture, Farm Service Agency, explained that the Farm Service Agency (FSA) implements the Farm Bill, dealing with price support programs, conservation programs, and farm loans. There are 64 FSA county offices across the state, divided into four districts. The FSA coordinates with KDA and the Governor’s Office of Agricultural Policy. He stated that a federal tariff relief program called the Market Facilitation Program (MFP), containing \$12 billion, was created in 2018 to help mitigate the disruption in the trade negotiations. The program is tied directly to crop production and money is paid on a per unit basis for corn, soybeans, wheat, dairy, and other agriculture commodities. He said that FSA administered \$168 million to over 14,000 farmers in Kentucky. Mr. Lacefield said that the original MFP had been slightly changed for 2019 and FSA is expected to administer \$200 million.

Mr. Lacefield explained that the Farm Bill, passed in 2018, was farmer-friendly. The FSA handles commodities, conservation, and credit programs. In addition, he said that a new dairy program called the Dairy Margin Coverage program (DMC) was created to help dairy producers with price support for their milk. He said that the farm loan programs

saw an increase in funding. He explained that most borrowers were beginning farmers or farmers who failed to meet the criteria used by traditional lenders. He said that there was approximately \$200 million in loans in 2018, which was a record year in number of loans for Kentucky.

Mr. Lacefield stated that Kentucky is a national leader in advocating for hemp as a legal crop. He said that the FDA still has not yet made any decision as to the legality of hemp nor any promulgated regulations. More data would be helpful in order to build a more comprehensive program.

Mr. Lacefield noted that due to staffing shortages, Farm Service Agencies across the state are doing more with less. Another issue facing FSA is the large number of employees who are eligible for retirement. Offices across the state are staffed, but with a limited number of employees.

In response to Senator Hornback, Joe Bilby, General Counsel, Kentucky Department of Agriculture, explained that KDA made changes to the grain regulations in accordance with Senate Bill 153 which revamped the grain laws. When the new law took effect, KDA realized that some of the regulations were obsolete. Commissioner Quarles noted that KDA was in the process of reviewing regulations that no longer serve a purpose.

Meeting adjourned.