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Agriculture Committee
February 07, 2012

[LB905 LB1057]

The Committee on Agriculture met at 1:30 p.m. on Tuesday, February 7, 2012, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB905 and LB1057. Senators present: Tom Carlson, Chairperson; Norm Wallman, Vice Chairperson; Dave Bloomfield; Lydia Brasch; Burke Harr; Russ Karpisek; and Steve Lathrop. Senators absent: Tyson Larson.

SENATOR CARLSON: Welcome to the February 7 Agriculture Committee interim hearing. It's not an interim hearing. Excuse me. I'm using the wrong terminology here. This is no fake deal. This is the real deal today so I'm Senator Tom Carlson, Chair of the Ag Committee, from District 38. Research analyst to my right is Rick Leonard, and to my far left over here is Barb DeRiese, our committee clerk. Our page today is Paige Schreiber from Cortland, no, she's from Columbus. I'll get it right here, Senator. Now we have some of you that have been in on hearings before know that we have committee members that come and go because they may have bills in other hearings to present. But we're in pretty good attendance right now and a good position to start our hearing. Senator Norm Wallman is Vice Chair of the committee. I'm going to be introducing the two bills today so he'll be taking over this portion of the hearing. Next to him will be Senator Lydia Brasch from Bancroft. Then there's Senator Burke Harr from Omaha and Senator Dave Bloomfield from Hoskins. To my left is Senator Russ Karpisek from Wilber and Senator Steve Lathrop from Omaha. And joining us later, he's presenting a bill now in another session, is Senator Tyson Larson from O'Neill. If you're planning on testifying today, make sure that you've gotten a green sheet and filled that information out and hand it in as you come forward to testify. And it's important to have the form complete. And then as you begin your testimony, relax but try and remember right away tell us who you are and spell your name. And that keeps it straight in the records, otherwise we'll have to stop you and have you spell your name. So please remember to do that right away. If you don't wish to testify but want your name in the record, I believe, Barb, is that sheet that they can sign back by the doors? There's a white sheet that you can sign and that will show that you're present, and you can indicate whether you're a proponent or an opponent of the bill. Please turn off your cell phones or put them on vibrate so we don't have an interruption there. And I don't think we're going to have a problem today, but we don't want any displays, audible displays of support or opposition to a bill. And that will help us run the committee in the fashion that we need to run it. Are there any questions before we start? Okay, we will open our hearing on LB905, and I'll introduce that and then Senator Wallman will take over. When I'm through introducing it, I'm going to come back here and sit so that I can see better and then I can make notes, but Senator Wallman will be conducting the hearing.

SENATOR WALLMAN: Welcome, Senator Carlson.

SENATOR CARLSON: Thank you, Senator Wallman and members of the Agriculture

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Committee. I'm going to present LB905, brought in at the request and in cooperation with the Nebraska Wheat Growers Association. You have a copy of my introduction. I usually don't do that, but I'm doing that today for a couple of reasons. Briefly, LB905 would enact the following changes in the Nebraska Wheat Resources Act. The most significant change is that the bill would convert the checkoff assessment currently set at 1.25 cents per bushel to a percentage of market value. LB905 would initially set that rate at one-half of 1 percent of the market value, with authority for the rate to be adjusted within a statutory maximum of .0075 percent. Second, the bill would clarify funds that are remitted to the Nebraska Wheat Development Utilization and Marketing Fund. Existing text confines the fund to serve as the repository for checkoff assessments only. LB905 would allow other noncheckoff remissions, including repayments to the funds such as license fees and royalties that derive from intellectual properties that may result from Wheat Board research investments. It's part of the reason that the request is here to increase the amount for the checkoff. Finally, the bill would remove a restriction not replicated in the other commodity development programs that limits research contracts to a one-year duration. And certainly part of the reason for raising funds on a checkoff is for education and research. And I think it's important that this research be conducted by an independent party and someone other than the organization themselves. So as an example, research might be conducted by the University of Nebraska. Funds provided for that research could come from the wheat checkoff fund. And there's a possibility that there could be some royalties that come back as a new product is developed and has value. And that value I think needs to be able to come back not only to the university if they're doing the research, but also some to the Wheat Board that provided the dollars for the research in the first place. So this fund would allow that money to be deposited in this account. And I think that's a reasonable request. The other thing is on research projects most of the time it's not a one-year deal. And this would give them the opportunity to get into an arrangement or an agreement where research could be conducted over a period longer than one year. And they would have the confidence that they could fund and support that research. I bring LB905 and the bill to follow as I believe Nebraska agriculture is at a crossroad. Agriculture is challenged as never before to constantly improve productivity in order to meet growing demands for food and fiber in a manner that's environmentally and socially responsible. It's critical that wheat producers have the means to maintain those investments in research and market development necessary to advance productivity and remain competitive in national and global markets. LB905 is brought by the Wheat Growers Association to maintain an adequate funding base for this investment in the light of changing conditions. Wheat acreage in this state has declined over the past two decades, although wheat yields have increased in that time. Checkoff collections have fallen in both actual and real terms. Testimony to follow me will expand upon where Nebraska stands in relation to other wheat producing states in terms of our promotional effort. It's my understanding that with LB905 Nebraska would be at about the mid point of promotional effort in terms of investment per acre or per production of states that have a wheat promotional program. And I think that I'm going to allow you to scan the

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rest of my introduction to this bill. I would ask you to listen carefully. I think that the proponents that follow will bring a good explanation as to why this request is made. And I'd invite you to listen carefully to that and ask probing questions. There needs to be a good explanation for this request, and I believe that they'll be able to give that. With that, that will conclude my introduction, and I'd be happy to answer any questions that you may have. [LB905]

SENATOR WALLMAN: Any questions? Thank you, Senator. [LB905]

SENATOR CARLSON: (Exhibits 1 and 2) All right. And before I step out, there is a letter from the Nebraska Cooperative Council, there's a letter of endorsement for both these bills so I want to put that in the record from Robert Andersen. And then we do have a letter from the Department of Ag in opposition to LB905. And I think the reason for that will come out in our testimony here and kind of listen for that and be willing to ask some questions on it. Thank you. [LB905]

SENATOR WALLMAN: Do you want to close on that, Senator Carlson? [LB905]

SENATOR CARLSON: No. Oh, would I close on the bill? Yes. [LB905]

SENATOR WALLMAN: First testifier. [LB905]

LARRY FLOHR: (Exhibit 3) Senator Carlson and the Ag Committee, it's my privilege to be here today. My name is Larry Flohr, L-a-r-r-y F-l-o-h-r. I'm a wheat farmer from Chappell, Nebraska, and I currently serve as chairman of the Nebraska Wheat Board, Wheat Development, Utilization, and Marketing Board, commonly referred to as the Nebraska Wheat Board. The Nebraska Wheat Board was established in 1955 with a mission of increasing consumption of wheat and wheat food products and developing and maintaining domestic and export markets for the Nebraska wheat producers. This is done through the investment of checkoff funds and research, education, promotion, and marketing. Our statute currently stands with a 1.25 cent per bushel checkoff at the point of first sale. LB905 would change this collection from a flat rate to a one-half percent of the value of wheat. Several factors contributed to this request for change. First of all, the wheat checkoff rate has not changed since 1989. However, since then, the cost of nearly everything has gone up considerably: dues to national organizations, research costs, production of educational materials, and marketing expenses, just to name a few. Secondly, the production of wheat in Nebraska has decreased steadily. I'd like to display a graph, and I think you have a copy at the back of my testimony, this graph shows the number of acres that are planted in Nebraska for the three field crops of wheat, corn, and soybeans. And as you can see the top graph, the green line is corn. The middle graph, the gold one, is the wheat acres starting back in 1921 and going up to 2011. About 1989 it appears that soybeans has moved up in the third bar and taken over second place, and you kind of see a steady decline in the number of wheat acres

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over the period of years in Nebraska. Obviously, the competition for wheat acres by the higher value crops in the state have shown a significant change. Wheat acres have decreased significantly and corn and soybeans have increased. This is partially due, of course, to the recent genetic changes in corn and soybeans and their higher yields. And also we're finding that because of a lot of this research you're finding dryland corn moving in western Nebraska and taking specifically acres away from the wheat producing...the heart of the wheat producing part of the state. Wheat is a predominantly dryland crop, normally grown without irrigation. As a result, the majority of our acres are in the Panhandle and southwestern part of the state where we receive limited precipitation. This raises the third reason for the requested change. Because wheat is a dryland crop, it is subject to extreme fluctuations in weather experienced in this state. As witnessed during the harvest of 2011, the extreme drought in the southern part of the United States during harvest across many of the southern states also affected acres in Nebraska. Producers in the southern Panhandle and southwestern part of the state were also hit with devastating hailstorms. This decreased production contributed to the increase in price as seen for wheat. All this variability affects the total production in Nebraska. And with the current checkoff assessment based on a flat per bushel rate, our total yearly budget is subject to a wide range of variability. Other factors can affect the price of wheat, but supply plays a big role. A percent-based assessment means that the collection price will fluctuate with the market price and thus with supply. On a good year with a large supply generally means a lower value. This means in years where the price is high but production is low, rather than having a low total collection from a flat rate, the increased price in wheat could push the total collection to a level much closer so that it would be in higher production years than with lower years. We feel that the percent basis would give a stabilizing effect to the variability, thus allowing through the checkoff system a more stable budgeting effect. Ultimately, the percent price based rate was selected by our board because it will fluctuate with the markets which reflect the production challenges faced by wheat in Nebraska, giving producers a consistent return on their checkoff by providing a more consistent budget level for the Nebraska Wheat Board to operate with. This also happens to coincide with the issue of meeting the protein needs of the world by 2050. We're supposed to be preparing our agricultural production to meet the growing demand, and wheat is a vital part of meeting that protein demand around the world. And Nebraska has had a huge impact across the United States as well as the world in providing quality wheat. We need this research to continue at a consistent basis. That concludes my written testimony. If you would have any questions, I'd be sure try to answer them. [LB905]

SENATOR WALLMAN: Any questions for Larry? Thank you, Senator. Senator Harr. [LB905]

SENATOR HARR: Thank you, Senator Wallman. What percentage of growth would the fund have from the first year...previous year to the first year it's implemented? Is it 10 percent, 20 percent, 100 percent? [LB905]

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LARRY FLOHR: What percent of, excuse me? [LB905]

SENATOR HARR: Of growth would you predict. [LB905]

LARRY FLOHR: In our budget? [LB905]

SENATOR HARR: Yes. [LB905]

LARRY FLOHR: In the collection rate? Perhaps... [LB905]

SENATOR HARR: Well, once it's implemented, what percentage would you... [LB905]

LARRY FLOHR: An estimate probably, oh, I don't know, 40 to 50 percent. [LB905]

SENATOR HARR: Forty to 50, okay. [LB905]

LARRY FLOHR: I think I have a chart here that perhaps I think was in a loose-leaf and it's a graph that looks similar to this. [LB905]

SENATOR HARR: Ah, yep. [LB905]

LARRY FLOHR: And I think that might be helpful in gaining an evaluation. Looking at the left-hand half of the chart you'll see the number of years from 2001 to 2011, and the actual planted and harvested acres in the second column. It's on a separate sheet, excuse me. [LB905]

SENATOR HARR: Okay, all right. [LB905]

