

INTERIM JOINT COMMITTEE ON AGRICULTURE

Minutes of the 4th Meeting of the 2022 Interim

October 20, 2022

Call to Order and Roll Call

The 4th meeting of the Interim Joint Committee on Agriculture was held on Thursday, October 20, 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 David P. Givens, Jason Howell, Dennis Parrett, Damon Thayer, Robin L. Webb, Stephen West, and Max Wise; Representatives Jonathan Dixon, Daniel Fister, Kelly Flood, Derrick Graham, Mark Hart, Keturah Herron, Mary Beth Imes, Kim King, Matthew Koch, Nima Kulkarni, Michael Sarge Pollock, Phillip Pratt, Josie Raymond, Cherlynn Stevenson, Nancy Tate, Walker Thomas, and James Tipton.

Guests: Steve Morris, CFO, Hemisphere Limited; Matt York, Financial Analyst, Hemisphere Limited; and Jamie Guffey, Executive Director, Kentucky Poultry Federation.

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

The July 7, 2022 and August 25, 2022, minutes were approved, by voice vote, without objection upon motion made by Senator West and seconded by Senator Parrett.

Overview of Biodiesel Blending Facility

Steve Morris, CFO, Hemisphere Limited and Matt York, Financial Analyst, Hemisphere Limited gave an overview of the Continental Refining Company project located in Somerset. Mr. Morris explained that the biodiesel blending facility is a \$33 million dollar project. It involves purchasing soybeans from local producers to make blended biodiesel. The biodiesel plant will be able to produce up to 5 million gallons per year. In addition, crushing the soybeans and soy hulls will provide soybean meal that can be used as animal feeds. Continental Refining is in the process of building a soy crush plant which should be operational January 1, 2024. The biodiesel plant should be up and running within the next 30 days. Mr. Morris asked that the General Assembly consider changing the purchasing statutes to include a preference of alternative fuels.

In response to Representative Tipton, Mr. Morris said there are several variables relating to the prices between gas and diesel fuels. There are more vehicles using clean diesel fuel, there is a dire heating market in Europe, and inventories are down. Manufacturers are experimenting with higher blended biodiesel fuel for use in tractors.

In response to Senator Hornback, Mr. Morris said Continental Refining hopes to start purchasing local soybeans within a month.

In response to Representative Thomas, Mr. Morris stated that diesel exhaust fluid (DEF) tanks would still need to be used. The goal is to sell blended diesel fuel for less than it costs now.

In response to Representative Kulkarni, Mr. Morris said the plans are designed for expansion. Farmers have been converting to grain production and there should continue to be a slight increase in soybean production.

In response to Senator Wise, Mr. Morris said they would be reaching out to high schools and community colleges to help design training programs for students.

In response to Representative Heath, Mr. Morris stated that there had been times when the diesel fuel supply was tight, and it could get tighter during the winter months.

In response to Senator Hornback, Mr. Morris said that all the diesel/petroleum products they receive for blending are trucked from Knoxville.

Update from Kentucky Poultry Federation

Jamie Guffey, Executive Director, Kentucky Poultry Federation, said that the poultry industry has experienced some tough challenges the past year. Mr. Guffey said that the poultry industry dropped from being the number one commodity in Kentucky to the number two spot. He said that egg birds and meat birds are being raised in organic pastures which has opened doors to marketing opportunities. Growers are looking to expand their facilities but building materials have increased from \$15 per square foot to \$20 per square foot. Mr. Guffey said that there are a couple of companies interested in building stand-alone facilities in Kentucky, but the lack of a labor force is holding them back. He said that the 2021 tornado destroyed 26 poultry houses across Kentucky. Companies/competitors stepped up to help hatch eggs in order to sustain the poultry industry, but the rebuilding process is still an issue. Mr. Guffey said that High Pathogenic Avian Influenza was detected in Kentucky in February that resulted in a temporary lock down for international trade stock.

Mr. Guffey said that in order for the poultry industry to expand there has to be a strong labor market. The State Veterinarian's Office needs more trained employees to help when disasters occur, such as tornados, flooding, and diseases that attack animal industries.

He also encouraged support for a proposed Meats and Food Workforce Development Center to be built at the University of Kentucky - Woodford County farm. The proposal is supported by many of the commodity groups.

Mr. Guffey noted that Kentucky lost out on three different facilities that were looking to locate in Kentucky.

Senator Webb said it is important to look at pay scales across other states for recruiting and keeping veterinarians in the state.

In response to Representative Tipton, Mr. Guffey said the Avian Influenza would be the main factor of increasing retail prices for poultry products.

In response to Representative Kim King, Mr. Guffey stated that the detection of High Pathogenic Avian Influenza in Fayette County was a wakeup call. It went so far as to impact international trade.

In response to Senator West, Mr. Guffey said that poultry litter is currently selling for \$45 to \$50 a ton. It is a huge part of the poultry industry. He said that the industry is not seeing any Environmental Protection Agency (EPA) regulations that would affect poultry.

In response to Representative Stevenson, Mr. Guffey said that in addition to the Kentucky State Veterinarian's Office, the Kentucky Department of Agriculture stepped up to assist with the High Pathogenic Avian Influenza case. The Cabinet for Economic Development could be beneficial in facilitating new agricultural facilities interested in locating to Kentucky. An increase in communication with any government office is always beneficial.

In response to Representative Kulkarni, Mr. Guffey said that because the poultry industry is a year-round operation, it is not eligible for the H2A Visa Program. He said that the poultry industry is very interested in Ag Technology. The most important thing for Ag Technology and automation is access to broadband.

In response to Representative Heath, Mr. Guffey said that the United States Department Agriculture (USDA) has an indemnity program related to High Pathogenic Avian Influenza. There is an Avian Influenza insurance policy that farmers can purchase, but it has limitations.

In response to Senator Webb, Mr. Guffey explained that some new companies who are interested in locating in Kentucky, reach out to the industry or county extension agents. He said that there needs to be better communication between everyone involved, including the Cabinet for Economic Development.

Meeting adjourned.