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Agriculture Committee
February 16, 2016

[LB968]

The Committee on Agriculture met at 1:30 p.m. on Tuesday, February 16, 2016, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB968. Senators present: Jerry Johnson, Chairperson; Mark Kolterman, Vice Chairperson; Dave Bloomfield; Ernie Chambers; Burke Harr; Merv Riepe; and Ken Schilz. Senators absent: Tyson Larson.

SENATOR JOHNSON: We're two minutes past 1:30 and we're going to get started. We do have a quorum. I do know that Senator Harr will be leaving to present some bills in another committee, but we will be starting with a quorum and sometimes we have people coming in and out, but appreciate you being here. First of all, welcome to the Ag Committee; go through some rules. It looks like pretty familiar faces here as far as procedures. But the first thing is to turn cell phones off. Sign-in sheet, if you're going to testify, pick up one of the green sheets and present that when you come to testify. If you're not testifying but want to be recorded, there's a sign-up sheet out there. And if you want to indicate whether you are a proponent or an opponent. When you come forward, bring the green sheet with you; and if you have any copies for the committee, give that to the clerk and she will distribute them. If you don't have enough, we'll make some copies. When you come up, state your name and spell your name for the record. At this time, we'll introduce the committee and I'll start with Senator Bloomfield to introduce himself.

SENATOR BLOOMFIELD: Dave Bloomfield, District 17, Wayne, Thurston, and Dakota Counties.

SENATOR RIEPE: Merv Riepe, I represent District 12, which is Millard, Omaha, and Ralston.

SENATOR HARR: Burke Harr, Legislative District 8, which is midtown Omaha.

SENATOR KOLTERMAN: Mark Kolterman, District 24, Seward, York, and Polk Counties.

SENATOR JOHNSON: And I'm Jerry Johnson, District 23, Saunders, Butler, and Colfax County, at least most of it, and I chair the Ag Committee. Today we have our committee clerk, Christina Estrada; and Rick Leonard, to my left, is our research analyst. And our page today is Brianne Hellstrom from California. We're getting some California weather, kind of.

BRIANNE HELLSTROM: Yeah, it's a bit warmer.

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SENATOR JOHNSON: Okay. With that, we will begin the hearing and my bill is the bill that's up so I will turn the hearing over to Vice Chair Kolterman.

SENATOR KOLTERMAN: Senator Johnson, you're welcome to open when you get there.

SENATOR JOHNSON: Thank you, Ag Committee members, for coming to the hearing today. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n, District 23. LB968 to me could also be labeled as a rural economic bill, but what I'll be talking about today goes back to LR214 which is a study resolution from 2014 involving a dairy growth study. I'll use that in order to help make my point today. The catalyst of this arises originally from our inquiry about LR214 and from our experience in ag processing recruitment in Nebraska. As you recall, LR214 was a follow-up to the dairy growth study that was commissioned by the Legislature and enacted LB941 during the 2014 session. LR214 directed the committee to explore means to implement the recommendations of the study. The most prominent need identified by that study was improvement in our efforts to recruit investment in dairy processing in this state. One thing we did not want to do is let that study lay on the shelf and collect dust. And I think we've been pretty proactive in continuing to work on that. We held a public hearing in Grand Island during the State Fair and I have had follow-up meetings with stakeholders groups since that time. Additionally, I hosted a dairy summit on December 1 where we had a range of presentations on subjects related to LR214. One of the insights that arose from the study in the dairy summit was the growing complexity of attracting private sector processing investment in dairy and other sectors. What also became evident is that ag processing is somewhat more complicated than other types of manufacturing in that ag processing investment, particularly in livestock as it evolves; coordinating with producers and producer organizations; planning; transportation; and energy; and other factors and other sectors of the area which maybe goes out 30- to 60-mile radius around a hub community. It's much more complex than simply identifying a location for a plant and offering the general incentives and assistance we make available in all types of investments. For example, at the dairy summit we had an excellent presentation by an economic development volunteer for a community that had at one time been considered for a site for a dairy processing facility. It was a tremendous effort by that individual and others to coordinate with growers and county planning officials to help assure that there would be sufficient milk produced locally to supply the plant if it was located there. I would comment that while our study of dairy development was the catalyst, the concept applied to all types of livestock development and thus the focus of this bill is not dairy exclusively. Because of its complexity, I and others believe that the testifiers that will follow me have come to the same conclusion that we need dedicated personnel to lead not only efforts to identify prospective investments but to advise and assist efforts by communities to prepare for and accommodate such investment where it's desired and contemplated. You may be aware that the department has created a position for international trade representative currently filled by Stan Garbacz, who is a dedicated staff person, for identifying and facilitating opportunities for global marketplace for Nebraska

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commodities and ag products. LB968 proposes the same similar effort in recruiting ag processing investment for Nebraska. Quickly I'll try and describe the technical part of LB968. The bill amends statute 2-3815 which is the authorizing statute for the Department of Agriculture ag's promotion and development program. Note that with the enactment of this section, the Legislature recognizes and designated the department shall serve as the facilitator, coordinator, and catalyst for ag development and assigns various duties and authorities to enable the department to fulfill that role. Although probably embedded within the authorities already assigned in that statute, LB968 would insert the following to express other authorities: "to cooperate and coordinate with ag organizations and other public and private entities to identify ag processing recruitment opportunities and to advise and assist localities where such investment may be considered; and authority to contract for specialist services in that area, including to partner with private and public entities to both provide and share in the funding of such services." This bill also arises out of the general perception that the focus and effort of DED has not translated well in agricultural processing and that this area is better suited with the Department of Agriculture to take the lead. This bill would provide the department with an additional authority in cooperation with the general ag community and to enhance resources and effort. I believe there will be some apprehension within the administration that the bill may bring about duplicating efforts, in other words, having maybe two people in charge or as one person stated this morning, having two quarterbacks running the team. I have been assured that the administration will initiate steps to change the culture of DED, but I want to present this bill as a vehicle to that end. And I further appreciate working with the administration on improving the ag development focus and proper allocation of resources. Just for disclosure, I have had meetings with Department of Ag and also with DED, the new director, and aware of what we are looking at. And hopefully we can present a better and more proactive image to the rural sector of Nebraska. I'll close with that if anybody has any questions. [LB968]