LARRY FLOHR: Okay. And the bushels produced in each year. You can see that over the period of 2001 to 2011, we had a low of 50 million bushels produced in 2002 to a high of 84 million in 2007. During the current collection rate, the range of budgeted dollars collected in 2002 was \$627,000 so the extreme up to 2007 it moved to \$1,053,500. That's quite a variation when you're planning a budget to establish consistency in research. Now to show how this may have a stabilizing effect, the right half of the chart where it says average wheat price, if you look at the variation in the price, it ran from a low in 2001, \$2.75 for the value of wheat up to a range of \$6.68 in 2008. Now you can see there is a variation, of course, in the amount of collected dollars at a half a percent. However, you'll note that in only one case do we have the extreme low budget down to \$828,000. We would pretty much stabilize anywhere from the \$1.2 million up to \$1.8 million as...actually probably at \$1.5 million. The actual average during that period of time would be \$1.5 million so we would probably see an increase of around... [LB905]

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SENATOR HARR: Double. [LB905]

LARRY FLOHR: Yeah. [LB905]

SENATOR HARR: Double, okay. [LB905]

LARRY FLOHR: Yeah, on the extreme case. [LB905]

SENATOR HARR: Okay. And the last time there was a change was 1989? [LB905]

LARRY FLOHR: Yes. [LB905]

SENATOR HARR: Okay. I guess I would ask you to remember that if it comes in front of the ballot box that there hasn't been a change in something since 1988, '89... [LB905]

LARRY FLOHR: That's correct. [LB905]

SENATOR HARR: ...and somebody wants to double it, just remember it. (Laughter) [LB905]

LARRY FLOHR: Yeah. [LB905]

SENATOR HARR: All right. Thank you. [LB905]

SENATOR WALLMAN: Thank you, Senator Harr. Anybody else? Senator Karpisek. [LB905]

SENATOR KARPISEK: Thank you, Senator Wallman. Thank you. As the wheat acres go down and right now the price, of course, is looking good, what would happen, though, in your scenario if the wheat price goes back down and you're...I would think then your acres would either fall off more... [LB905]

LARRY FLOHR: Exactly. [LB905]

SENATOR KARPISEK: ...then what would happen, though, to your money coming in, in that situation? I know either way it wouldn't be good but... [LB905]

LARRY FLOHR: Well, the...in both cases if we stayed with a flat rate, obviously it would not be good at all. And generally if our wheat acres or our actual production went down, there's going to be some overall cause, perhaps not just in Nebraska. I hate to admit this as being a Nebraska wheat producer, but the price in the United States generally is reflected upon what happens in Kansas. And they're the big dog, if you want to call it

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that, in wheat production. If they have...if Nebraska would have a low production year and more than likely because of our proximity they also would have a low production year, we would like to think that the price then would be the counteractive value. This would give us a stabilizing-type effect to have...eliminate one extreme. Now obviously there could be that year like you say that because we have low production and there could be a situation where we would have a low price, the farmer's worst fear. Hopefully we can manage through that and it would be a one-year situation. [LB905]

SENATOR KARPISEK: Very good. And growing up in high school living in Wilber, we had a lot of wheat and sorghum. I remember cutting wheat many times around Fourth of July, hotter than heck. Now you're almost hard-pressed to go out there and find a wheat field. [LB905]

LARRY FLOHR: Exactly. [LB905]

SENATOR KARPISEK: But it has moved with other crops coming in so I see the problem. I'm just a little concerned. I think I like the way that you're looking at it. I'm just worried if you do get that bad year and then what. But again, it wouldn't matter much either way. And I know this is the way to go. [LB905]

LARRY FLOHR: If we were at a flat rate, it would be even more devastating. [LB905]

SENATOR KARPISEK: You're right and this...while things are good, I think this is the way to ride it out so. [LB905]

LARRY FLOHR: To exemplify your comment about wheat acres and the change in production across the state, I know for a fact one of the elevators in the Panhandle, Hemingford elevator, for the first year, this is the first year they have taken in more corn during corn harvest than they took in wheat during wheat harvest. And that's an extreme change in what is happening. [LB905]

SENATOR KARPISEK: Real quick, how about the production yield on wheat over the years? What is a dryland wheat per acre now? Is it... [LB905]

LARRY FLOHR: Well, I think the overall average according to the state has gone from...over these periods of years on our first chart in acres was basically at the 32 level and we're pushing the mid 40s to close to 50 now. [LB905]

SENATOR KARPISEK: Very good. Thank you. [LB905]

LARRY FLOHR: Yes. [LB905]

SENATOR WALLMAN: I have a question. [LB905]

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LARRY FLOHR: Yes. [LB905]

SENATOR WALLMAN: I'm a farmer so I don't grow any wheat but I mean I used to. Do you think the genetics have kept up in the wheat as compared with corn and soybeans? [LB905]

LARRY FLOHR: Absolutely not. No, this is... [LB905]

SENATOR WALLMAN: And is that...go ahead. [LB905]

LARRY FLOHR: This is one of the issues that we also confront in the wheat industry is the fact that corn and soybeans have made their advances through biotechnology. And because of the complex gene structure of wheat, I've read where it's five times more complex than the human body, mapping that gene is extremely difficult and it's still under process or in the process. And they feel that they are making progress towards that and once they get that mapped and, of course, we've got a lot of companies looking at biotech wheat right now and specifically focusing on yield, focusing on nitrogen use efficiency, disease resistance through fungal diseases as well as insect diseases. We have the potential to do the same thing that corn and soybeans has done, but we are lagging behind them because of the complex issues with wheat. [LB905]

SENATOR WALLMAN: Thank you. Senator Bloomfield. [LB905]

SENATOR BLOOMFIELD: Thank you, Senator Wallman. The line where soybeans and wheat cross each other back in the...to the end of the '80s and early '90s, how much of that could be attributed to advances in irrigation? [LB905]

LARRY FLOHR: I think a considerable amount. But you also have to realize that wheat hasn't had that advantage through the irrigation. It hasn't been typically the irrigated crop so therefore there's not a negative factor there. So, but, yes, I think irrigation has had an effect. And the better varieties have increased soybean acres throughout the western part of the state. The soybean production is moving west also. [LB905]

SENATOR BLOOMFIELD: Okay, thank you. [LB905]

SENATOR WALLMAN: Anybody else? Thank you. [LB905]

LARRY FLOHR: Thank you. [LB905]

SENATOR WALLMAN: Next testifier, please. [LB905]

SENATOR CARLSON: Let me say something before the next testifier. [LB905]

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SENATOR WALLMAN: Oh, oh. Senator Carlson. [LB905]

SENATOR CARLSON: Okay. Before our next testifier, I got to finish a job that I didn't do before we ever started here. We have a light system and as you come up to testify it will be green. It stays green for four minutes and then it turns yellow, which means you've got one minute to wind things up. When it turns red, try and wind it up. And if we think you're not at the end of a thought, I'm sure that one of the members of the committee will probably allow you to finish or ask you a question in that area. But we will use the lights so don't let that make you nervous, but it's on. [LB905]

SENATOR WALLMAN: Welcome. [LB905]

DAYTON CHRISTENSEN: (Exhibit 4) Okay, well, thank you. Good afternoon, Senators, ladies and gentlemen. My name is Dayton Christensen, D-a-y-t-o-n C-h-r-i-s-t-e-n-s-e-n. I am from Big Springs out in Deuel County. It's the southeast county of the Panhandle, and I raise predominantly dryland wheat. I'm currently serving as the Nebraska Wheat Growers Association president, and I appreciate the opportunity to visit with you on why I think it's necessary to adjust the Nebraska Wheat Development, Utilization and Marketing Board statutes. When wheat farmers first created the Nebraska wheat checkoff in 1955, they envisioned a way to ensure wheat remained a viable commodity in the state of Nebraska. Today the Nebraska Wheat Board works to continue making this vision a reality. And then I have a graph also, a pie-shaped graph with your sheets there. This graph, which I'd like to submit as part of my testimony, indicates the percentage of checkoff dollars invested in various areas. Besides international marketing, checkoff dollars are invested in two other areas: research at 35 percent and education at 8 percent. These are the two areas I'd like to discuss as they are both affected by the proposed changes. Research on wheat has traditionally been conducted by public institutions like the University of Nebraska at Lincoln. Only recently has companies like Monsanto and Bayer CropScience begun investing in wheat. To complicate the matters, wheat's genomic structure is more complex, as Mr. Flohr alluded to earlier, than the human genome. And it takes a minimum of 12 years to develop a new variety of wheat. This means a loss in funding even in one year can have a domino effect on research for several years following. Being allowed to accept contracts on a multiyear basis means the Nebraska Wheat Board could provide the financial stability needed to begin projects to develop new varieties and continue projects already in existence. Unfortunately, budget restraints and constrictions have impacted research investment, especially in the last fiscal year. This chart, which I am submitting in testimony, details the effects of the budget costs on wheat research projects in the fiscal year 2011-12. Four projects that have received funds for the past four years were cut. Four other projects received fewer funds than requested, and 15 projects total were denied funding because of budget constraints. At a time when yield lag, as Larry had discussed earlier, behind corn and soybeans and economic pressures

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like drought or disease threatens productivity, not being able to fund research undermines the stability of wheat production in our state. Changing the checkoff rate would provide funds to the Nebraska Wheat Board, could continue to invest in research with the University of Nebraska-Lincoln in areas of agronomic performance important to producers like drought resistance, winter hardiness, and disease resistance. It could also allow research in areas of the end-use quality for consumers like protein levels and baking traits. Increased funding would also provide the Nebraska Wheat Board with a source to explore areas of research not traditionally associated with wheat, like feed and fiber uses. And then also I have another graph on the back here for you. Okay. I'd like to submit this written testimony from UNL wheat breeder, Professor P. Stephen Baenziger, who offers his views of the proposed statute changes. Because wheat is primarily a food grain, education and communication with consumers is a vital part of the Nebraska Wheat Board's mission. The Nebraska Wheat Growers Association currently works with the Nebraska Wheat Board on a major project in this area, our mobile baking lab. This complete kitchen contained in a trailer allows us to travel the state and educate consumers on the benefit of whole grains. However, moving and staffing a 24-foot trailer is no small feat. Supporting the project which some now call a State Fair tradition would not be possible without the Nebraska Wheat Board. However, the board also invests in other areas of education and communication. In the last five fiscal years, Nebraska Wheat Board has funded 18 different projects with various organizations to increase the level of agricultural education and visibility of wheat in Nebraska. Of those projects, eight have received contract renewals for each of the last five fiscal years. One has received a renewal for the last four years and three received renewals for the last three years. The average contract price for these projects is \$1,700. Of the 15 projects, Nebraska Wheat is funding... [LB905]

SENATOR WALLMAN: I'm sorry, sir. [LB905]

DAYTON CHRISTENSEN: Yes. [LB905]

SENATOR WALLMAN: The light. [LB905]

DAYTON CHRISTENSEN: Okay. [LB905]

SENATOR WALLMAN: Can you wrap it up? [LB905]

DAYTON CHRISTENSEN: Okay, yes, I can. The other areas of funding that is important is in education with the FFA and Nebraska Youth Institute. [LB905]

SENATOR WALLMAN: Okay. Any questions? Senator Lathrop. [LB905]

SENATOR LATHROP: I have a question for you. We've had now two testifiers and you've both been on the Wheat Board. How does the general...the people that are not

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affiliated with the board, how do they feel about the change to the checkoff? [LB905]

DAYTON CHRISTENSEN: That's a good question. [LB905]

SENATOR LATHROP: Do you have a sense of what the average guy who's not so involved in the Wheat Board, how they feel about making these changes? [LB905]

