

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 1st Meeting of the 2022 Interim

June 9, 2022

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Agriculture was held on Thursday, June 9, 2022, at 9:00 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 Dennis Parrett, Damon Thayer, and Max Wise; Representatives Josh Calloway, Daniel Fister, Kelly Flood, Derrick Graham, Mark Hart, Keturah Herron, Mary Beth Imes, Kim King, Matthew Koch, Nima Kulkarni, Shawn McPherson, Michael Sarge Pollock, Phillip Pratt, Josie Raymond, Cherlynn Stevenson, Nancy Tate, Walker Thomas, and James Tipton.

Guests: Dean Schamore, State Executive Director, United States Department of Agriculture, Mike Hoyt and Jennifer Farmer, Farm Service Agency, United States Department of Agriculture, and Dr. Will Snell, University of Kentucky, College of Agriculture, Food and Environment.

LRC Staff: Stefan Kasacavage, CSA, Kelly Ludwig, Hillary Abbott, and Susan Spoonamore, Committee Assistant.

Comments from USDA Farm Service Agency

Dean Schamore, State Executive Director, Farm Service Agency (FSA), United States Department of Agriculture (USDA) explained that FSA-USDA implements agricultural policy, administers credit and loan programs, and manages programs relating to conservation, commodities, disaster, and farm marketing.

Mike Hoyt, Farm Loan Programs, FSA-USDA, explained two loan programs, guaranteed loans and direct loans. Direct loans are made directly from FSA to the farmer and guarantees loans to farmers who are temporarily unable to obtain private commercial credit. The Direct Farm Loan Program has a lower interest rate and requires no down-payment. Under the Guaranteed Loan Program, loans are made by a USDA-approved traditional lender with the backing of FSA. FSA guarantees loans made by commercial agricultural lenders up to 95 percent of any loss. Mr. Hoyt stated that Kentucky is fifth in the nation for eligible applicants in the Microloan Program. The Microloan Program was

developed to better serve the unique financial operating needs of beginning farmers and the smallest of family farm operations. The application process is simpler, and requires less paperwork. Eligible applicants may obtain a microloan for up to \$50,000.

Jennifer Farmer, FSA-USDA, explained that the Emergency Loan Program is triggered when a natural disaster is designated by the Secretary of Agriculture or a natural disaster or emergency is declared by the President under the Stafford Act. These loans help producers who suffer qualifying farm related losses directly caused by the disaster in a county declared or designated as a primary disaster or quarantine area. Also, farmers located in counties that are contiguous to the declared, designated, or quarantined area may qualify for the Emergency Loan programs. The 19 counties affected by the recent tornado in Western Kentucky are eligible for the program. The Emergency loans assist with debris cleanup, damaged crop fields, and fence repairs. Those 19 counties have requested over \$8 million in assistance. The Farm Bill includes a livestock indemnity program which has helped people who have poultry operations. The Farm Storage Facility Loan Program (FSFL) provides low-interest financing so producers can build or upgrade facilities to store commodities. Ms. Farmer said that FSFL is an excellent financing program for on-farm storage for small and mid-sized farms. Loan terms vary from three to 12 years and the current interest rate is from 2.875 percent to three percent. The maximum loan amount for storage facilities is \$500,000 and \$100,000 for storage and handling trucks. Due to the popularity of the program and supply chain limitations, building back will take longer than usual.

In response to Representative Pratt, Mr. Hoyt said that interest rates are going up incrementally.

In response to Representative King, Ms. Farmer said loans are available for fencing, as long as the fences were are used to contain livestock. The majority of fences have been replaced or repaired. The USDA has not released all the money requested yet, but as the money is released, farmers are reimbursed.

In response to Senator Hornback, Ms. Farmer said that the FSFL is for permanent grain storage structures. Mr. Schamore said that Senator McConnell has been working to provide language to include emergency grain storage structures within the 19 counties impacted by the tornado. Mr. Schamore also stated that staffing for Farm Service Agency offices has remained steady at approximately 300 employees.

In response to Representative Tipton, Ms. Farmer said that funds from the livestock indemnity program were recently approved to assist poultry producers who have lost poultry to Avian Influenza.

In response to Representative Kulkarni, Mr. Hoyt said that interest rates vary for each program.

In response to Representative McPherson, Ms. Farmer stated that not all poultry producers will remain in business following the disaster. It will probably be two years before poultry production stabilizes. Ms. Farmer said that there are no funds available from FSA to purchase birds.

Chairman Heath noted that Pilgrim's Pride Corporation lost two hatcheries in Graves County during the tornado. An issue for Pilgrims is distributing hatched birds. Pilgrim's has to purchase birds from another supplier.

In response to Representative Graham, Ms. Farmer said that individuals who lost older barns would need to go through their private insurance company.

Observations and Implications of Inflation on Ky Agriculture

Dr. Will Snell, Ag Economist, University of Kentucky, College of Agriculture, Food and Environment explained that inflation is a rise in prices for goods and services and reflects a decline of purchasing power for consumers and producers. He stated that government spending, labor supply issues, supply chain disruptions, weather/disease events, war in Ukraine, and monetary policy has contributed to inflation. Since January 2022, farm production input costs have increased 24 percent. Over the past 50 years, statistics show that during periods of higher agriculture commodity prices, farm input prices rose at a fast pace. During periods of lower agriculture commodity prices, farm input prices did not fall as fast. With high inflation, the Federal Reserve generally raises interest rates which affects land values, farm income, commodity prices, exchange rates/trade, farm input prices, and farm living expenses (including food prices). Dr. Snell said that estimates for 2022 show that Kentucky farm cash receipts could approach \$7 billion. The Kentucky Grain Profitability outlook for 2022 versus 2020, shows the highest, per acre costs in history. Even with the high input prices, there is the potential that commodity prices should be more than enough to offset the costs. Future cattle prices are also projected to cover input costs, but tobacco producers will have a tighter margin of recouping their costs. Dr. Snell said that 2022 should be a good year for Kentucky agriculture as long as the weather is good and the markets remain strong. Projections for 2023 will be concerning if inflation does not subside.

Dr. Snell explained that higher commodity and fuel prices, increased labor costs, supply chain disruptions, higher packaging costs, increased consumer demand, and increased US food exports are the driving forces behind food price inflation. Another area of concern is that the Russia-Ukraine war is contributing to a global food crisis and food insecurity. It may get much worse as the war continues.

In response to Senator Hornback, Dr. Snell said research indicates that the \$6 trillion injected into the economy, is still impacting demand and the rate of inflation.

In response to Representative McPherson, Mr. Snell said that it will cost a family approximately 9.5 percent of their income to feed their family.

Representative Koch noted that farmers are having a difficult time locating equipment parts, and the costs for the parts and labor have nearly doubled. Also, it is difficult to identify laborers who can run the equipment.

Meeting adjourned.