SENATOR KOLTERMAN: Thank you, Senator Johnson. Any questions? [LB968]

SENATOR JOHNSON: Thank you. [LB968]

SENATOR KOLTERMAN: Seeing none, we'll take proponents of LB968. [LB968]

ROD JOHNSON: (Exhibit 1) Senator Kolterman, Senator Johnson, and members of the Ag Committee, my name is Rod Johnson. I'm executive director of the Nebraska State Dairy Association, speaking on behalf of the dairy farmer members of our association, representing over 80 percent of the milk produced in Nebraska. And we would like to offer our support for LB968. When our animals get to the point where they change careers and turn into meat animals, why, I've been asked by the Nebraska Cattlemen to also mention their support for LB968 as well. I'd like to start out by thanking the committee for the dairy study authorized two years ago and

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completed by the Department of Agriculture. This study helped place an emphasis on dairy in Nebraska and through various opportunities, Director Ibach has reported to this committee many of the results from that study. As the association representing the state's dairy industry, our farmers as well as allied industries, we have in place a policy to support efforts to encourage and provide funding for development of the infrastructure needs to support the growth of dairy as well as livestock industries in Nebraska. Our efforts have resulted in the formation of a coalition we call Grow Nebraska Dairy, which includes partnerships with other commodities through the AFAN alliance, the Department of Agriculture and the University of Nebraska. We also are working closely with the Department of Economic Development and local communities. All of us working on this dairy growth effort are doing so on a time allowed basis, meaning we all have other duties and responsibilities. We are in support of LB968 with the intention that agriculture, the largest economic engine in Nebraska, needs to have a person or team dedicated to growing our largest industry. We need people who go to bed and wake up thinking about how to grow and expand livestock production and processing in our state and has the resources to actively pursue those opportunities. To compare dairy with pork, the pork industry has the processing but is in need of animal production to meet that capacity. And I thank the body for the efforts taken this year to help that situation. In dairy, we need additional processing. Our Grow Nebraska Dairy efforts have proven that we can bring additional dairy production to Nebraska, as we have several dairy farms currently in growth mode. And we have been able to bring prospects to our state, only to find the pipeline full of milk and a lack of markets. We have been able to identify potential opportunities to grow processing, but it takes a long-term, committed effort to work with these processors and build the relationship needed to bring a plant to Nebraska. Again, I emphasize that we need someone dedicated with the committed resources to follow these leads and build lasting relationships. The team we need in this capacity needs to understand agriculture as well as understand economic development and the programs and incentives which Nebraska has to offer. With growth and processing and production comes investment and facilities. A typical start-up dairy plant would cost approximately \$200 million, employ about 100 people, and need the milk from over 30,000 cows. We traditionally say that one job is created within the community for each 100 cows. Today's dairy farmer is very committed to sustainability, caring for their animals, and the environment. That commitment converts into an investment of \$6,000 to \$8,000 per cow in a new facility, which is another major contribution to the tax base within the local area. I would like to close by saying that the growth of livestock and the value-added benefits of additional processing is good for Nebraska and good for agriculture. I'd be happy to answer any questions. [LB968]

SENATOR KOLTERMAN: Thank you, Mr. Johnson. Any questions? Senator Riepe. [LB968]

SENATOR RIEPE: Thank you, Senator Kolterman. I appreciate you being here today. One of the...I've read someplace several months ago that talked about that, quite frankly, Nebraska was too far removed from major centers of population to be able to be successful in the milk

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business, that we need to be more in a cheese and yogurt kind of business, something that you could stabilize before you ship. I'll give you an opportunity to respond to that. [LB968]

ROD JOHNSON: I agree (laugh). Fluid milk is a product that needs to be close to the population. There's no doubt about that. Within the industry, we always say that milk gets from the cow to the store within 48 hours. So we'd like to have it travel as little as possible and get to the store. So definitely I think our goal at this point would be to get into further processed product as cheese or other products. [LB968]

SENATOR RIEPE: May I? [LB968]

SENATOR KOLTERMAN: Go ahead. [LB968]

SENATOR RIEPE: I've also been told that there's a problem for some of the smaller producers just being able to get a truck to come out to pick up their product. [LB968]

ROD JOHNSON: That becomes a situation of economics. As transportation costs get higher and traditionally right now milk has to travel farther because we don't have a local plant, why, they need a bigger truck and they want that truck to run full. So, yes, at times it is a problem for a truck to stop and make multiple pickups. At this point, I don't know that any dairy farmer has been turned down, but it's becoming a challenge. [LB968]

SENATOR RIEPE: What's the break point here where...I mean, are we right now short of processing and how much more, you know, there are plateaus in terms of product line, product development that sometimes then it takes another maybe 1,000 cows, producing cows, to justify moving to the next level of production? On this diminishing return...am I making myself clear? Where are we at on that, chicken and an egg? Are we coming up short on the production is what I hear? [LB968]

ROD JOHNSON: Over the years, Nebraska lost dairy cows and with that we lost the processors. We had at one time one of our largest producers in the state, when he moved to Nebraska in the early 2000s, he has about six options of where he could have shipped his milk. And to gradually those facilities have disappeared, and he's very limited now on where he can go with his milk. So what we've run into is they need to be shipping...to be the most economical, they need to be shipping in semiload lots, which is basically talking about a 700-cow dairy. Anything less than that, it's going to take multiple stops or the product doesn't get picked up every day. It gets picked up every two or three days, which just diminishes the quality of the product as well. And in our industry, we're very concerned about the consumer confidence in the product and the

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quality of the product as it moves through the chain. And the less it sits in a tank someplace and the quicker it moves into the ultimate processing, it's just better for the product. It's better for the consumer. [LB968]