DAYTON CHRISTENSEN: Yes. Actually we've had our membership drive the past couple of months in the wintertime when it's, you know, available to us. And I have went out of my way to talk to several farmers in the southeastern Panhandle and called other farmers. And surprisingly and overwhelmingly they're in favor of this because how we have researched projects in the past and slowly, you know, we'd like better wheat varieties to keep maintaining. Our reputation is, you know, Dr. Stephen Baenziger, you know, he's world-renowned in what he's done for the university and... [LB905]

SENATOR LATHROP: Good, good. Thank you. [LB905]

SENATOR WALLMAN: Any other questions? Senator Bloomfield. [LB905]

SENATOR BLOOMFIELD: Yeah, I'm sitting over here as I'm listening, trying to do a little math. And basically I think what the wheat growers are asking for is a doubling of the checkoff--I'm pretty close on that I believe--with the ability to add another percentage to that which would come pretty close to doubling it again from its current rate. That somehow just seems like a lot of increase to me. [LB905]

DAYTON CHRISTENSEN: Actually, it all depends, you know, the market dictates exactly what's going on. I wished I could foresee what the market would stay strong. [LB905]

SENATOR BLOOMFIELD: I was using the 40 bushel wheat at \$5 an acre or \$5 a bushel I mean. I don't know. It just seems like a lot of increase from where we're at. [LB905]

DAYTON CHRISTENSEN: The other things that we need to realize is not only in education, not only in research, but in, you know, don't...having funding to go to U.S. Wheat Associates to be competitive in the global market we have to keep reassuring potential buyers of high-quality wheat and what they want and what traits they would like to see. Asia is different than the Middle East and different from Africa. And there's different traits, different places to go with different varieties of wheat. And really to keep research going, maintaining multiyear contracts to ensure good quality wheat varieties is key and to know what the customer wants in the global market. [LB905]

SENATOR BLOOMFIELD: Okay. I'm going to ask you a question here that you may not

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have the answer to. Nebraska is showing a decrease in wheat production. What about Kansas, Oklahoma, Texas, Colorado? Are they also decreasing or are they increasing? [LB905]

DAYTON CHRISTENSEN: Actually, yes. We were out at Washington, D.C., with the National Association of Wheat Growers and they had given us a graph. I should put that in this morning, and it would show the decline in the other states. North Dakota and Kansas are always the top two and definitely in the Texas Panhandle, Oklahoma, they've seen decreases also. [LB905]

SENATOR BLOOMFIELD: With the fine weather Texas had last year, that's understandable. [LB905]

DAYTON CHRISTENSEN: Well, yeah, that on top of it, uh-huh. [LB905]

SENATOR BLOOMFIELD: Thank you. [LB905]

SENATOR WALLMAN: I see you come a little ways so thanks for coming. [LB905]

DAYTON CHRISTENSEN: Yes. Thank you. Any other questions? [LB905]

SENATOR WALLMAN: Welcome to the Ag Committee. [LB905]

DAN HUGHES: (Exhibit 5) Thank you. It's my pleasure to be here. Senators, ladies and gentlemen, my name is Dan Hughes, D-a-n H-u-g-h-e-s. I'm a corn and wheat farmer from Chase County, Nebraska. And to give you some kind of an idea when I left home this morning, in ten minutes I could have been in Colorado. Normally it takes 4.5 hours to get here. Today was about 5.5. The roads weren't that great. But I'm a firm believer in the checkoff programs, both wheat and corn, and I come before you today to enforce that. A little bit of history, my uncle, Herb Hughes, was one of the driving forces behind the wheat checkoff back in 1955. He was the second president of the National Association of Wheat Growers. It was due to his foresight and many farmers like him that the checkoff programs in Nebraska have been such a success. About 50 percent of Nebraska wheat is exported globally, and much of that is attributed to U.S. Wheat Associates, which is the group of like-minded state checkoff associations. There are 18 states that pool part of their checkoff dollars to form a marketing arm for U.S. wheat around the world. I am currently serving as U.S. treasurer...as secretary-treasurer of U.S. Wheat Associates so I've been able to see firsthand exactly where those checkoff dollars are going. This past September I had the opportunity to be in Colombia and we were meeting with a buyer of U.S. wheat and there was a problem. One of the holds in his ship had been quarantined by the Colombian government. They had done a test on it and found...and I don't remember exactly what it was, vomitoxin or something. So they called the U.S. Wheat Associate representative in that country and said, help. We need

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help. So we were able to come in, provide the technician with the expertise to have that hold retested and proved to the government that there was not a problem with importing that wheat. Unfortunately, it took about 30 days so this miller was sitting there with an oceangoing vessel that he was paying demurrage on. So it turned out it probably was politically motivated, but we were there to help solve that problem. So you can be assured that the next time they go to tender for wheat they're definitely going to look at U.S. wheat. One of the reasons why the checkoff is so important is because the things we do in those foreign countries--and it costs a lot of money to do business in foreign countries--U.S. Wheat Associates works in over 100 countries in the world. You know, there's...most every country in the world can raise wheat, but the United States is one of the largest exporters of wheat where we don't use all we can produce. So it's important that a buyer has someone that they can talk to when it's not only procurement but the quality, the quantity, and the functionality of the wheat that we produce. An increase in the checkoff in the Nebraska association would help offset the increases that we see on the national level. We've got...we just recently passed a 5 percent increase in that assessment here a couple of weeks ago in D.C. Also it takes a lot of money to bring foreign trade teams to this country, and that's the true value is that one on one. You want to buy something from someone you know and you want to know that you're getting quality for your dollars and you want to be able to look them in the eye and trust them. And that's a big part of what we do. With that, you can read my testimony. I'll be happy to answer any questions. [LB905]

SENATOR WALLMAN: Thank you. Any questions? Seeing none, thanks. [LB905]

DAN HUGHES: Thank you very much. [LB905]

SENATOR WALLMAN: You came a long ways too. Welcome. [LB905]

STEVE NELSON: Good afternoon, Senator Carlson, Senator Wallman. [LB905]

SENATOR WALLMAN: Welcome. [LB905]

STEVE NELSON: My name is Steve Nelson, Steve, S-t-e-v-e, Nelson, N-e-l-s-o-n. I'm a farmer from Axtell, Nebraska, Kearney County where my son and I raise corn, seed corn, and soybeans. In December I was elected to the position of president of the Nebraska Farm Bureau Federation, and I am here today on behalf of the Nebraska Farm Bureau to offer support for LB905. Over the course of the last several months, we've had numerous conversations in our organization about the role of state checkoff programs. Those conversations included a significant rewrite of our checkoff policy at our annual meeting in anticipation of legislation that would be brought forward this session. Farm Bureau is a longtime supporter of Nebraska's commodity checkoff programs, and our members continue to support these programs with an understanding that they were founded on the principles of commodity promotion, research, and

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education with the goal of creating new market opportunities for the respective commodities. A major factor in a checkoff board's ability to carry out these responsibilities is having adequate resources. Our members have indicated support through our policy process for ensuring that checkoff boards have adequate...access to adequate resources to carry out the mission of the checkoff, which would include flexibility in setting rates to meet the board's needs. Our members have also clearly noted that any future adjustments in checkoff rates should occur only after having gathered input from producers who pay the checkoff and finding there is a broad-base support for any proposed change. LB905 meets both Farm Bureau policies by first allowing the Nebraska Wheat Board to collect their checkoff based on a percentage of the commodity's value, a modification that would provide additional resources to the board when commodity prices rise. The bill further addresses our desire for producers to have input in the process of adjusting rates by requiring a public hearing before any checkoff rate adjustment. In supporting LB905, we do want to note with this committee that there are other issues relating to checkoffs that are not included in this bill and which we believe should be examined in the interim. While our policy supports mandatory collection of the checkoff, it also calls for a right of refund. LB905 does not contain a refund provision. Our policy also states that checkoff funds should not be used for political purposes or for influencing legislation. State law currently allows for those activities in a restricted capacity. We note these issues as we have a strong interest in working with both the committee and commodity boards to have discussions about examining these provisions in the months to come. Over the years, Nebraska Farm Bureau has had the opportunity to work with many of the checkoff boards for the betterment of Nebraska agriculture, and we look forward to continuing those relationships into the future. We greatly appreciate the opportunity to offer support for LB905 and hope the committee will advance the bill as a means to help the Nebraska Wheat Board continue their work in expanding markets for Nebraska wheat farmers. I'd be happy to answer any questions you may have. [LB905]

SENATOR WALLMAN: Thank you, Steve. Any questions? Thank you. [LB905]

CARL SOUSEK: (Exhibit 6) My name is Carl Sousek, C-a-r-l S-o-u-s-e-k. Senator Carlson, Senator Wallman, members of the committee I will simply be submitting written testimony on behalf of the Nebraska Corn Growers Association of which I am president, currently serving as president. With that, I'd entertain any questions, but like I said, will just be submitting written testimony. [LB905]

SENATOR WALLMAN: Any questions? Thank you. Welcome. [LB905]

SCOTT RICHERT: (Exhibit 7) Thank you. Good afternoon, Senators. My name is Scott Richert, S-c-o-t-t R-i-c-h-e-r-t, and I'm here today as a soybean and corn producer from Seward County, representing the Nebraska Soybean Association in support of LB905, the Nebraska Wheat Resources Act. It was the vision of U.S. soybean farmers that

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helped create the national soybean checkoff as part of the 1990 farm bill. Since the creation of the national soybean checkoff in 1991, over the past 20 years demand for U.S. soybeans has grown more than any other U.S. row crop. Soybean demand is up more than 140 percent since the start of the national checkoff. Over these 20 years, the checkoff has served as a guide to look for creative and innovative ways to use these funds to promote the product. In return, many new markets for our products have been opened and advanced our industry to where it is today. As we look to the next few decades in particular, it is apparent that even more change will be coming at us. All checkoffs will indeed play a vital role in helping all of us to make the most of these challenges. The soybean checkoff, like the wheat checkoff, is invested in the areas of promotion, education, and research. I've experienced firsthand my soybean checkoff working to develop market opportunities beyond my local elevator. It may be in the area of biodiesel and bioheat to bio products and international trade or aquaculture industry, all of which depend on checkoff-funded research, promotion, and education projects to be at the success level it is today. I am seeing investment in the checkoff paying off over the last 20 years for soybean producers. The advancement of our industry locally and globally is due to the checkoff at work. It is not enough to look back on 20 years of checkoff achievements. We have the responsibility to prepare for the next 20 years. We encourage you to advance LB905 which will in turn create new opportunities for the wheat industry in Nebraska and abroad. Thank you. Any questions? [LB905]

SENATOR WALLMAN: Thank you. Any questions? Senator Karpisek. [LB905]

SENATOR KARPISEK: Thank you, Senator Wallman. Thank you and since you are with the soybeans, I've noticed a lot of ads on TV lately about feeding one pig doesn't make a lot of difference, but more and more does; and the same with chickens I think. So I know that it helps. Do you have any idea how much it helps of what...I know it's hard to track any advertising, but how much that has increased the awareness of soybeans and all of that? [LB905]

SCOTT RICHERT: I don't have exact numbers. I think, you know, the research is how many times you...the amount of times you get in front of somebody is where their memory starts I guess. And I think it's helped. You know, our production and exports have been increasing and our usage has been increasing. And we've...the amount of research that the checkoff...the amount of monies that the checkoff has used in research for biodiesel, bioheat, soy ink, bio products and everything else, along with just advancements in feeding...from feeding fish with floating fish food made out of soybeans and things like that is...those things wouldn't have been done at near the pace they have without the checkoff. [LB905]

