

# INTERIM JOINT COMMITTEE ON AGRICULTURE

## Minutes of the 2nd Meeting of the 2020 Interim

July 9, 2020

### Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Agriculture was held on Thursday, July 9, 2020, at 9:00 AM, in Room 171 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 David P. Givens, Stan Humphries, Robby Mills, Dennis Parrett, Damon Thayer, Robin L. Webb, Stephen West, and Whitney Westerfield; Representatives George Brown Jr, Kelly Flood, Joe Graviss, Mark Hart, Kim King, Matthew Koch, Phillip Pratt, Rick Rand, Brandon Reed, Rachel Roberts, Rob Rothenburger, Steven Rudy, Dean Schamore, John Sims Jr, Wilson Stone, Nancy Tate, Walker Thomas, James Tipton, Susan Westrom, and Les Yates.

Guests: Commissioner Ryan Quarles, Kentucky Department of Agriculture; Dr. Will Snell, University of Kentucky, College of Agriculture, Food and Environment; and Warren Beeler, Governor's Office of Agricultural Policy.

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

The June 4, 2020 minutes were approved, without objection, by voice vote upon motion made by Senator Thayer and seconded by Representative Reed.

### **The Impact of COVID-19 on Kentucky's Agricultural Industry**

Warren Beeler, Governor's Office of Agricultural Policy, stated that estimated funds from tobacco companies for the Fiscal Year 20-21 Master Settlement Agreement is approximately \$106,300,000. The General Assembly Budget receives \$75,436,800, of which \$30,863,200 is set-aside for the Finance and Administration Cabinet for debt service on rural water and sewer lines. The balance is divided between Healthcare, Early Childhood Development and Agriculture programs. Kentucky Ag Development Funds are used for multiple programs such as cost-sharing, investing in youth, beginning farmers, on-farm energy and water, and the newest program is a meat processing investment program.

Mr. Beeler explained that COVID-19 hit the largest meat processing plants in the United States, which left the meat industry in Kentucky struggling to find other smaller local plants for meat processing. The new meat processing investment program for Kentucky farmers has four levels: Level 1 is for United States Department of Agriculture (USDA) inspected plants. Level 2 is for custom or USDA inspected plants which would be eligible for a forgivable loan up to seventy-five percent of a project not to exceed \$37,500. Level 3 is also for custom or USDA inspected plants which would be eligible for a forgivable loan up to seventy-five percent of a project not to exceed \$250,000. Level 4 would be for new facilities that have not been approved.

He said that the Kentucky Ag Finance Corporation has 729 loans of which \$94 million has been invested; \$87,000 million of which is currently loaned out or obligated. The program is generating between \$800 thousand and \$1 million a month in interest.

In response to Senator Hornback, Mr. Beeler said that there are 3,500 farmers in sixty-three counties invested in the Hopkinsville Grain Elevator and the Agri-energy ethanol plant.

In response to Senator Givens, Mr. Beeler said that the effects of COVID-19 will most likely change the industry permanently. Producers and farmers will have to look at making the industry stronger and more efficient.

In response to Representative Tipton, Mr. Beeler said that Kentucky Agritech specializes in developing agriculture related apps, artificial intelligence, drone and other technology for agriculture. In addition, Ag Development Funds have been funding projects such as iCOW, technology that collects and disseminates livestock data for farmers. There is a need for more advances in technology.

Dr. Will Snell, University of Kentucky College of Agriculture, Food and Environment, said that prior to Covid the farm economy was already in a tough situation. Many producers were hopeful that 2020 would be a better year for production and trade across world-wide markets. Typically when the economy starts to struggle, agriculture has usually been able to maintain a level of stability. Beginning around March 2020 the demand for certain agricultural products such as corn decreased, and a backlog in the supply chain began to emerge. Dr. Snell said that retail food prices increased by 2.3 percent, which has been the average yearly increase for the past twenty years, but farmers were hit with a greater reduction in prices received. Hopefully the decrease in farm cash receipts will not reach the \$400 million - \$500 million projections. On the positive side, the federal government created the Corona Food Assistance Program, and the state has received approximately \$120 million with more to come. There are a lot of farmers who are very vulnerable financially and mentally. He said the long term effects of Covid could include a negative impact on land values, especially if the downward trend in farm income continues and interest rates increase. The uncertainty regarding international trade agreements could also have a negative impact on the industry. Dr. Snell said that Covid

had put agriculture and the food market to the fore front, which has caused conversations regarding the food supply and efforts to make improvements to rural broadband and consumers wanting more of a relationship with local markets and producers.