SENATOR RIEPE: So these are like 700-cow units. [LB968]

ROD JOHNSON: Right. [LB968]

SENATOR RIEPE: Was that the origination of the source from all this milk that maybe couldn't get shipped out, was that the source of the phrase "fat cats"? [LB968]

ROD JOHNSON: (Laugh) Your opinion is as good as mine on that one. [LB968]

SENATOR RIEPE: I may have more but thank you very much. [LB968]

ROD JOHNSON: You bet. [LB968]

SENATOR KOLTERMAN: Other questions? Senator Bloomfield. [LB968]

SENATOR BLOOMFIELD: Thank you, Senator. It would appear again that we are headed toward all-out support for mega agriculture and little guy be damned. We had dairies up around Hartington that couldn't make it; and if I remember right, some town a little further west had a processor came in because he was going to have all the milk and then he couldn't buy it the way he wanted so he folded his tent instead of trying to...two years ago we were looking at making the dairy herds bigger. Now we're looking at making the processors bigger. Where does the little independent guy come into any of this? [LB968]

ROD JOHNSON: We have opportunities. We have...right up in your territory there you have a processor or a dairy farm that's processing on the farm. There are dairies that are doing that. In your territory you also have some of the largest dairies in Nebraska which... [LB968]

SENATOR BLOOMFIELD: Yeah. And we were also going to build one down at Hubbard that couldn't get rid of the product so he didn't build. [LB968]

ROD JOHNSON: That's exactly the problem, yes. That's where the pipeline was full. The...what we're running into, we're not only promoting only a \$200 million processing plant. If we had some of your smaller producers that you're referencing, if we had some of those that were

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willing to go together and we could bring in a plant that could handle four, five, six dairies, that's a model that's very active even in Wisconsin. There's a lot of smaller cheese plants working directly with the local farmers in their area. That is something that we have on our radar screen if we could find the people willing to do that. But that takes another level of investment as well. [LB968]

SENATOR BLOOMFIELD: But you just said you didn't want anything much under 750 head. [LB968]

ROD JOHNSON: What I said was to ship it long term it takes a semiloading and that's about 700 head. But if there was a plant that could handle smaller quantities and was willing to locate in one of these communities, that would serve very well for the smaller producers in their area. [LB968]

SENATOR BLOOMFIELD: Thank you. [LB968]

SENATOR KOLTERMAN: For the record, Senator Schilz is here. Now he has a question. [LB968]

SENATOR SCHILZ: Thank you. I apologize for being late. I got my days mixed around--it's Monday on a Tuesday. Rod, thanks for coming in. Thanks for all your work on this. As we sit and look at this, I'm in agreement that we need to start to focus on this because, you know, it's not just a, hey, we need more dairies. Hey, we need more processing. We've got to build this basically from the ground up wherever this is going to go into place. And that means that it is going to take somebody pretty much full time to understand how to build consortia with folks like Senator Bloomfield is talking about, smaller dairies, as well as finding some of those larger dairies, that can make sure that those plants are in place. And, you know, in your experience, is it the fact that we've got the kind of people we need but they're just in two different areas and don't understand how that should work? Or is there a different set of skill sets that's needed that's not in place anywhere right now? [LB968]

ROD JOHNSON: I'm trying to figure out what you meant, two different places. Are you meaning within...? [LB968]

SENATOR SCHILZ: Well, we've got economic development which is... [LB968]

ROD JOHNSON: Okay. [LB968]

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SENATOR SCHILZ: ...look at the processors basically and say this is a manufacturing company. [LB968]

ROD JOHNSON: Right, okay. [LB968]

SENATOR SCHILZ: Then you've got the ag side that's looking at the dairy, you know, the dairy itself. [LB968]

ROD JOHNSON: Right. Okay. [LB968]

SENATOR SCHILZ: That's what (inaudible). Sorry. [LB968]

ROD JOHNSON: In the processing in the dairy industry, it's a situation where a dairy processor needs to be in a location in a situation where they're ready, willing, and able to work with producers within a reasonable distance. So it takes a...you just can't throw a dart at the map and say that's where we're going to put a processing plant. You need to be able to work with the producers and everything else because basically to follow DEQ regulations when you put your cows out there, you need one acre per cow of land to support the nutrient application and provide the feed and everything else. So it takes a community is what it takes because it takes all of it working together. To just put it, like I say, put a plant in the middle of nowhere, you need to be able to assure that there's going to be the cows and the milk supply available there too, so. [LB968]

SENATOR SCHILZ: Yeah, sure. And I guess my question is within DED and/or Department of Ag, are those people there already or will they have to go out and look for more specialized skill sets than what's there right now? [LB968]

ROD JOHNSON: You're putting the bull's eye on my back with the eyes behind me looking at me for this statement. [LB968]

SENATOR SCHILZ: I don't...I'm just asking questions and they can answer it as well. And if you'd rather defer to them, that's... [LB968]

ROD JOHNSON: No. We are working closely with both departments right now. In fact, we spent last week in Tulare, California, at the World Ag Expo, pursuing not only processors, but continuing to visit with dairy producers looking to find a new place to dairy, not...some of them looking for themselves to move, some of them looking for a place to locate the next generation because of the challenges of water and environmental issues in California. So we had

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representatives from both Department of Agriculture and DED with us and we worked good as a team. [LB968]

SENATOR SCHILZ: So you just basically need a coordinator is what you're talking about. [LB968]

ROD JOHNSON: I think the challenge is with both of the people that were out there with us, they have other obligations as well. [LB968]

SENATOR SCHILZ: Right. [LB968]

ROD JOHNSON: And like I said in my written testimony, we need somebody that can go to bed at night and wake up in the morning thinking, how are we going to build processing, how are we going to build animal agriculture? You know, they may be...somebody at DED may get a phone call that they are looking for a widget plant one week and the next week they're working on a dairy plant. And it's a whole different set of circumstances to put that plant together. So I guess our feeling has been that if we had one go-to person that had access to all the information, it could form a strong partnership. [LB968]