SENATOR KARPISEK: And I think a lot of thing...or something that struck me about your ads is it's maybe more educational maybe to some people that don't understand what agriculture is. And I know those of us on this committee appreciate that as we go

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through bills to try to teach kids even in some of our rural schools about agriculture.
So... [LB905]

SCOTT RICHERT: Right. [LB905]

SENATOR KARPISEK: ...we do appreciate that and we have noticed that. Thank you.
[LB905]

SCOTT RICHERT: It's been a concerted effort from the soybean checkoff board to aim at the education side of things because animals are still our biggest usage of soybeans. And they've had a program for quite some time of education in the classroom and having individuals go out and talk to different classes. [LB905]

SENATOR KARPISEK: Still not big on the soy burgers though. (Laughter) Thank you. Thank you, Senator Wallman. [LB905]

SENATOR WALLMAN: Thank you, Senator Karpisek. Anybody else? Thank you.
[LB905]

SCOTT RICHERT: Thank you. [LB905]

SENATOR WALLMAN: Welcome, Senator Schmit. [LB905]

LORAN SCHMIT: (Exhibit 8) Thank you, Senator Wallman. My name is Loran Schmit. Senator Wallman, members of the Ag Committee, I appear here today in support of LB905, and I testify on my own behalf. The Nebraska Wheat Board was the first commodity checkoff program authorized by the Nebraska Legislature during the 1950s, and that program I believe paves the way and set a standard for all of the rest of the checkoff programs have followed the Nebraska Wheat Board. And I believe that we as farmers today are much better off financially because of the activities of those, the Wheat Board and the subsequent boards, corn, soybean, and the rest of them. It's kind of interesting that the Nebraska Wheat Board has a long and enviable record in support of creating many new programs and markets which benefitted Nebraska wheat producers. I visited some of those countries where U.S. Wheat has offices which are supported by Nebraska Wheat Board and find broad acceptance and general pleasure with the activities of the Nebraska Wheat Board. During my pleasure to know many of those Wheat Board members, Mr. Hughes talked about his uncle and those fellows were the kind of guys when they had to do something they bought a plane ticket and got on the bus and took off and that was it. And we still find members of the organization doing the same thing today. And it's also kind of interesting that in 1971, the Nebraska Wheat Board supported, encouraged, and actually hired a lobbyist to help pass LB776, that was legal at that time I believe, Senator Carlson. I'm not sure, we might want to check it for sure, but I think it was legal for the Wheat Board at that time to engage in

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lobbying. Nebraska Wheat Board members at that time stated...recognized that little if any wheat would ever be used in the production of ethanol. But they knew that the development of a new market for corn would benefit both wheat and corn farmers in Nebraska as well as all of the citizens of the state. The Nebraska ethanol industry today remains indebted to those members of the Wheat Board who had the foresight and courage to recognize the economic fortunes of all farmers and all citizens of the state are intertwined. And I believe that the Nebraska Wheat Board have used their funds wisely and well. The excellent management of those funds by the Nebraska Wheat Board and their staff justifies the increase which is included in Senator Carlson's bill. I commend Senator Carlson for the introduction of the bill and ask the committee to advance the bill to General File. I'd be glad to answer any questions. [LB905]

SENATOR WALLMAN: Thank you, Senator. Any questions? [LB905]

LORAN SCHMIT: Thank you, Senator. [LB905]

SENATOR WALLMAN: Welcome. [LB905]

MICHAEL KELSEY: Thank you. Good afternoon, Senator Wallman, members of the Agriculture Committee. My name is Michael Kelsey, M-i-c-h-a-e-l K-e-l-s-e-y. I'm executive vice president of the Nebraska Cattlemen, here on behalf of the association to testify in support of LB905. Let me begin by thanking Senator Carlson for introducing the bill and Senator Larson and Senator Schilz for signing on as cosponsors. We, as cattlemen, have strong policy in support of checkoffs, and so anytime any of our brothers and sisters come and ask for improvements and/or modifications we want to be in support and work with them. And, Senator Karpisek, we certainly appreciate your comments regarding a proper burger (laughter) and we all know...we have some slow folks in the crowd...and we all know that a roast beef sandwich is certainly best surrounded by wheat. So nonetheless, we are in strong support of this bill. I'd be happy to answer any questions. [LB905]

SENATOR WALLMAN: Thank you. Any questions? Thank you, Michael. Next testifier. Any more proponents? Go to opponents. Neutral. Opponent or neutral? [LB905]

JOHN HANSEN: I am an opponent. [LB905]

SENATOR WALLMAN: Welcome, John. [LB905]

JOHN HANSEN: (Exhibit 9) Mr. Vice Chairman, members of the committee, for the record my name is John Hansen, J-o-h-n Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union, and appear before you today as my organization's president and also our lobbyist. I was waiting for the herd of opponents to come up so I wouldn't be the first, and it looks like I may be the first and the last. We look at our policy and I

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distributed our policy to the committee. And this is the policy that our members have developed and it's the policy that I am bound to go by. And so as we look at those things that we would like to see in a checkoff, as I read our policy last night and again this morning, I just couldn't see how I could be either neutral or in favor of the bill based on our policy. So this is our policy and the first sentence of it says that our attitude towards producer finance commodity, research, and promotion programs is determined by the extent to which producers control the programs. And so we need to remind ourselves when we're talking about checkoffs we are talking about involuntary excise taxes. They are taxes, just as sure as...that is the technical definition of what they are. But what really distinguishes the use of most of our commodity boards in that particular kind of tax from other taxes we pay is the absence of elected representatives. And so in the case of appointments, it is a different phenomenon. It's a different dynamic. And so in terms of what our producers want, while they're very supportive of the Nebraska Wheat Board, supportive of its creation, and supportive of a lot of its mission, and appreciative of the needs that it has to increase income, based on our policy I just couldn't in all good faith come in and be either neutral or be in favor. And so while we recognize their challenges, I would raise a couple of the concerns from the folks that I get, wheat growers in our organization that I checked with. And that is that while the good part of expanding the criteria by which you can bring in additional dollars is useful when those dollars could be helpful to the overall mission of the checkoff, they also pose the opportunity in some cases, and there are concerns in the country, that if you do that you also open the door to extremely large financial players in the ag economy coming in and using the checkoff by providing dollars to them that might well color the direction of the checkoff and whether or not it was, in fact, producer controlled and directed in that particular manner. And so there's just no question that there are powerful economic players in the ag economy who do that with commodity organizations. And so if you allow the checkoff that gathers the dollars to do the same thing based on the record with the checkoff...or not the checkoff but the commodity organizations, it raises a concern. So that was the concern surfaced there as I talked to our folks trying to get a little better sense of where we were at. There was a general recognition of a need to increase the rate, but there was also the feeling that this was a little more aggressive than they felt comfortable with. This was a little too much too fast and so based on the input of our members, I temper my testimony in appreciation of the needs that they do have. But I would say that they did feel it was too much too fast and it is at least a doubling and more than a doubling of the current rate. So with that, I would be glad to end my testimony and answer any questions if I might do so. [LB905]

SENATOR WALLMAN: Any questions of Mr. Hansen? Thank you, John. [LB905]

JOHN HANSEN: Thank you. [LB905]

SENATOR WALLMAN: Any more opposed? Neutral? That closes the hearing on this bill. Senator Carlson, would you want to close? [LB905]

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SENATOR CARLSON: Yes, I would. Senator Wallman and members of the committee, I want to thank you for listening to the testimony. I thank those that came, not only as proponents of the bill but also John Hansen as being opposed to the bill and appreciate their testimonies. I think that you've heard and realize that when you go back as far as you do in the Wheat Board to when the checkoff amount was set, it's been a long time. We see acres going down instead of up. So you have a choice of just kind of taking it that way and giving up or you strive to do all you can to make something positive out of something that is negative in terms of reduction of acres. And I think that's what the Wheat Board is trying to do. Mr. Hansen referred to the checkoff as a tax, and I wouldn't even argue that point. I would agree that it's a tax. But this is a way of growers coming together and making a decision on how they want to fund and promote their crop. Now if there are no checkoffs, how do you expand and promote a market? Money has to come from someplace in order to get this done. And so if there aren't producers willing to provide a checkoff that provide the source of dollars nearest to the producer, what's the next step? It's going to be government. It could be state government or it's going to be federal government. And I would ask in the state of Nebraska, are we better off with wheat growers providing their own dollars to promote their crop or should we have an agency of the state of Nebraska and allocate General Fund dollars to that agency and ask them to pick up the work of the wheat producers? I don't think we'd like the results. I think the way that we have it now offers the best opportunity for the kind of promotion that we want for those who raise wheat in Nebraska. And if they are successful at what they do and they see their profits continually increasing, then obviously the entire state is better off. And so I would ask that you consider this as we have our discussion on what we do with this bill. Now we had opposition from the Department of Ag, but that has to do with the Governor not having veto power, and I'm simplifying it. We can talk about that. That can be handled very simply with an amendment, and I'll talk to the wheat producers about that. Now with that, I'd entertain any questions. [LB905]

SENATOR WALLMAN: Senator Bloomfield. [LB905]

SENATOR BLOOMFIELD: Thank you, Senator. Senator Carlson, would you speak very briefly, and I will get answers from the wheat growers people beyond that, but about expanding the revenues beyond the checkoff. [LB905]

SENATOR CARLSON: About expand, excuse me? [LB905]

SENATOR BLOOMFIELD: Going to expand the revenues beyond the checkoff that may be placed in the promotional cash fund to include gifts, grants, and repayments. [LB905]

SENATOR CARLSON: Now originally that fund was set up that would only accept checkoff dollars. And we do have the one that's most prevalent to me would be the possibility of royalties as funds increase so research can be conducted, and hopefully

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the results of that research involve new varieties that could be profitable. And if they are profitable, the group, in this case the Wheat Board, that provided the dollars for the research ought to be able to reap some benefits from those results. Those would not be checkoff dollars. Those would be royalties. So that fund I believe needs to be expanded so that it accepts dollars other than strictly checkoff dollars. [LB905]

SENATOR BLOOMFIELD: Okay. Thank you. And I am going to ask to talk to some of the people from the Wheat Growers about that further. [LB905]

SENATOR WALLMAN: Any more questions? Senator Harr. [LB905]

SENATOR HARR: Thank you, Senator Wallman. Do we, Senator Carlson, do we have a copy of that letter from the Department of Ag? [LB905]

SENATOR CARLSON: You will have. [LB905]

SENATOR HARR: Okay. So we can talk about it then. All right. [LB905]

SENATOR CARLSON: We'll make sure that you get that. [LB905]

SENATOR HARR: Okay, thank you, appreciate it. [LB905]

SENATOR WALLMAN: Anybody else? Thank you, Senator Carlson. (See also Exhibit 10) Go on to your next bill. [LB905]

SENATOR CARLSON: (Exhibits 1, 2, 3, 4) Sure. Senator Wallman and members of the Ag Committee, I'm here to introduce LB1057, which makes a series of revisions to the Nebraska Corn Resources Act. Let me walk through the substantive changes that the bill would bring about. First, under the bill the checkoff fee would be set by statute at one-half cent per bushel. Now we've come from the other hearing where there's a percentage of value. This request is a specific amount per bushel, one-half cent. The fee is currently at one-quarter cent with the authority for the board to adjust the fee within a statutory maximum of four-tenths of a cent per bushel. The bill would allow future adjustments of the fee by one-tenth of a cent increments, but would require that the board first engage in a process to gather producer input through meetings held in each of the eight director districts. Any increase in the assessment rate would also require an approval of a supermajority, seven out of nine board members. Secondly, LB1057 would expand legislative findings to recognize the public policy purposes in corn resource, marketing, and development and further recognize the Nebraska Corn Board as the agency of the state for carrying forth such policy. Third, the bill would authorize the cash fund to serve as the repository of revenue beyond the checkoff assessments, including repayments to the fund as royalties or license fees--that's the same thinking as we're talking about the fund for the Wheat Board--from intellectual