In response to Senator Hornback, Dr. Snell said that some studies concerning large meat processing facilities have shown that producers are losing money while processors are making a huge profit. He said the top 4 meat processors in the country control almost 80 percent of the market. The Department of Justice is conducting a study evaluating the level of competition in the meat sector to determine if there is a violation of competitive practices.

In response to Senator Hornback, Dr. Snell said that making a projection on how long it will take to turn things around would depend on various unknowns on the supply-side. In his opinion, it would take one to two years before the world economy could begin to slowly rebound. In the future, there will be farmers and producers who will be forced to take jobs off the farm.

In response to Senator Givens, Dr. Snell said that the best thing legislators can do to help young farmers is to continue supporting the Ag. Development Fund and Ag. Finance Corporation. One other thing would be supporting the local food markets. He said the Ag Leadership program is still important in helping farmers to network. He stated that in the future, federal assistance to farmers may be cut.

In response to Senator Hornback, Dr. Snell said that the Corona Food Assistance Program did not particularly help young farmers or beginning farmers who were not established in the business.

In response to Representative Flood, Dr. Snell stated that tough times can create opportunities for urban farmers, women, and minorities. The younger producers are very creative in developing value-added products at the local level.

Commissioner Ryan Quarles, Kentucky Department of Agriculture, said that crop conditions are fair to good across the state, depending on location. He said that there was a lot of interest in the new meat processing investment program through the Ag Development Board. Commissioner Quarles said that some of the bigger existing meat processors are processing at around 90 percent capacity. He said that the Kentucky State Fair will have a large horseshow, large youth livestock shows, outdoor concert series, and a midway. He stated that Kentucky has more than 160 farmers' markets open and doing well. Commissioner Quarles stated that the Kentucky Proud Program has over 8,000 members and there is an opportunity for young people to get involved in the program. He said that the Hunger Initiative had been fortunate to have so many companies donate meat, milk, eggs and other products to the food banks. Through the Hunger Initiative program, food had been provided to school children during the summer. A generous donation made

it possible to retrofit ten school buses to provide mobile feeding sites in urban and rural areas of Kentucky. A new company located in Georgetown is now manufacturing hemp masks. He said that there should be between 800 and 900 farmers growing hemp this year and there has been a 10 percent increase in the number of hemp companies that are registered with the Kentucky Department of Agriculture. He also mentioned that there is a potential fee increase from the Cabinet for Health and Family Services (CHFS), Food Safety Branch, regarding food and homebased processors. The annual registration fee is usually \$120 based on the square footage of the kitchen. The new proposed fee could increase some fees up to \$2,400. Another issue with CHFS is a proposal to charge a fee to the food banks and grain elevators.

Commissioner Quarles stated that he will serve on the Governor's AgriTech Taskforce and is excited to see Kentucky become the AgriTech capital of the world. He said that KDA started a similar initiative last year with the University of Kentucky, Alltech, and the Mayor of Lexington. The study is soon to be completed and published at the end of July or August. Hopefully the information can be merged together with the Taskforce.

In response to Senator Hornback, Commissioner Quarles stated that he was notified just a few minutes before the Governor's press conference announcing the AgriTech Taskforce. The Governor's Office is aware of KDA's study of a similar initiative.

Senator Hornback noted that the 2018 Kentucky State Fair facility made a profit for the first time in 30 years. He stated that David Beck and the Fair Board had worked diligently to make changes for the better.

In response to Representative King, Commissioner Quarles said that the produce safety rule was part of a congressional act, the Food Safety Modernization Act (FSMA) several years ago, and the produce safety rule will be implemented this year.

In response to Senator Thayer, Commissioner Quarles, stated that there are 548 known agri-tourism sites across the state. He said Evans Orchard, along with KDA, decided to pursue legal clarification on the amount of people allowed on their agri-tourism property, as a result of the Governor's covid-related closure executive orders.

In response to Representative Graviss, Commissioner Quarles said that the hemp industry depends on the processor and what product is being made. KDA gets several inquiries each month for new ventures wanting to locate in Kentucky. The hemp market has stabilized but there are some cash flow and access to capital issues. Kentucky is still working with the United States Department of Agriculture (USDA) to implement a final rule for hemp by 2021.

Senator Parrett stated that the Kentucky State Fair is one of the best places for urban residents of Kentucky to learn about agriculture. He suggested putting price tags on the

farm equipment that is displayed throughout the fairgrounds so people will know how much it costs to farm.

Senator Givens asked if the livestock regulation (302 KAR 022:050) needed to be deferred. Commissioner Quarles said that KDA would be fine with deferring 302 KAR 022:050.

Senator Givens moved to defer 302 KAR 022:050 to the next meeting. Seconded by Senator Thayer. Upon voice vote, without objection, motion passed.

Meeting adjourned.