SENATOR SCHILZ: Absolutely. Thank you. [LB968]

SENATOR KOLTERMAN: Senator Riepe. [LB968]

SENATOR RIEPE: Thank you, Senator Kolterman. Do you have a master plan in the sense of because, you know, the variables that are out there and you have to be in the right location with grass and grain and manpower and all these variables? Or is that what you're looking for is to have someone that can go in and say, does this really make sense? Because one of the questions I have gets to be with funding. If the funding is from the Department of Agriculture or, you know, if it has a lot of merit, it seems like venture capitalists or bankers are going to jump on these things. Or is this going to have to go through Appropriations if we're after funds or? I'm just trying to sort through in my head why we're in the business and not just have the private marketplace be in the business. [LB968]

ROD JOHNSON: I guess the way I'd respond to that is we need a coordinated effort behind it. And there are private funds available, almost a quasi-government type of relationship, someone that understands what the state has to offer through incentives which are, by the way, only available to the processor. There are no incentives that will work for bringing a new dairy into the state. There are some small programs that could work for an existing dairy that is doing some

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expansion or some modest growth. But I have been accused of passing out state dollars when we're out trying to recruit a dairy; and that's, you know, totally false statement because there are no funds available. There are no programs. And to be quite honest with you, the larger dairies that are out there would not want the red tape that goes along with a state appropriation or an incentive program like that. So what we're needing is someone that can understand the Nebraska Advantage Act and be able to talk the talk and put together examples and work with a dairy processor or other commodities. This isn't just a dairy problem. This is...I want to emphasize that. I think this can work across all the species. But we need somebody that can help bring it all together and can be full time at it. [LB968]

SENATOR RIEPE: Are you looking to grow existing producers... [LB968]

ROD JOHNSON: Yeah. [LB968]

SENATOR RIEPE: ...as opposed to new producers? [LB968]

ROD JOHNSON: We need growth. [LB968]

SENATOR RIEPE: Okay. (Inaudible). [LB968]

ROD JOHNSON: We have a number of our producers right now that have plans for growth in various stages. Actually, my board president was supposed to come to town today but he's in the process of moving in the next week or so into a new facility. He has grown his operation to include...to incorporate his nephews and add to the family operation. This is happening. We have other operations that are doing that. We have a lot of our current dairy farmers that have plans in the works on how they're going to grow their business. So it is happening with our existing producer base. But by the same token if we bring in a processor that needs a large number of cows to supply it, why, we probably need to bring both in at the same time. We need the processor and we'll need additional cows, which in the long run will also help our existing producer base because it will offer one more market opportunity. [LB968]

SENATOR RIEPE: I have one more. [LB968]

SENATOR KOLTERMAN: If it's short. [LB968]

SENATOR RIEPE: Thank you. I guess I'm looking for the total pool of money. We're talking about, you know, we want \$150 million for a road bank and we now want a billion dollars for

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expanded Medicaid. And how much money are we looking to fund this particular interest over, say, ten years? [LB968]

ROD JOHNSON: Well, I would...I guess I would say we are talking about one FTE and support money to allow them to do some travel. [LB968]

SENATOR RIEPE: Oh, so there's no incentive kind of bonus for if someone brought in 1,400 cows or something like that? [LB968]

ROD JOHNSON: No. [LB968]

SENATOR RIEPE: There's not a... [LB968]

ROD JOHNSON: No. [LB968]

SENATOR RIEPE: Nor is there a milk price subsidy kind of thing going on. [LB968]

ROD JOHNSON: No. [LB968]

SENATOR RIEPE: Okay. [LB968]

ROD JOHNSON: That's all, like I say, all I am thinking about and the way I understand LB968 would just be to provide the position to be able to work on the problem. [LB968]

SENATOR RIEPE: Thank you. That's one of my shorter ones. [LB968]

SENATOR KOLTERMAN: That's pretty short. I have one question for you and it's just out of curiosity. Is there much Grade B milk being produced anymore? [LB968]

ROD JOHNSON: No. It is...there's I think ag statistics, Department of Ag inspection department, I think they list seven dairies in Nebraska that are Grade B and those are phasing out. There will be no more. It's just a matter of how much longer they hang on before they phase out. [LB968]

SENATOR KOLTERMAN: Okay. Thank you, appreciate your testimony today. [LB968]

ROD JOHNSON: Thank you. [LB968]

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SENATOR KOLTERMAN: Thank you for coming. [LB968]

ROD JOHNSON: I'm always available in the future if you have any questions. [LB968]

SENATOR KOLTERMAN: Next proponent. [LB968]

AL JUHNKE: Thank you. Thank you, Mr. Chair and members of the committee. My name is Al Juhnke, Al, A-l; Juhnke, J-u-h-n-k-e, and I'm the executive director of the Nebraska Pork Producers Association. And thank you for allowing me to testify. It's my first time here, Mr. Chair, so I trust you will be easy on me. I've been in your fine state for about a month and a half so getting on the ground, getting to know what's going on. But I have a lot of public policy background and I know where you folks are sitting here on the Ag Committee. And I just want to let you know on behalf of the pork producers that we support any and all efforts for agriculture economic development and across grain and animals and everything else because when Senator Johnson introduces a bill like this and we're appreciative of it and want to make sure we're here putting a positive spin on it. And I also want to say we're here to help in any way we can moving forward. You all know and we know in a lot of states and especially in Nebraska agriculture is their largest industry. It's something that sector has the ability to create a lot of jobs and a lot of opportunities out across the rural landscape. And with that, I think economic development people, it's been my history that they want to build on their strength and we've already got that strength. We really don't need to chase new smokestacks to come into town. We have it right here in our own backyard, and we think it's very prudent when you see language like this in the bill to put that focus on where your strength is and where your biggest sector is. As far as pork goes, we're...and the cattlemen love it when I say this, we're very bullish on the pork industry. We think there's a lot of room for growth and opportunity in this state for a number of reasons. You have the feed and the resources to add value to your grains with pork production. You have a good climate here, especially this week. I'm amazed. I'm from Minnesota. I tell people I came south for the winter, so here in Lincoln. You've got a shipping advantage. We're about ready to hopefully ratify the TPP trade agreement out in D.C. and guess what? Nebraska is the closest major producing pork state to Vietnam and to Japan and to other places that we're going to hopefully have open markets and more markets. So we've got a shipping advantage that people are looking at. Barn densitywise, we don't have near the density that they have in Iowa or southern Minnesota or other places. And there's a real opportunity to locate facilities here for biosecurity reasons. And so etcetera, etcetera. For these reasons we see a lot of opportunity in the pork industry to expand. We're trying to do it ourselves. We have limited staff, but we have a board of directors and others, but we really do need the expertise of our economic development folks, whether it be in the Department of Agriculture or in the Department of Economic Development. It's important to have someone really focus their time and energy on that, to follow up on leads, to knock on doors, to make sure that we're keeping the companies we have here. If those companies want to expand, we want them expanding in our state. And if there's