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properties developed through Corn Board research investments. Finally, the bill would clarify both the content and means of dissemination of the annual reports of the Corn Board by not confining the report to physical publication to enable the report to be disseminated electronically. Currently this report is to contain a copy of all contracts requiring expenditure of funds. LB1057 would require the report to contain a description of such contracts, but the full text would be available to the public upon request. I brought this bill in cooperation with the Nebraska Corn Growers Association as I believe we're at a pivotal time in agriculture, perhaps even more so in corn than in wheat. Nebraska agriculture is asked to meet new standards of productivity with fewer inputs and less strain on natural resources. Our wealth and the future of Nebraska agriculture is dependent a lot on corn. The demand for corn to either be fed to animals or to be made into food products is going to increase. We want to see increased production in the state of Nebraska and yet we've got to try and bring about this increase in production using less water and really being good stewards of our natural resource. And certainly you all recognize that our water supply in Nebraska is second to none, and we're sitting on an absolute gold mine and we've got to be careful that we retain that gold mine for years and years into the future. So we need new innovations and new efficiencies--new innovations in developing new seed, new efficiencies in how we plant the seed and how we grow the corn and how we use the water. And so this is really the essence of LB1057. I'd ask you to listen carefully to the testifiers as they come forth. And we do have, again, we have a letter of opposition from Greg Ibach from the Department of Agriculture. We'll talk about that later and I think that we can solve that problem; and then from the Nebraska Cooperative Council with Bob Andersen, a letter of support for LB1057. With that, that's my introduction and I'd be happy to answer questions. [LB1057]

SENATOR WALLMAN: Senator Harr. [LB1057]

SENATOR HARR: Thank you, Senator Wallman. Thank you, Senator Carlson. Is Greg's complaint the same as with the Wheat Board or is it...? [LB1057]

SENATOR CARLSON: Yes. [LB1057]

SENATOR HARR: Okay. Thank you. [LB1057]

SENATOR WALLMAN: Any other questions? Thank you, Senator Carlson. [LB1057]

SENATOR CARLSON: Okay. [LB1057]

SENATOR WALLMAN: First testifier, please. Welcome to the Ag Committee. [LB1057]

ALAN TIEMANN: (Exhibit 5) Thank you. Thank you, Senator Wallman, Senator Carlson, and members of the Ag Committee. My name is Alan Tiemann, A-l-a-n T-i-e-m-a-n-n. I

farm in the Seward area with my father and my son. We're primarily corn and soybean producers. I serve as chairman of the Nebraska Corn Checkoff Board, but today I'm here representing myself as a producer. And as a corn producer and as a corn checkoff contributor, let me share a few important aspects of the Corn Board's purpose and the need for additional resources. In 1978 the Legislature showed good wisdom in becoming one of the first states to create a checkoff program for corn, following the wheat checkoff that was already in place to benefit Nebraska wheat producers. These checkoff programs are 100 percent self-funded. They are supported with no General Funds. They are in essence a farmer assessing a checkoff on themselves to promote their commodity and agriculture in general, all with legislative oversight. It is a well-known fact that agriculture is the backbone of our state's economy. We hear it referenced by politicians, by our university, by the Federal Reserve Bank, by the media, and it is one of the most important aspects of our state doing so well during a national recession. Corn is the feedstock for feeds, fuels our economy. From cattle, hogs, poultry to ethanol and biodegradable plastics, corn is the main ingredient. So what role does corn play in these other value-added agricultural industries? Without corn we would not have 25 ethanol plants producing 2 billion gallons of ethanol and 6 million tons of distillers grain, we would not be the second largest ethanol-producing state in the nation, nor would we be home to the 2.5 million cattle on feed or the first factory transforming corn into bio plastics. What role does the checkoff program play in this process? Well, as we invest the self-funded contributions from corn farmers into new markets, new uses, basic and applied research, all kinds of educational programs, and a wide variety of promotional programs, when Nebraska corn farmers do well and agriculture is doing well, then our entire state's economy will do well. Nebraska is unique because no other state has the combined strength of corn, ethanol, distillers grains, and cattle feeding, not to mention the beef processing in the state. Together these represent over \$21 billion, a significant amount of our state's total GDP of \$89 billion. I also would like to share that Nebraska has been lagging behind in the areas of research, in foreign market development, in building larger markets for ethanol, in building a better infrastructure for our ethanol, and supporting our livestock industry, in defending our image and providing opportunities for our youth. Why are we lagging behind? Because we have the nation's lowest corn checkoff rate. We rank third in corn production, first in irrigated corn production, but dead last in the corn marketing checkoff right. Maybe it would be better said that we are missing out on great opportunities versus lagging behind other states, but Nebraska has the responsibility to maintain what it is that we do best and that is grow corn and turn it into value-added products like ethanol, meat, biodegradable plastics, and exports, all while creating jobs and income opportunities across our rural communities. The following areas I think we can invest additional checkoff dollars in and keep our industry profitable and sustainable: Number one is research. In cutting edge research on Innovation Campus dealing with food, water, and biofuels; finding more efficient gains in livestock and using distillers grains; using new technology like RTK, GPS, and more efficient with our water and fertilizer inputs while maximizing productivity; pulling together partnerships with our university

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and national research labs to better understand ethanol and its inherent octane value. I'd like to mention that following this hearing we will be meeting as a research committee, and I sit on that research committee for the Corn Board. We will review over \$1 million in proposals from the University of Nebraska for new research. Of that million dollars hopefully we can fund maybe a third of them with the budget we now have, leaving several of those projects unfunded and desperately needed. And second part is market development: expanding the export values for beef and pork through special funding projects with the U.S. Meat Export Federation; developing more corn export opportunities through the U. S. Grains Council; and helping fund blender pump installations and promotions. Education: better educate consumers, and the media; work with the K-12 school system; develop learning tools that help career development in agriculture and agribusiness; I see my time is running out. I'll try and wrap up here. I think we can find value in our self-funded program and the checkoff no matter if it's corn, soybeans, wheat, beef, pork. These checkoff programs have all helped make Nebraska a leader in agriculture production. I do have letters of support from surrounding states and from our national cooperators, also information on the need for the resources and where those resources will be utilized that I can hand out at this time. Thank you. [LB1057]

SENATOR WALLMAN: Thank you. Any questions? Senator Karpisek. [LB1057]

SENATOR KARPISEK: Thank you, Senator Wallman. Thank you very much. I know you were getting through your list here, and just...I think you got about to promotion. Do you want to just...a little bit on what you still would like to do with the promotion part? [LB1057]

ALAN TIEMANN: Yeah. We're obviously very involved with the ethanol aspect of corn production and the expansion of E15 to get past that blender wall to expand the use of ethanol. A lot of that has to do with the ability and the infrastructure within the ethanol industry. We'd really like to be able to help promote the ethanol industry in getting blender pumps, especially up and down the I-80 corridor where we have somewhere around 126,000 flex-fuel vehicles in the state of Nebraska. We'd like to have them have the opportunity to utilize those pumps. [LB1057]

SENATOR KARPISEK: And then just the diversity, other things that you can make out of corn, right? I know one year we got I think a cup that was made out of corn and a pen and... [LB1057]

ALAN TIEMANN: Yeah. The bioplastics industry obviously was initiated here in the state of Nebraska and the factory is at Blair, Nebraska, that produces PLA, which is in turn shipped around the world. Taiwan is one of the major users of that PLA product, which makes Nebraska corn even more an international product. [LB1057]

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SENATOR KARPISEK: Very good. Thank you. Thank you, Senator Wallman. [LB1057]

SENATOR WALLMAN: Anybody else have a question? Senator Brasch. [LB1057]

SENATOR BRASCH: Thank you. Thank you, Senator Wallman, and thank you as well. I have a question. Now the funds from the checkoff dollars, they go to Innovation Campus, is that what you were saying, for... [LB1057]

ALAN TIEMANN: That...as we look to fund research, the areas that Innovation Campus will focus on are our mirror what we would like to do within the corn industry, doing with food, water, and biofuels. And as we look to fund research, we hope to take part in that expansion at Innovation Campus with our research dollars. [LB1057]

SENATOR BRASCH: I do understand where wheat is seeing some extreme challenges, weather conditions, and...but I believe corn is increasing, correct? [LB1057]

ALAN TIEMANN: Yes. [LB1057]

SENATOR BRASCH: Now with research... [LB1057]

ALAN TIEMANN: Correct. [LB1057]

SENATOR BRASCH: I believe this year my husband said our dryland corn was just as productive as those sitting under the pivots because of the seed. And aren't there many, many seed companies out there that are doing research? [LB1057]

ALAN TIEMANN: You're exactly right and that's the research that we don't really get involved in because they can do that so much better than we can and the dollar level to do that research is way beyond our grasp. What we're looking at is water efficiency, nitrogen efficiency, farmer...things that they can get their hand around and say I can use this on my farm. This is what works, so it's through the University Extension programs, those type of things, teaching producers how to do more with less, how to grow more corn on...with less inputs is our focus. [LB1057]

SENATOR BRASCH: And I guess this is where...so does it happen at an academic level and then here all the commercial vendors they get it from you because we get letters... [LB1057]

ALAN TIEMANN: Yeah, we do both basic and applied research so the basic research, maybe there's something that's just really down here at the ground level that we're going to fund at the university level that has potential for a Monsanto or Syngenta to pick up to take forward. But somebody has to start at that ground level with this research to get the ball rolling. And that's...and when it comes to that type of production

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research, that's the level we can participate at. [LB1057]

SENATOR BRASCH: As a farmer, we get ongoing invitations from many producing companies wanting to teach us about everything you just said, especially when you buy their seed. But, you know, they bring you into different educational opportunities. And I'm just wondering is this, you know, a duplication at all that we're looking at in the corn... [LB1057]

ALAN TIEMANN: One of the requirements the research that we do, is that it is novel research. They have to show us that the research that we're funding has not already been done and is not being done by anybody else at this time so that... [LB1057]

SENATOR BRASCH: It's very academic. [LB1057]

ALAN TIEMANN: Yes. [LB1057]

SENATOR BRASCH: Okay. I have no other questions. Thank you. [LB1057]

ALAN TIEMANN: Thank you, Senator Brasch. [LB1057]

SENATOR WALLMAN: Senator Bloomfield. [LB1057]

SENATOR BLOOMFIELD: Thank you, Senator Wallman. Can you speak any further to the question I asked Senator Carlson on funds beyond the checkoff? If the plastic plant in Blair comes up with an item that makes a little money, how do we go about getting a little piece of that for the corn checkoff people? [LB1057]

ALAN TIEMANN: I think that's beyond our grasp in that arena. But let's say we help fund technology through the university that develops a new ethanol engine and that ethanol engine gets on the market or the component that makes that ethanol engine gets on the market and there are royalties to be had because of the profit made from the research that we funded that royalty could find its way back to us. [LB1057]

SENATOR BLOOMFIELD: How do we access that? It's got to be a long legal process proving that it was our research that did that? [LB1057]

ALAN TIEMANN: No, I think maybe through the... [LB1057]

