

# INTERIM JOINT COMMITTEE ON AGRICULTURE

## Minutes of the 5th Meeting of the 2019 Interim

November 18, 2019

### Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Agriculture was held on Monday, November 18, 2019, at 10:00 AM, 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 Stan Humphries, Robby Mills, Dennis Parrett, Robin L. Webb, and Stephen West; Representatives Myron Dossett, Larry Elkins, Kelly Flood, Joe Graviss, Chris Harris, Mark Hart, Kim King, Matthew Koch, Phillip Pratt, Rick Rand, Brandon Reed, Rob Rothenburger, Steven Rudy, John Sims Jr, Wilson Stone, Nancy Tate, Walker Thomas, James Tipton, and Les Yates.

Guests: Warren Beeler, Executive Director, Governor's Office of Agricultural Policy; Mark Haney, President, Kentucky Farm Bureau; Eddie Melton, 1<sup>st</sup> Vice President, Kentucky Farm Bureau, Sharon Furches, 2<sup>nd</sup> Vice President, Kentucky Farm Bureau; Dave Maples, Executive Vice President, Kentucky Cattlemen's Association; Tim White, President, Kentucky Cattlemen's Association; and Nikki Whitaker, Membership Coordinator, Kentucky Cattlemen's Association.

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

The October 7, 2019, minutes were approved, by voice vote, upon motion made by Senator Parrett and seconded by Representative Reed.

### Report from Subcommittees

Senator West, Co-Chair, Equine Issues Subcommittee reported that Dr. Nancy Cox, Dean, and Dr. James MacLeod, Director, Equine Programs with the University of Kentucky, College of Agriculture, Food and Environment, and Sean Beirne, Director of Equine Programs at the University of Louisville stated that their equine programs were involved in research and public outreach programs to enhance horse and rider safety as well as contributing to workforce development and leadership roles in the equine industry. Marc Guilfoil, Executive Director and Jamie Eads, Deputy Executive Director of the

Kentucky Horse Racing Commission, talked about the importance of the Kentucky Thoroughbred Breeders' Incentive Fund and the Kentucky Thoroughbred Development Fund. Dr. Bruce Howard, Interim Equine Medical Director and Chief State Veterinarian, gave an overview of the responsibilities of the veterinarians at the racetrack pertaining to horse safety.

The report of the Subcommittee on Equine Issues was approved by voice vote, upon motion made by Senator West and seconded by Representative Pratt.

Senator Humphries, Co-Chair, Rural Issues Subcommittee, said that Erran F. Persley, Commissioner of Business Development, Kentucky Cabinet for Economic Development (CED) discussed the state of jobs and economic development opportunities and challenges in rural Kentucky. He said that the majority of CED investments are in rural areas of the state, totaling approximately \$12.4 billion dollars. The CED has a variety of tools to foster small businesses and entrepreneurship, including tax credits and selling farmer tax credits. He said that CED encourages neighboring counties to pool resources in order to draw businesses, as the competition should be between Kentucky and other states rather than between counties in Kentucky. Commissioner Persley highlighted some successful projects which included Phoenix Paper in Ballard County and Dajcor Aluminum in Perry County.

The report of the Subcommittee on Rural Issues was adopted by voice vote, upon motion made by Senator Humphries and seconded by Representative Thomas.

Senator Hornback mentioned that forestry, especially in east and west Kentucky, is being devastated by the tariffs, among other things. Forestry is down 20 to 40 percent. Representative Heath noted that a family-owned sawmill in Graves County had a shipment of hardwood prepared and ready to ship to China when the tariffs were enacted and China cancelled its order. There are some positive signs that tariff relief may be coming in the near future.

### **Legislative Issues for 2020 Regular Session**

Warren Beeler, Executive Director, Governor's Office of Agricultural Policy, reported that there were approximately 20,000 animals entered in the North American International Livestock Exposition with sheep and dairy having the largest number of entries -- 7,700 and 3,985, respectively. He explained that money received from the General Assembly and Agricultural Development Board (KADB) helped to tear down Cardinal Stadium, buy new pen stalls, purchase a new sound system for Freedom Hall, and refurbish other areas. For 2020, some money will be used to do a feasibility study on traffic flow at the Kentucky Exposition Center. Mr. Beeler explained that the KADB has concerns about the merger of the Eastern Kentucky University and University of Kentucky dairy farm to be located at Eastern Kentucky University. They are wanting a 60 cow pack barn, robotic milking system, classrooms, water harvesting system, and possibly a manure