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new opportunities of any size, we want them coming to Nebraska and thinking about Nebraska as a place to open a plant and a place to operate and a place that will help with our local jobs, economic development, tax base, and all the other things that goes along with it. One of the big things I know that goes on in rural communities, too, is they need the assistance. Every community and most counties have economic development groups, and they're working on this themselves. But they have very limited resources, too, so anything that we can partner and lend with them I think is a plus. So again, I'll keep it short because I know there's others behind me. We do appreciate this type of legislation when it's introduced, so we appreciate the Chairman bringing this forward because we think it actually assists in the discussion. It facilitates a thoughtful and hopefully a fruitful discussion on where we're going with economic development in agriculture in this biggest industry in our state. So again, we support this bill and all other efforts from the department--I know we have the director here--and from economic development. We're ready to sit up and take notice and help in any way we can. So thank you very much for allowing me to be here today. [LB968]

SENATOR KOLTERMAN: Thank you for your testimony. Any questions? [LB968]

AL JUHNKE: Clear as a bell. Thank you. [LB968]

SENATOR KOLTERMAN: Good job. [LB968]

AL JUHNKE: Thanks for not picking on me. [LB968]

SENATOR KOLTERMAN: Next proponent. Good afternoon. [LB968]

BRUCE RIEKER: (Exhibit 2) Good afternoon, Senators of the Agriculture Committee. My name is Bruce Rieker, that's B-r-u-c-e R-i-e-k-e-r. I'm vice president of government relations for the Nebraska Farm Bureau Federation, here testifying in support of LB968. Agriculture is particularly important to the economies of small towns in rural areas where farming supports a number of sectors from farm machinery manufacturers to food processing. We don't have to look very far back in the history of this state to also recognize the importance of agriculture that truly was the mainstay that carried our state through the postrecession of 2008 better than practically any other state in the country. So that's a testament to the strength of agriculture and the importance of that. Nebraska farmers and ranchers, food processors are well positioned to capture some of the opportunities. We need the help putting those particular industries together. Despite our successes, and one being just during this legislative session with the Legislature passing LB176 creating greater opportunities for our agriculture producers, we still have some challenges that face us. And we appreciate Senator Johnson introducing this particular measure to address those. The...couple just comments maybe as I was listening to the other questions, one

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of the reasons that the Nebraska Farm Bureau supports this is, you know, some people would say that Nebraska is the middle of nowhere. On the contrary, Nebraska is the middle of everywhere. We're the center of the country. We're the center of this continent. It's why we have the busiest railroads throughout this particular state. There are lots of things if you take a look at some of the transportation distribution warehousing and logistics studies about our state that, yes, there are perishable commodities that only can be transported so far. And I don't know the exact number, but even when it comes to processed meat, I think that within 24 hours--and Mr. Ibach can probably give this number specifically--but I think meat from our packing plants is in somewhere between 23 or 24 states within 24 hours. So we are in the center of where it can all happen. We need the help. Do we know whether or not the personnel exists at the Department of Agriculture or the Department of Economic Development? No. But we sure want to work with both of those groups. We have talked at Farm Bureau about whether or not there's a contractual component to this that independent contractors that do this day in and day out may be able to augment what each of the departments have. Maybe it can be in-house. But...so we would be looking or hoping that if they don't have the resources that we could add that FTE or the individuals that could make this all come together. The last thing I want to say, and I appreciate...after I listened to Mr. Johnson and Mr. Juhnke, I figured I better come up here with a cliché as well. You know, I really enjoyed Mr. Johnson saying, talking about dairy cattle changing their careers, you know, and moving into the beef market, and then pork being bullish. I'll put it this way. This is how important this is to us that if we're not at the table on this issue, I guarantee you we'll be on the menu long term. We have to grow agribusiness. It truly is what has carried us in the past and it's going to continue. As agribusiness evolves, we need to be pursuing those opportunities to make us an even stronger state. So with that, we appreciate Senator Johnson for bringing this initiative forward. And I'll conclude my remarks. [LB968]

SENATOR KOLTERMAN: Thank you. Any questions? Thank you. [LB968]

BRUCE RIEKER: Thank you. [LB968]

SENATOR KOLTERMAN: Proponents. Are we done with proponents? How about opponents? That was easy. How about neutral. [LB968]

GREG IBACH: (Exhibit 3) Hello, Senator Kolterman and members of the Agriculture Committee. My name is Greg Ibach, G-r-e-g I-b-a-c-h, and I am the director for the Nebraska Department of Agriculture. I am here today to testify in a neutral capacity for LB968. And maybe before I get into my prepared testimony, I'll make a little bit of clarification in that this testimony was prepared based on a different interpretation of LB968 than what I feel I've heard here in the last few minutes from Senator Johnson as well as the proponents. And so my testimony may not reflect exactly on that testimony that's been previously granted then. LB968