SENATOR BLOOMFIELD: Maybe I'm out of your line of expertise but... [LB1057]

ALAN TIEMANN: Yeah, you are somewhat and I don't know that we have anybody here that can answer that question. [LB1057]

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SENATOR BLOOMFIELD: I'm sure somebody will get to me with an answer before this goes to Exec Session, so thank you. [LB1057]

SENATOR WALLMAN: Thank you, Senator Bloomfield. Anybody else? Thank you, Alan. [LB1057]

ALAN TIEMANN: Thank you so much for your time. [LB1057]

SENATOR WALLMAN: Next testifier. Welcome to the Ag Committee. [LB1057]

CARL SOUSEK: (Exhibit 6) Thank you. Senator Wallman, members of the committee, my name is Carl, C-a-r-l, Sousek, S-o-u-s-e-k, and I'm a farmer from Prague, which is located in Saunders County, and my family and I operate a diversified operation: corn, soybeans, wheat, and cattle. I am currently serving as president of the Nebraska Corn Growers Association. The Nebraska Corn Growers Association is a membership organization based on grass-roots principles who advocate for the good of our industry on all levels. In 1978 the corn checkoff program was created. For 34 years, the Corn Development, Utilization, and Marketing Board, the Nebraska Corn Board, has exhibited exceptional ability to prioritize and utilize the resources created by these checkoff dollars. With today's changing economy, so have the needs of our industry changed. Research, market development, education, and promotion are needed to keep the Nebraska corn industry competitive on both...on all national and international levels. Further financial resources are needed in order to accomplish the task. Speaking on behalf of the Nebraska Corn Growers Association and its members, we support the increase in the current checkoff rate to one-half cent. At our association's annual meeting, the members reaffirmed their support of the checkoff increase with a unanimous vote of our delegates. Nebraska farmers are passionate and committed to furthering the resources and development of our state's largest industry, and we ask that the Agriculture Committee help with our vision to move our industry forward. Senator Carlson I believe will share with you an editorial article published in the Nebraska Farmer magazine, one of the state's largest ag publications. Editor Don McCabe does an excellent job of presenting the needs and goals of our checkoff. As Mr. McCabe notes in his editorial, Nebraska is the lowest per bushel rate of any of the major corn-producing states. As president of Nebraska Corn Growers Association, I have had the opportunity to interact with a wide array of farmers from across Nebraska. And I can tell you that I have not received a single negative response to the idea of raising our checkoff rate to a level that makes us competitive with our peers. The question that I'm usually asked by Nebraska corn farmers is, why aren't we doing more? Members of the Nebraska Corn Growers Association ask that the committee support and advance LB1057. As our predecessors before us paid forward, we ask that the tradition be continued and we, too, pay forward to ensure the future of Nebraska's corn industry. I will leave a copy of my remarks and some background information on the benefits of raising the checkoff. And with that, I would entertain any questions that the

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committee may have. [LB1057]

SENATOR WALLMAN: Any questions for Carl? Senator Karpisek. [LB1057]

SENATOR KARPISEK: Thank you, Senator Wallman. I don't want you to think I forgot about what we talked about in the Rotunda, but I asked about the sliding scale more, just like we talked about wheat and how you said this would be a better way to go for corn. Can you just reiterate that a little bit for the record? [LB1057]

CARL SOUSEK: Sure. We believe that the per bushel rate is better for the corn industry for several reasons, but a couple of them are due to our relative stability in production within Nebraska, we enjoy a great deal of irrigated acres in Nebraska, that that helps us better budget or more budget stability in Nebraska. And, of course, we don't want to return to the levels of \$2 or \$3 corn, but I think it's the best fit for the corn industry in Nebraska. Each commodity is a slightly different animal, so to speak, and I think that it best fits corn to have it at per bushel rate. [LB1057]

SENATOR KARPISEK: So probably both things of being on the increase rather than the decrease and the irrigated acres both play into that compared to the wheat. [LB1057]

CARL SOUSEK: I believe so, yes. [LB1057]

SENATOR KARPISEK: All right. [LB1057]

CARL SOUSEK: The irrigation does have a factor in that. [LB1057]

SENATOR KARPISEK: Thank you. Also can I do one more, Senator Wallman? [LB1057]

SENATOR WALLMAN: Yes, you can. [LB1057]

SENATOR KARPISEK: Thank you. Okay. Now how did the Corn Board decide on the request to increase the checkoff from a quarter to a half and did you...how did you get the number approved? How did you get the approval or...? [LB1057]

CARL SOUSEK: Come to the half cent? [LB1057]

SENATOR KARPISEK: Yeah. [LB1057]

CARL SOUSEK: Well, it was a collaborative effort. I represent the membership organization. And I have an ex officio position on the checkoff board. And together the checkoff board and the association have reviewed the amount of money that's been allotted to them and the amount of requests that have come to them for promotion

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activities, for research activities. And we kind of came to the conclusion that this was the best rate at the time. We would have liked to make maybe over time incremental steps, but situations arrive. We've evolved, so to speak, our industry has evolved at a rate that is unprecedented, and we thought that this would fit our needs at this time. I understand the bill does make provisions for increases down the road. But at this point in time the half cent seems the logical place to start. [LB1057]

SENATOR KARPISEK: Perfect. Thank you, Mr. Sousek. Thank you, Senator Wallman. [LB1057]

SENATOR WALLMAN: Thank you, Senator. Any other questions? [LB1057]

SENATOR BRASCH: It would be interesting to see a breakdown of all the programs and everything that the checkoff dollar has that was not submitted here, correct? [LB1057]

CARL SOUSEK: Correct. Well... [LB1057]

SENATOR BRASCH: To see where the, you know... [LB1057]

CARL SOUSEK: And I understand in defense of the checkoff board, that situation is very fluid from year to year. And depending on...yeah, although their budget is fairly consistent because Nebraska production is consistent, because of the variance in the requests that they get for promotional activities, for education, for the four main focuses, because of their limitation in funds, they get maybe a little more swings than they would see in maybe other states with larger pools of revenue to work off of. Where it's going to go in the future is also hard to determine because they may need to change their focus. They need to be quick on their feet so to speak because we can see the challenges that come before our industry change from year to year, just like any of us in agriculture understand that no year is alike and we need to be flexible. So I'm sure they could get you some information on historically where the money...where the ratio of where they've spent their money, but need to reiterate that being effective is maintaining flexibility in their budgets. [LB1057]

SENATOR BRASCH: Would you say the industry is suffering or stagnant because of the low checkoff dollars that other states with higher checkoff dollars are doing so much more with their corn? [LB1057]

CARL SOUSEK: I wouldn't go as far to say that they're stagnant because even with the limited funds I believe in Nebraska we've done a good job and met the challenges the best we can. But as Alan might have stated in his testimony, it's maybe more of opportunities missed. [LB1057]

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SENATOR BRASCH: Okay. [LB1057]

CARL SOUSEK: Yeah. That would be a better way to look at it is there's so much more out there that we could be participating in. [LB1057]

SENATOR BRASCH: And that would be a wonderful case that, you know, what is the gap here that as we stand today that we are missing so many things so that's very important. [LB1057]

CARL SOUSEK: Our ability to set the tone on the national level or on...and I mean on national campaigns or advertising or research or promotion is somewhat limited by our ability to participate and some of the ideas that maybe we don't get to have a strong voice in, although we do our best to influence those national campaigns. [LB1057]

SENATOR BRASCH: Very good. Well, thank you for your work. I have no other questions. [LB1057]

CARL SOUSEK: Thank you. [LB1057]

SENATOR WALLMAN: Thank you. Anybody else? Thank you, Mr. Sousek. [LB1057]

CARL SOUSEK: Thank you. [LB1057]

SENATOR WALLMAN: Next testifier. Welcome. [LB1057]

STEVE NELSON: Good afternoon again. Senator Carlson, Senator Wallman, my name is Steve Nelson, S-t-e-v-e N-e-l-s-o-n. Again, I'm a farmer from Axtell, Nebraska, in Kearney County and president of the Nebraska Farm Bureau, here today on behalf of the Nebraska Farm Bureau in support of LB1057. As referenced in my previous testimony on LB905, our members greatly support Nebraska's checkoff programs and believe commodity boards should have access to the resources that allow them to successfully carry out the mission of creating new markets for agricultural commodities. In the case of the Nebraska Corn Board, our members have specifically indicated support for an increase in the corn checkoff rate. Similarly, this bill also addresses our interest in making sure the corn producers who pay the checkoff have the opportunity to share input before any further adjustment of the checkoff rate would occur. LB1057 specifically provides this accountability by requiring public meetings be held in each of the eight districts represented on the Nebraska Corn Board before a vote of the board to adjust such rate could be approved. Again, I would briefly point out that while we support LB1057, it also does not include a right to refund for producers or speak to any change in the board's ability to use checkoff monies for political purposes. As noted previously, we would welcome the opportunity to have that discussion and would ask to reserve that conversation for the interim. In closing, I want to acknowledge the good

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work of the Nebraska Corn Board and their efforts to not only support Nebraska corn farmers but their many efforts to support Nebraska's livestock industry, which is a major consumer of Nebraska corn and corn by-products. Nebraska's corn, ethanol, livestock connection is a major reason for Nebraska's continued economic prosperity, and the investment the Corn Board has made in these areas has been a tremendous value to our state. We thank you for the opportunity to offer support of LB1057 and would encourage the committee to advance the bill to General File. I'd be happy to answer any questions that you would have. [LB1057]

SENATOR WALLMAN: Any questions for Steve? Thank you. [LB1057]

STEVE NELSON: Thank you. [LB1057]

SENATOR WALLMAN: Next testifier. Good afternoon again. [LB1057]

SCOTT RICHERT: (Exhibit 7) Good afternoon again, Senator Wallman, Senator Carlson, and committee members. My name is Scott Richert, S-c-o-t-t R-i-c-h-e-r-t, and I'm here again today for the Nebraska Soybean Association. I raise corn and soybeans in Seward County. And past that, the rest of my testimony is basically the same so if you...I can either read it or we can go to questions I guess. But we are in support of LB1057 and would like to see it move forward. [LB1057]

SENATOR WALLMAN: Okay, thanks. Any questions? Senator Harr. [LB1057]

SENATOR HARR: Thank you, Senator Wallman, and thank you for your short, concise testimony. [LB1057]

SCOTT RICHERT: No problem. [LB1057]

SENATOR HARR: It is greatly appreciated. (Laughter) [LB1057]

SENATOR WALLMAN: Anybody else? [LB1057]

SCOTT RICHERT: Any more tough questions? [LB1057]

SENATOR WALLMAN: Thank you. [LB1057]

SCOTT RICHERT: Thank you. [LB1057]

SENATOR WALLMAN: Next testifier. Welcome, Michael. [LB1057]

MICHAEL KELSEY: Thank you. Good afternoon again, Senator Wallman and members of the Agriculture Committee. My name is Michael Kelsey, M-i-c-h-a-e-l K-e-l-s-e-y,

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executive vice president of the Nebraska Cattlemen, here to testify in support of LB1057 on the association's behalf. Our testimony will be brief as well in terms of our philosophy of supporting producers and their idea of commodities and so will not get into the discussion over what the checkoff should be used for or how it should be used other than if it's producer controlled, then we're in full support of it. Be happy to answer any questions. [LB1057]

SENATOR WALLMAN: Any questions for Michael? Thank you. Next testifier. Good afternoon, Pat. [LB1057]