separator. The Board anticipates a request for funding, but there is concern about the \$14 million bid, when in reality the bid should be around \$2 million. The University of Kentucky plans to move three chicken barns to its Woodford County farm for a cost of \$13 million when it should cost approximately \$1 million per barn. University farms should be exempt from having to go through a bidding process that involves a lot of red tape. Mr. Beeler stated that the KADB had invested \$600 million in agriculture since the inception of the board. The County Agricultural Investment Program (CAIP) has been expanded to reach new people such as young farmers and youth. State funds had also been able to help expand the number of meat processors and helped build a large number of certified kitchens and farmers markets. One of the greatest achievements of KADB funding is the Kentucky Agricultural Finance Corporation (KAFC), which has over 900 loans with \$133 million out in communities for agriculture. KAFC receives approximately \$750,000 per month in interest on those loans. Since the inception of KAFC, there have only been six bad loans. The KADB is always looking at implementing new projects that would benefit farmers. As a pilot project, the Board is considering a three-tier system for beef cattle in order to encourage better marketing. The Board recently implemented a new way of cost-sharing with counties that receive little to no money.

In response to Representative Graviss, Mr. Beeler said that making agriculture a science credit at the high school level would help to bolster agriculture and its culture. Mr. Beeler said that GOAP partially funded three hemp projects. Two are struggling to survive and one is doing okay. There is still some uncertainty in the details and marketing of hemp products.

In response to Senator West, Mr. Beeler said that there are 475 dairies in Kentucky and 60 of those dairies are associated with Dean Foods. Mr. Beeler said that Kentucky can opt out of the Federal Order System. The middleman is making all the money and the system is obsolete.

Mark Haney, President, Kentucky Farm Bureau (KFB), said that KFB was established to help foster economic development in rural parts of the state. He said that farmers have struggled with decreasing commodity prices and livestock prices as well as weather related issues. He said the trade issues have also had a negative impact on the markets, especially the grain industry. For the 2020 legislative session, he said one of the most critical components is the ability to connect to broadband in rural areas. Internet connectivity is a must for rural development. Mr. Haney said that more incentives are needed to retain and attract new businesses and industries in Kentucky. He stated that KFB is willing to work towards tax reform. Exemptions for sales tax in agriculture are important to the industry. With regard to property taxes, KFB would like to see a broad-based tax.

In response to Representative Graviss, Mr. Haney said the Hemp Advisory Committee heard more complaints about contracts not being honored and producers would like to see standardized contracts with more enforceability.

In response to Senator West, Mr. Haney said that KFB has reached out to the private sector for help in supporting rural broadband.

In response to Representative Tipton, Mr. Haney stated that the United States-Mexico-Canada-Trade Agreement should come to a vote soon. He said that the guest worker program for rural communities is very important. He said KFB is closely watching the new labor bill introduced in Congress, which does little for the H2A program that tobacco farmers depend on, but it does help the dairy industry.

In response to Senator Hornback, Mr. Haney said there is concern in extending the H2A program to include a private right of action for non-citizens.

In response to Representative Heath, Mr. Haney said that KFB supports funding for the Rural Jobs Act.

Dave Maples, Executive Vice President, Kentucky Cattlemen's Association (KCA), stated KCA's long range strategic plan for 2020 through 2025 includes promoting value-added marketing opportunities, strengthening research, demonstration and outreach, improving KCA engagement, collaboration and advocacy, and developing and leveraging organizational infrastructure and capabilities. He said that beef prices and the number of beef cows are gradually increasing. Mr. Maples pointed out that the industry does have issues regarding the shortage of truck drivers, electronic logging devices (ELD) or Department of Transportation (DOT) restrictions on driving time, antibiotic use regulations, consumer demand for traceability and fewer food miles. Kentucky exports almost all of its beef cattle to processing plants in the Midwest. Mr. Maples said that agriculture is taking hits with fake meat, meatless diets, greenhouse gases, regulations, tariffs, labeling requirements, and animal activists. He said that KCA worked with Kroger to sell Kentucky beef, and to date over 600,000 beef patties have been sold. A real drawback is that Kentucky does not have enough processing and packing plants that meet current standards. KCA would like to see a Beef Innovation Center at the University of Kentucky to help promote the industry.

In response to Representative Graviss, Mr. Maples said that labor and location would be issues in establishing a processing plant. Mr. Tim White, President, Kentucky Cattlemen's Association, said Kentucky would need to partner with a big company who has experts in order to make a plant successful. He said that as of yet, there have not been any discussions with National Beef, Tyson, or other companies.

Meeting adjourned.