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expressly authorizes the Department of Agriculture to cooperate and coordinate with private and public organizations including economic development entities to identify opportunities for private sector investment in livestock, dairy, and agricultural commodities and processing facilities; to actively recruit such processing investment; and to advise and assist local communities where such investment may be sought or considered. The legislation also allows the department to contract for the services of a specialist or such recruitment work as well as allowing us to seek public or private funding to facilitate efforts. The department is acutely aware of the importance of value-added processing to Nebraska agriculture. And through our current authority, we're very active in this area. In fact, we're already doing many of the activities that are expressly authorized by LB968; and the partnerships we already have in place are extremely valuable. And so based on my original interpretation of this bill, we viewed it more of a status quo bill than maybe the change that I heard from Senator Johnson. Perhaps the best and most relevant example of a collaborative effort is our "Grow Nebraska Dairy" team, which is the partnership that you heard about from Rod Johnson between the Nebraska State Dairy Association, the Alliance for the Future of Agriculture in Nebraska, and our department. This team actually just returned from the World Dairy Expo in Tulare, California, late last week. While the Nebraska State Dairy Association, AFAN, and NDA are the core of the team, several others play a critical role in the partnership. The Nebraska Departments of Economic Development, Environmental Quality, UNL Extension, and Nebraska Public Power District, and the Nebraska Corn Board also each have been active to some degree with the Grow Nebraska Dairy team. We also have coordinated and continue to coordinate with local economic development officials. The type of collaboration with each of these groups takes various forms. For example, NPPD sent a representative to Tulare to work with our team last week. UNL Extension and Nebraska Corn Board have each sent representatives in the past. And the Nebraska Corn Board has also been a crucial funding partner for the team's trade show efforts. We did some specific work on milk processor recruitment with the Gothenburg Improvement Corporation during the last week as well. And in the past, other county economic development officials have traveled with us. While Tulare is the most recent example, the Grow Nebraska Dairy team works collectively to identify other relevant outreach locations for processor recruitment. This has included exhibiting at the World Dairy Expo in Madison, Wisconsin, as well as taking a small team to a large food and beverage show at Chicago last year. While NDA did not attend the Chicago show, DED, AFAN, and NPPD did. The Grow Nebraska Dairy team already has identified a key dairy food processor conference for potential attendants in January of '17. We also want to touch on our collaborative efforts regarding the poultry sector. Over the past year in particular, we have seen interest in value-added production in this commodity. NDA, along with DED, has collaborated with AFAN and chamber of commerce officials and/or local economic development officials in three different locations for three different projects. One has been successfully sited and announced, the hatchery project in Grand Island. Two others currently are still being courted. While I can't provide details publicly, I can tell you that the department continues to gather and distribute information to help various parties connect with

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the right people as needed and appropriate. The efforts we put forth in the area of value-added development are coordinated through the Ag Promotion and Development Focus Area of NDA, which is the program created in the statute that is addressed within this bill. In addition to dairy and poultry, our program coordinators in this focus area also work collaboratively with others on cattle, swine, specialty crops, organics, farmers' market, livestock friendly county development, beginning farmer programming, farm mediation program, and policy work associated with any and all of the above. In addressing the needs of the various sectors, the ag promotion and development staff cast a wide net working with partners, both public and private, at the local, state, and sometimes national levels. It is a formula that I feel has worked well. I appreciate the opportunity that Senator Johnson has provided with LB968 to discuss the work of the Ag Promotion and Development Focus Area and the collaborative partnerships we have been able to forge. The department is always looking for new ideas and methods to enhance profitability in agriculture and to stimulate agriculture-related economic development. I am encouraged when proposals to further such goals are presented because it is an acknowledgement that others also consider agriculture as important to the Nebraska economy and well-being of its citizens. I'd be happy to answer questions. [LB968]

SENATOR KOLTERMAN: Thank you, Director Ibach. Also please note that Senator Chambers is in the meeting. Any questions? Senator Bloomfield. [LB968]

SENATOR BLOOMFIELD: Thank you. Director, we're looking apparently for a man that's going to...man or woman that's going to be all things to everybody here, is going to spend all of his or her time doing this one task and that is coordination. We have a \$50,000 fiscal note. Are we going to be able to hire this individual that does everything but walk on water for \$50,000 a year? [LB968]

GREG IBACH: So that's that. The other consideration when...based on my interpretation of what I thought was the intent of the legislation, there was a reference to contracting with outside groups to assist the department in some of its efforts. And so that was focused around that anticipated price tag. That wouldn't reflect an FTE. [LB968]

SENATOR BLOOMFIELD: Thank you. [LB968]

SENATOR KOLTERMAN: Any additional questions? Senator Chambers. [LB968]

SENATOR CHAMBERS: We are always very level and honest with each other, aren't we? When you walked in this room and saw my chair empty, you were relieved, weren't you? (Laughter) You don't have to answer that. [LB968]

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GREG IBACH: That's assuming I don't appreciate the challenge. (Laughter) [LB968]

SENATOR CHAMBERS: Really, I don't have any questions. [LB968]

SENATOR KOLTERMAN: There's no question in there? No questions? [LB968]

SENATOR CHAMBERS: No. [LB968]

SENATOR KOLTERMAN: Okay. Any other questions? Hearing none, thank you, Director Ibach. Any other in the neutral position? Welcome. [LB968]