PAT PTACEK: (Exhibit 8) Good afternoon, Senator Wallman, Senator Carlson, members of the committee. I do have some written testimony to hand out, please. My name is Pat Ptacek, that's P-a-t P-t-a-c-e-k, testifying today on behalf of the Association of Nebraska Ethanol Producers in support of LB1057. We would like to commend the Nebraska Corn Growers Association working alongside the Corn Board over the past couple of years in gaining broad support from the state's corn producers to move ahead with an increase in the corn checkoff. Through the initial assessment on corn, they've witnessed how their investment in research, promotion, industrial uses, and market access has made agriculture as profitable as it is today, contributing tremendously to the state's economic well-being. And obviously ethanol, through the production credit program financed through checkoffs, has also been extremely instrumental in getting the ethanol industry off the ground in the state of Nebraska. In 1978, the year the Corn Board was authorized by the Legislature, Nebraska produced about 762 million bushels of corn at an average price of \$2.20 a bushel. In 1990, the first year the Ethanol Production Incentive bill was passed, the state produced about 934 million bushels of corn at an average price of \$2.29 per bushel. Now in 2011, the state produced just at 1.5 billion bushels of corn at an average price of \$5.09 a bushel. The value of the Nebraska corn crop over these years has increased from approximately \$1.7 billion to more than \$7.5 billion, and ethanol production in the state has risen from 0 gallons to more than 1.8 billion gallons annually. The Nebraska corn checkoff is aided in the establishment and success of the state's ethanol industry. Merely a dream just 40 years ago, the ethanol industry today processes over 30 to 35 percent of the corn produced annually, supplying the nation with an alternative fuel, as well as a high-quality, affordable feed source for the local production of livestock. Besides the checkoff, other state and federal incentives have assisted in the production and utilization of ethanol. And while these programs are beginning to be phased out, much can be done by corn farmers and ethanol producers to ensure the consumers continue to have access to this valuable alternative fuel. The establishment of blender pumps here in Nebraska and throughout the surrounding states is one very important way we can continue to keep the product affordable and accessible. Blender pumps at gasoline stations can offer the consumer the choice to choose the amount of ethanol they wish to consume, anywhere from a blend of E-10 to as high as E-85 or none at all. Blender pumps also offer the consumer price advantages over regular gasoline depending upon the blend that they

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choose. Today Nebraska has approximately 60 blender pumps, which include E-85 pumps. Minnesota has around 50 and South Dakota, to the best of our knowledge, right about 42. North Dakota has assisted in the installation of at least 157 blender pumps, while there are about 50 blender pumps in Iowa according to our information. The Nebraska Blend Your Own program, through the coordination of the Nebraska Corn Board, can demonstrate to gasoline filling stations options to increase revenue and take control of ethanol blend pricing. By becoming their own blender, eligible retailers can nearly cover the costs of updating their equipment. The Nebraska Corn Board has provided financial assistance--\$5,000 per pump up to \$20,000 per station per location--for the installation of ethanol blender pumps across the state. The Corn Board has done an outstanding job to incent the installation of blender pumps with limited funding. And hopefully a substantial portion of increased checkoff dollars can be dedicated to continue this outstanding program. North Dakota, as I said, has installed or has assisted in installing 157 blender pumps, the most in the nation. They have or just will announce that they will spend around \$3.5 million more with a public-private partnership with a state and corn grower funded biofuels blender pump program which provides retailers with one-time funding to help alleviate the cost of maintaining these blender pumps and installing them as well. Last month, South Dakota announced that they were making \$950,000 in grants available to help pay for the new installation of ethanol blender pumps and associated infrastructure at retail gas stations in South Dakota. Grant awards of up to \$25,000 are available for installation of the station's first blender pump and grant awards up to \$10,000 are available for installation of each additional pump. Once again, the Association of Nebraska Ethanol Producers supports the advancement of LB1057. It's our hope that the state's farmers along with ethanol producers continue to promote and increase the consumption of ethanol. Dedicating an increased portion of the corn checkoff to establish more blender pumps throughout Nebraska is an outstanding opportunity to increase demand for this product. It's good for the environment, good for farmers, and it's good for the economy. With that, Mr. Chairman, Senator Wallman, I'll be available to answer any questions you may have. [LB1057]

SENATOR WALLMAN: Any questions? Yes, Pat, will some of this money be used then to expand blender pumps to the country? [LB1057]

PAT PTACEK: We know that the Corn Board was developing a marketing plan to come up with more specific utilization of those funds, and I know that blender pumps had been mentioned in more of a broad white paper that we did see earlier last week, thanks to the checkoff at the Corn Board that did share that with us. So we know that I think they are keeping their eye on that. We don't want to certainly replicate a program that's already met with success. We just hope that there's more dollars...more dollars are given to that program for the installation. [LB1057]

SENATOR WALLMAN: Sure, sure. Thank you. [LB1057]

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PAT PTACEK: Thank you. [LB1057]

SENATOR WALLMAN: Welcome. [LB1057]

RYAN BONHAM: Senator Wallman. [LB1057]

SENATOR WALLMAN: Got your machine, huh? [LB1057]

RYAN BONHAM: Yes. We'll try to keep this fairly quick for you so. My name is Ryan Bonham, spelled R-y-a-n B-o-n-h-a-m. I guess I would like to talk to you guys about LB1057 and why it's important to me and why I think it's important for raising the corn checkoff. I was raised in Franklin. It's a small rural town in south central Nebraska. I am the fifth generation now, but upon leaving high school that was pretty much the farthest thing from my mind. I came here to Lincoln, attended the University of Nebraska-Lincoln, got my agricultural business degree, and found myself banking in downtown Omaha after that, where then I sold variable annuities for The Hartford. It was then that I met my future Mrs. Bonham and things seemed to change pretty quick and we decided that with the future of our family we really wanted to instill the livelihood and the lifestyle that you can get what we feel in a small community. I do feel very fortunate that I do come from a family farm where the decisions that are made are always looking into the future. We always ask ourselves, you know, with decisions that we make, will I be able to farm next year and will these decisions allow me to pass our family farm on to the generations of our two children now? You know, for the last 30 years the Nebraska corn farmers have been investing back into the industry through this self-help checkoff program. This program does help in developing markets, educates the public, and provides research in a wide range of areas that we've all heard about today. A lesson that I did bring back from The Hartford, though, is reinvesting in your business. I have found that 20 to 30 percent of the...well most of, back up a second. Many of this country's most successful businesses do reinvest 20 to 30 percent of their gross profits into research and market development, which makes me ask the question: Are we doing that ourselves in the field of agriculture? Under this proposal of a half-cent a bushel or total raised I guess or you know what I'm saying, you know, I guess you can look at it as doubling the dollar. But I challenge you to look at it like reinvesting in a company where the stock is down, like you're getting it on sale. It's been more than 20 years since we have reinvested in our self-help checkoff program. And I always at The Hartford told a story about my grandmother, and I first asked her about the time she bought her first home and I asked her how much that cost her. And she said it was \$13,000 and that did come with 75 acres of ground, pretty amazing. Well, then I asked her, I said, well, how much did you buy your last car for? Forty thousand dollars. And that's just, you know, in a time period of 40 years. So we can really see how inflation has really eroded the purchasing power of the dollar. You know, by having this 20-year lapse of no inflation on the checkoff amount, it's apparent how we could reinvest during

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a low in the market and it could be a win-win situation for everybody. I'm sure everyone else is aware of the good fortune Nebraska corn farmers are experiencing, but the other side that I found out in the last four years of farming is that it does cost a lot more to do this. Thus, we need to maintain the higher prices and our production levels. When I look at the inputs, it would sure be nice to buy them at a price that wasn't adjusted in inflation and buy them 20 years ago. But in conclusion, I have talked to farmers who are in support of LB1057. This is a bill that we feel is necessary so we can continue strengthening our family business. It will provide us with the right marketing and research so families like mine will be able to share it with future generations. So with that, I'd like to thank you for your time and sharing my concerns today. [LB1057]

SENATOR WALLMAN: Well, thank you for testifying. Any questions here? Senator Harr. [LB1057]

SENATOR HARR: Less a question and a comment. I appreciate your comments regarding inflation and not changing in 20 years. And again I would ask you if asked on a ballot, something hasn't been changed in 20 years to go ahead and double it, okay? [LB1057]

RYAN BONHAM: Yeah. [LB1057]

SENATOR HARR: Thanks. [LB1057]

RYAN BONHAM: What's coming up? [LB1057]

SENATOR WALLMAN: I think he's talking about our salaries here. Thanks. (Laughter) Welcome. [LB1057]

JON HOLZFASTER: (Exhibit 9) Thank you, Senator Wallman. Senator Carlson and Ag Committee, thank you as well. My name is Jon Holzfaster, J-o-n H-o-l-z-f-a-s-t-e-r. I farm in southwest Nebraska in the Paxton area. I produce corn, wheat, soybeans, dry edible beans, cattle, and ethanol in Perkins County. While I serve on the Nebraska Corn Board and represent portions of western Nebraska and have served six years on the Nebraska Dry Bean Council, I'm here today as a producer who pays into multiple checkoff programs. When you get right down to it and when it comes to promoting any of these commodities, it takes people and money. Federal dollars are limited as well as state contributions, but farmers and ranchers alike continue to support these self-funded programs. As we visit today, we'll be referring to multimillion dollar changes in these programs. That's a lot of money. But I'd like to put that into perspective as to what it actually means to an individual producer. Today commodity prices can move more in a day than I may contribute to a checkoff program in an entire lifetime. Let me give you an example. Since the corn checkoff was created in 1978, I have paid a total cumulative amount of less than 7 cents per bushel. Today the corn market can move up or down 40

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cents, soybeans 70 cents, and wheat 60 cents in any given day. Put in another way, the market can give or take more in a single day's movement than what I might pay over a lifetime into any of these checkoff programs. Last time I checked, the market today was up 3.5 cents. That in itself would have funded for half the checkoff anybody would have paid in the history of the checkoff. My point being, a relatively small amount from so many can accomplish great things. I've been fortunate to see what these small investments in checkoff programs have done to improve producers' bottom line. Let me give you a few examples. In the case of beef, today over \$200 per head is attributed to combined efforts of checkoffs. For corn, I know that the corn gene has been mapped, which will allow the seed industry to develop new traits at faster rates. For wheat, I can tell you new varieties have been developed and I anxiously await more as a wheat producer. For dry edible beans, we have new export markets, specifically Cuba. And for ethanol, we now produce over 2 billion gallons of ethanol in Nebraska each year, which has helped reduce our nation's dependence on foreign oil and has added much-needed jobs in rural areas of our state like Madrid, located in Perkins County. I have the opportunity to serve on the National Corn Growers Board of Directors. This affords me the opportunity to see what corn states working together can accomplish. The result is, we can more effectively educate consumers on the versatility of corn and we can focus on making sure we're competitive in a world market. We work very hard to make sure farmers are maximizing their production and doing it in a way that is environmentally sound and sustainable. We work with a number of corn states to further develop higher blends of ethanol, and we help make sure biotechnology traits are meeting FDA, USDA, and EPA guidelines. So when states band together, we're more efficient with our resources. An additional observation from the national level: Nebraska is the third largest corn producing state, producing 12 percent of the nation's corn, yet generating less than 6 percent of the promotional revenues. And the reason I mention this is I believe it is one way addresses the incremental change that LB1057 provides. In closing, whether it's wheat, corn, beef, soybeans, pork, dry edible beans, our state's economic strength is to no small degree built on the success of commodity boards working with general farm organizations, agribusiness, and our land grant university to make sure that we have the tools and the markets to serve. We can all see the considerable return of these investments in Nebraska today. Thank you. [LB1057]