COURTNEY DENTLINGER: (Exhibit 4) Good afternoon, Senator Kolterman, members of the Agriculture Committee. My name is Courtney Dentlinger. I'm the director of the Department of Economic Development. My name is C-o-u-r-t-n-e-y D-e-n-t-l-i-n-g-e-r. I appreciate the opportunity to appear before you. Although I'm the director of Economic Development, I do come from an ag background pretty close to Senator Bloomfield's district up in Madison County, Nebraska. I grew up farming. We had cattle, soybeans, and corn. And I had the opportunity from a very young age to work in that operation. As I mentioned, I'm the director of the Department of Economic Development. I've been on the job now for I think I'm starting my sixth week. I'm here to provide you just some brief testimony in regard to LB968 and provide information to you in regards to the department's current efforts to recruit business and industry, including those related to directly and more indirectly to our state's agricultural base. DED is the lead economic development agency for Nebraska. It's the mission of the department to enable Nebraska communities, businesses, and people to succeed in a global economy. On a daily basis, my department interacts with individuals who have new ideas they want to bring to market, executives locating or relocating their operations, and business leaders expanding their physical space or product lines. The department works hard to showcase Nebraska as the right place for business to pursue their goals, and this effort includes the recruitment of agriculture processing, agricultural equipment manufacturing, and bioscience industries. LB968 provides for the Department of Agriculture to have express statutory authority to participate in the recruitment of agriculture processing projects. As mentioned by Director Ibach in his testimony, the Department of Agriculture is already very active in this area. And the Department of Ag and the Department of Economic Development have been building a partnership and working to cooperate and collaborate on a regular basis in regard to efforts to recruit agriculture processing facilities to our state in order to further grow the agriculture sector of our economy. We also partner with other agencies, most often Department of Environmental Quality, Department of Revenue, and the Department of Roads. Each agency brings specific qualities to the table, enabling us to put our best foot forward as a state. Agriculture is very important to Nebraska's economy and to the well-being of our state. I personally look forward to working with our sister agencies and with

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our partners in agriculture, including farmers and ranchers, ag leaders, and agribusiness managers to keep Nebraska's agriculture industry growing. I wanted to share just a couple of other items with you in addition to my prepared testimony. In 2015, the Department of Economic Development worked on 161 individual projects. Currently we have 22 active projects that are related to agriculture, whether that be on the food processing side, equipment manufacturing, or biosciences that use our commodities. We're seeing more opportunities now, due in part to concerns about biosecurity in other states and because of lower commodity prices, which, although negatively impacting our producers here, are opening up some opportunities for processing. We work very closely with a number of partners from local economic development professionals trying to grow their communities, local chambers of commerce, and utilities across the state. For some projects, we work very closely with the Department of Ag, with ag groups around the state if those projects require recruitments of grower networks or producers. I wanted to share with you that of my recruitment staff 25 percent is actually dedicated to recruitment of agriculture-related business. And mind you, we only have four recruitment staff, so we've got one who is focused specifically on this particular market for the state of Nebraska. In addition to those recruitment staff, we also have field staff around the state who work with existing businesses on expansion opportunities; and they work very closely with local economic development professionals in growing those communities and identifying opportunities. So in closing, I just want to thank you for the opportunity to appear before you and let you know that we are committed as an agency to growing agriculture-related business and industry in the state of Nebraska. And I'm happy to answer any questions. [LB968]

SENATOR KOLTERMAN: Thank you for coming. Questions? Senator Bloomfield. [LB968]

SENATOR BLOOMFIELD: Thank you. I don't want to put words in anybody's mouth, I wish both you and the director would talk to me after we get out of here, but it sounds to me like we're already doing what this bill wants to do. [LB968]

COURTNEY DENTLINGER: I think we have a great relationship with the Department of Ag. As Greg mentioned, you know, we're also always looking for additional opportunities to improve what we're doing. I'm looking forward to working with other folks to increase collaboration in order to grow some additional opportunities for the state. But I think there's a very good basis right now for the two departments working together on this issue. [LB968]

SENATOR BLOOMFIELD: Thank you. [LB968]

GREG IBACH: Can I answer that question as well? [LB968]

SENATOR BLOOMFIELD: Certainly. I guess that would depend on the Chair. [LB968]

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GREG IBACH: Is that appropriate? [LB968]

SENATOR KOLTERMAN: Welcome back, Director Ibach. [LB968]

GREG IBACH: I'm Greg Ibach, G-r-e-g I-b-a-c-h, and so I think that what Courtney and I have expressed to you is really part of the vision that Governor Ricketts had when he took office last year was that we...the Department of Ag and Department of Economic Development would work closely together, more closely than ever before. I think he used that exact line "more closely than ever before" in his State of the State...his first State of the State address when referencing how we would work together. And I think over the past year we've moved our staffs closer and closer together to understanding how that relationship can be synergistic. And frankly, very excited about Courtney's background with agriculture and how she brings that special understanding of Nebraska agriculture to the Department of Economic Development and feel very optimistic about our ability to work together. Courtney and I meet every other week to discuss all kinds of economic development topics and ideas especially related to agriculture. So in many ways, I think we've taken great strides in this area. [LB968]

SENATOR BLOOMFIELD: Okay. Thank you. [LB968]

SENATOR KOLTERMAN: Any additional questions? Senator Schilz. [LB968]

SENATOR SCHILZ: Thank you. Thanks for coming in, appreciate it. So as you look at and this--Greg, you can come back up again--you don't have to answer it, but if you want to--but as you look at this and as you see moving forward and working together, what are the challenges? What are the issues that you're having to deal with that are the barriers or what do you need to have to be more successful? Like you said, how do we get better at this? That's what I'm asking for. What's, in your guys' minds, what's the keys there? [LB968]

GREG IBACH: So, you know, I would...I think that the answer to that question is still evolving. I think that, you know, I have organized my staff over the last year and so many months and maybe even started doing that before to identify, you know, individuals, Steve Martin (phonetic) specifically, that would work more closely on the agricultural side of, you know, value-added development and, you know, recruiting the dairy producer itself or the pork producer. Or we have another individual that has been going to cattlemen's association meetings in other states to talk about our feedlot industry to try to attract attention to that as well. And so I think...and, you know, Courtney has talked about having Walker Zulkoski now that's really focused on agriculture projects and working with us. And so I think, you know, she's bringing that focus to the table too. And so, you know, I think that that's an evolving question that, you know, I don't think we...and I

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won't speak for Courtney, but we don't come with a specific need in mind maybe right now.
[LB968]

SENATOR SCHILZ: Right, so... [LB968]