SENATOR WALLMAN: Thank you, Jon. Any questions? Thanks for coming. Next testifier. Thanks again, Senator. [LB1057]

LORAN SCHMIT: Good to be here again, Senator. Chairman Wallman and members of the Ag Committee, my name is Loran Schmit, testify here today on my own behalf. It's interesting to hear the comments in support of the accomplishments of the Corn Board these last 30 years and the comments in support of the Wheat Board and the other checkoff institutions. Interesting to note that the Nebraska Legislature also passed a checkoff on beef cattle. It was 25 cents per head on the slaughter livestock. Unfortunately or fortunately I think perhaps, later on Congress decided to enact a

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different program. And Mr. Kelsey and I have commented on that a few times as to how the beef program would compare today if we were still at that 25 cents per head on slaughter livestock as opposed to the \$1 per head on all classes of livestock. It's kind of interesting when you look back and see a program that started somewhat under fire. It was not all beer and pretzels as they used to say when we introduced these bills in the '70s and '80s. There was a lot of opposition to the checkoff, and there was a lot of pressure for a refund. It was decided at that time by the corn growers that they could not budget for a program if there was a refund provision. I believe that today with the success of the program that there would be less requests for refund. And so...and maybe something we can look at. But basically I believe the corn growers of Nebraska are satisfied with the work of the Corn Board and would not request much of a refund. There's a lot of things that the Corn Board has done and there's things that they can do and there are many other projects out there they can undertake. But all of you I'm sure read the Time magazine article a few months ago that said if you want to become a millionaire, be a farmer. Well, gentlemen and ladies, I farmed for a long time. I sold a lot more corn under \$2 a bushel than I did over \$2. And I think we all are aware of the fact that without the combined efforts of the corn, the wheat, sorghum, beef cattle, ethanol people and Ethanol Board we would not be enjoying the prosperity that we have here today. And I think that the Ag Committee can remind their other associates in this body today that the Legislature would have a much bigger problem financially if it were not for the prosperity that we see in agriculture. And I think that you can accept a lot of the responsibility for the prosperity we have in Nebraska by the fact that we enacted these checkoff programs years ago and they've been successful. These men and women who served on this board came off their farms and ranches, they spent their time, many of them spent their own money and they traveled where they had to travel, they did what they had to do, and they made this thing work. Today ag is under fire. Agriculture is not supposed to be prosperous. We're supposed to be out there, as I said one time on the floor, my wife is supposed to wear a flour sack dress and a feed sack petticoat and go to the county fair once a year and that's her culture. And we like to enjoy the same things in rural Nebraska that our contemporaries here in Nebraska understand. And so I'm glad to have lived long enough to have seen the prosperity we enjoy today, but we're going to have to fight back. And you can't go bear hunting with a switch. And so I suggest that this Legislature and this committee hears lots of requests for funds, most of them want to get their dipper in the state bucket for General Fund. Here you have a group of farmers coming here and saying we are willing to tax ourselves more to do more to help the state more. Not very often are you going to find that. So I just want to suggest that before we, you know, become too concerned about overtaxing, as Jon Holzfaster mentioned, it's kind of interesting. I worked with his father and his brothers on these programs and now I see the younger generation coming along, but before we get too concerned about the cost of the checkoff, let's remember that, as Jon said, the few pennies we spend have been repaid many, many times over. And they are a fraction of the other investments we make in our operation. So I'd ask you to advance the bill, LB1057. I want to thank you, Senator Carlson, for introducing it. I'd answer any

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questions. [LB1057]

SENATOR WALLMAN: Any questions for Loran? Thank you. [LB1057]

LORAN SCHMIT: Thank you, Senator. [LB1057]

SENATOR WALLMAN: Any other proponents? [LB1057]

DAYTON CHRISTENSEN: Yes. Dayton Christensen, D-a-y-t-o-n C-h-r-i-s-t-e-n-s-e-n, and I'm a member of the Nebraska Wheat Growers Association, and we believe in the benefits of checkoff provided to the associated commodities. And we also recognize the role that corn plays in our strong state economy, and as a result, we are in favor of LB1057. [LB1057]

SENATOR WALLMAN: Thank you. Any questions? Okay. [LB1057]

DAYTON CHRISTENSEN: And just to reiterate, if you do see a farmer, ask them if they're in favor of this because, like I stated earlier in the wheat's case, it's overwhelming support in these commodities. [LB1057]

SENATOR WALLMAN: Okay. Thanks. Any other proponents? Any opponents? Good afternoon again, John. [LB1057]

JOHN HANSEN: Good afternoon, Vice Chairman Wallman, Chairman Carlson, members of the committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I am president of Nebraska Farmers Union. I hope the committee is appreciative of the fact that in the first time that the new president of the Nebraska Farm Bureau testifies before this committee and myself that we're together that we see a situation where the Farmers Union is on the same...not exactly the same page but it shares the opposition position with the Governor and the Farm Bureau is in the other position. I appreciate the irony of these situations as they come up. A lot of the concerns that we had on the previous bill we have also on this bill. If we were moving from .4 cents to a half cent, we would probably feel a lot better about that than putting in the additional language to raise, potentially raise it to a full cent. And again, we would raise the issue of the fact that these boards are not elected. So in terms of when we talk about self-taxation, when we do self-taxation for the most part, somebody runs for office, somebody has a position, somebody gets elected. And so you have some accountability at the ballot box. In the case of the excise taxes, and they are excise taxes, there is no ballot box. So as we look at our policy, we have supported referendums as a way if this is the will of the governed, and we've also, like the Farm Bureau, supported the option for voluntary refunds. And so how you feel about these increases has a lot to do with the structure of the program and how much ownership and control you have of it. I'd point out that we also in our policy strongly oppose the use

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of agricultural commodity checkoff dollars to satisfy any General Fund obligations or responsibilities. And I know the threat of the excess dollars in the checkoffs being wiped out for General Fund use is universally opposed by the ag community. These are our excise taxes that are committed to a specific set of purposes, and they should not be used for General Fund dollar obligations. And so if there is anything that we could do to tighten that up, we would certainly appreciate that. The other thing that I would say is that there's no question in the case of corn. In the case of wheat, it's a really substantially different thing where you are seeing declining acres and it's really an important dryland crop. In a lot of cases in western Nebraska, what else do you plant if you're not rotating with wheat? So it's really, from our organization's perspective, we really feel it's important to do everything we can to support wheat as a commodity. Corn, on the other hand, we have expanded acres, yields are up, prices are up so different phenomenon there. In the case of the ag community, there's a lot of diversity of perspective. And in that diversity, there's also differences of opinion about how it is that we ought to best represent the interests of the folks that...folks back home who do the work, take the risk to produce the products. And so our organization has said in the past that we felt that we would feel a lot more favorably about additional checkoff dollars for corn if, in fact, those additional dollars went to the Nebraska Ethanol Board because that's really where the expertise has come from and that's where the guidance has come from, and that is an enormous success story. They've taken a very effective and a very evenhanded approach to ethanol development. And there's no question about it; the future success of corn in the foreseeable future is tied to ethanol, ethanol utilization. And so I would just throw those issues and observations out for consideration of the committee and suggest to you that we obviously don't just pick issues based on how popular they are. And with that, thank you for your time and consideration. I'd be glad to answer any questions if I might. [LB1057]

SENATOR WALLMAN: Any questions for John? Thank you. [LB1057]

JOHN HANSEN: Thank you very much and good luck. [LB1057]

SENATOR WALLMAN: Any more in opposition? Any neutral? Seeing none, Senator Carlson, you want to close? [LB1057]

SENATOR CARLSON: Once again, Senator Wallman and members of the committee, thank you for listening to the hearing today and again thank you to all those testifiers who came in to testify, and many of them from a long distance. In listening to some things that were said, there were comments and questions made about spending money on research and it was brought up that there are seed companies certainly that spend a lot of money on research. They do their own. How independent are their studies? That's questionable, not that it's wrong because they have every right to do their own research and then meet with you, Senator Brasch, and tell you what they've done and convince you, you ought to buy their seed. They have every right to do that. I

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think that the Corn Board in spending money on research needs to make sure that it is independent research and that it's pure research. But hopefully it's research that is done in such a way that it can be interpreted to add to the bottom line and profit per acre and not just something that's up in the clouds that's not very practical. Well, that's a decision the Corn Board would make, but to give that money to someone like the University of Nebraska where we would think of them as being independent. I think that's a wise use of dollars and it's different than the research done by individual companies. There was a question brought up about the company in Blair that produces plastics out of corn, and they're in business to make a profit. I hope they're hugely successful. That would be another poor source of dollars from the Corn Board to go to, to help them conduct their research. They can do their own in my opinion. I think it needs to be reminded to each one of us that the decision on these requests, particularly those of the Corn Board, came about as a result of eight public meetings, plus an affirmative vote of seven out of nine board members to ask for this increase. And then it was brought up that we do have objections from the Department of Agriculture. I think we can handle those objections with amendments, and we'll discuss those in Executive Session. The idea of paying taxes, and again I'll agree with John Hansen. It is a form of tax. And for the most part, I don't want to pay any more taxes. I don't want to pay any more federal taxes. I don't want to pay any more state taxes. I'm not so sure I want to pay any more sales tax, although I maybe could be convinced if it went towards roads because we've got an issue in Nebraska that we really need to deal with. But when groups come forward that are producers and they have an overwhelming desire to tax themselves to get something done that betters their industry, we need to think very seriously about that. And so with that, thank you for listening to me. Again, thank you for those that came to our hearing today. And I'll try to respond to any questions you might have. [LB1057]

SENATOR WALLMAN: Chairman Carlson, thanks for bringing these bills. I, too, am a producer. I'm willing to tax myself. Do you think in response to the wheat people, I'm glad they're here, do you think our land grant university spends enough money on wheat research compared to the private industries in corn and soybeans? [LB1057]

SENATOR CARLSON: They may not. I don't know how much they spend. They may not. But the university is able to expand its research based on dollars that they can garner to come in to fund those research projects. And would you rather have the Wheat Board and the wheat growers provide dollars to the university for independent research? Or would you rather have a seed company provide dollars to the University of Nebraska? So they're asking to tax themselves so that they can provide some more of those dollars. I think it's a legitimate request. [LB1057]

SENATOR WALLMAN: Thank you. Any questions? Senator Brasch. [LB1057]

SENATOR BRASCH: Just one comment on the corn seed dealers. They will quickly put themselves out of business and be in a heap of trouble if that corn...they compete. The

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competition is keeping it growing and the research. The cornfield days, you go and stand in somebody's field and you see what the results are. What I really liked hearing the most here was the opportunity growth. That's what we have to be afraid of. We're in a global market, and we are going to be competing with Brazil and Argentina and Peru. And as we create more strains of corn that can grow on a rock perhaps, we need to be able to sell Nebraska corn. And so with that, I kindly told my husband, we support checkoff programs. However, raising fees and taxes takes very serious consideration. But thank you for carrying both of these bills. They are vital to agriculture, appreciate it. [LB1057]

SENATOR CARLSON: Thank you. We're looking for that research I think that would grow corn on a rock with no water, 100 bushels. (Laughter) [LB1057]

SENATOR BRASCH: It's probably around the corner. [LB1057]

SENATOR WALLMAN: Anybody else? Thank you, Chairman. (See also Exhibit 10) That will close the hearings for today. [LB1057]