COURTNEY DENTLINGER: Yeah. I would concur with everything that Greg said. I think this is evolving and as we have continued communication and collaboration, that will help us identify what some of the barriers might be. Particularly in economic development, it really...it takes so much coordination and there's so many different players that need to come to the table at different stages of a project and there are just so many variables attached. And so working with the individual ag groups, working so very closely with Department of Ag, working with other agencies is really the only way that we'd be successful. [LB968]

SENATOR SCHILZ: Sure. So I guess stay tuned. The main thing is communication is happening, which is nice to see because it really is going to take both agencies to move this kind of stuff forward, especially the processing end of ag. You can't have one without the other.
[LB968]

COURTNEY DENTLINGER: Um-hum. [LB968]

SENATOR SCHILZ: Okay, thank you. [LB968]

SENATOR KOLTERMAN: Any additional questions? Thank you both for taking our questions and testifying. [LB968]

COURTNEY DENTLINGER: Thank you. [LB968]

SENATOR KOLTERMAN: (Exhibits 5, 6, 7) Any more in the neutral capacity? Seeing none, I would like to read into the record that we have letters of support from the Nebraska Cooperative Council, Nebraska Corn Growers Association, as well as the Nebraska Soybean Association. With that, Senator, you can close. [LB968]

SENATOR JOHNSON: Thank you for reading those in. I have those on my list. And that brings me to the point where we have a lot of industries in the ag sector that are promoting agriculture. And we've had testimony today from the dairy industry, the pork industry, and letters from the other industries type of thing. And, you know, why do we need this? We started out last year not giving enough time for the new administration to totally move forward, but not seeing what we felt was strong economic development in the rural area. And because of the studies this last

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summer and the meetings that I've conducted, everybody seems to be moving. But are we all moving in the same direction? Are we all sending out different messages? And one example might be--and compliment DED and Courtney on this--where the pork industry or the poultry industry, one of them that is looking at Nebraska right now, came to them first. And then they hand part of the project off to an independent party to go out and do the research, trying to find locations and producers and things like that. So that's the way it works there. Sometimes it's the entity that goes out, and in this case it might be the dairy, goes out and does some work recruiting and not always lets others know maybe what they're doing and vice versa. Maybe the Department of Ag is going out and not communicating back with what they're working on. And it seemed like everybody is trying to get in gear, but I just don't think we have the focus that we need to make sure everybody is working together to accomplish what we want to accomplish and that's grow agriculture in Nebraska. The...so part of it is develop a channel of communication out there so we know what's happening. And, okay, the two of them meet together; that's fine, that's great. But maybe we need to make sure we're engaging in some of the industries that are out there maybe a little bit better. One of the things that Rod Johnson talked about was, because of a question, is are we working on retention, how to retain dairies? And how do we incentivize or keep dairies going because not all the kids are wanting to come back to the dairy? So retention of people in the dairy industry. Succession planning, that's not only in dairy but in other industries. Maybe we have some people that are not engaged in agriculture right now that are interested in becoming part of something in the livestock industry and how can we bring those people in and give them some training so they can be involved in the livestock industry? And we've talked with the trade schools about it and most of them are on board if we can move forward with this. The Nebraska Advantage Act, we found out that from the DED standpoint there's some things that don't work the way it's set up now. And we are studying the Nebraska Advantage Act in other committees, but I think we need to do a little bit more work with that from the rural perspective. Senator Riepe's question on funding, we're trying to keep the fiscal note as low as we can. And so if we can find ways to put together partnerships and not have a fiscal note would be ideal. Maybe if we can find some FTEs, one or two or one or halves and put it together and coordinate that, I think that would be of great benefit. To another one of your questions since everybody has talked about different industries, I'll use the example of chicken and egg, which comes first--is it the processor or is it the cows? We found out you got to work them together. We can say we've got the processor out here, but the processor isn't going to come until we develop that hub around it. And that's what the Alliance for the Future of Agriculture in Nebraska is assigned to do right now in some of those areas, in the poultry area, to go out and do that. So we need to make sure they're in the loop. And again, let's put things together in a focus so we can make sure that we're not duplicating or we're not going, you know, opposite directions. The new pork director, Al, gave a perspective of the pork industry growing. Greg talked about his perspective, and we're all trying to work on projects. It's not just dairy. We're working on dairy, we're working on poultry, we're working on pork, and whatever else...other industries out there that we might have. And so I don't...I told Courtney this morning I wouldn't put her under the bus. I want to make sure the

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bus stops before. I appreciate the conversation with her just this morning. And I think we can work together. We talked a little bit about the culture of the department. And first of all, I complimented Governor Ricketts when he established the Department of Economic Development again and put more emphasis into that. So it starts back there and now we're starting to see this happening. If we are able to work with the passage of LB968, it's just the beginning of how we would look at putting a structure together that brings all entities together, whether it's the public side, whether it's DED, whether it's EPA, DEQ, Department of Agriculture, zoning, all of those things that we need to think about that we have to focus on and bringing in the commodity groups that are very interested in seeing livestock production grow. And focus on the comment that was made this morning...this afternoon about having two quarterbacks. But right now we've got a lot of people that want to be involved in it. And I think we just need a coach that's going to be out there that can put everything together. If we move forward and with this, which I hope we can, then we will start the meetings to see how we might structure something with putting a package together here, collaboration between private and public entities in order to make this thing work and move Nebraska agriculture forward. Another thing, that it's not necessarily dealing with livestock or it's not necessarily dealing with processing, whether it's corn or whatever it is. I just see we need to do more for economic development in the rural area. And whether it's adding jobs in other sectors so that the spouse can work at the dairy or work in town and one work on the farm or something like that. So we have to make sure we can do that, and we have to do that by, as Rod said, communities or we have to look at a hub and see what's around it to see what we can support. So that's pretty much my notes from what I've heard today and what I wanted to say. And I'll close with that if there's any questions. [LB968]

SENATOR KOLTERMAN: Thank you, Senator Johnson. Any additional questions? With that, the hearing is ended. [LB968]

SENATOR JOHNSON: Thank you. We'll go into Exec Session for a little bit. [LB968]

SENATOR KOLTERMAN: Thank you all for coming. [LB968]