

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Appropriations Committee February 9, 2022

**STINNER:** Welcome to the Appropriations Committee hearing. My name is John Stinner. I'm from Gering and I represent the 48th Legislative District. I serve as Chair of this committee. I'd like to start off by having members do self-introductions starting with Senator Erdman.

**ERDMAN:** Steve Erdman. I represent District 47, nine counties in the Panhandle.

**CLEMENTS:** Rob Clements, District 2, Cass County and eastern Lancaster.

**HILKEMANN:** Robert Hilkemann, District 4, west Omaha.

**STINNER:** John Stinner, District 48, all of Scotts Bluff, Banner, and Kimball Counties.

**KOLTERMAN:** Mark Kolterman, District 24: Seward, York, Polk, and a little bit of Butler County.

**DORN:** Myron Dorn, District 30, Gage County and part of Lancaster.

**STINNER:** Excuse me, assisting the committee today is Tamara Hunt and to my left is Clint Verner. Sorry, I keep forgetting his last name. Our page today is Jason Weld-- Wendling. Excuse me, I'm having a tongue-twister day. On the cabinet to your right, you'll find green testifier sheets. If you are planning to testify today, please fill out a sign-in sheet and hand it to the page when you come up to testify. If you will not be testifying at the microphone, but would want to go on record as having a position on a bill being heard today, there is white-- a white sign-in sheet on the cabinet where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearings. To better facilitate today's proceedings, I ask that you abide by the following. Please silence or turn off your cell phone. Order of testimony will be introducer, proponents, opponents, neutral, closing. We ask that when you come up to testify, you first spell your first and last name for the record. We ask that you also be concise. It's my request that you limit your testimony to five minutes. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand now so the page can make copies for you. With that, we'll begin today's hearings with

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LB970. And it looks like we're having ag day today, right? Oh, LB755 is where we're starting, excuse me.

**HALLORAN:** I'm, I'm flexible.

**STINNER:** I got two different things. I got LB970 on the sheet. I got LB755 sitting there. Let's change the-- yes, thank you. If you-- if that's what you're testifying to--

**HALLORAN:** Pick a number.

**STINNER:** So it's agricultural day, and welcome.

**HALLORAN:** Thank you, Senator Stinner, Chairman Stinner and the members of the Appropriations Committee. I'm Senator Steve Halloran, H-a-l-l-o-r-a-n, representing Legislative District 33. LB970 is brought in consultation with our state's livestock organizations as a means to be diligent in our efforts to be prepared in the event of a significant event that leads to large-scale livestock mortalities. The COVID-19 pandemic emergency resulted in recurring episodes of closures and diminished processing capacity of livestock processors. This disruption in the meat processing chain, in turn, imposes an economic impact on producers, the livestock industry, and public and private animal health community, including costs to deal with animals that had to be disposed of through euthanasia. USDA prepared a comprehensive assessment of the pandemic economic impacts to the livestock sector due to depressed prices and mortality losses and other impacts. The Ag Economic Department of UNL provided me with an assessment of Nebraska-specific impacts extrapolated from the USDA data and other sources that is summarized in the items I've handed out. While Nebraska was fortunate to avoid the level-related depopulations that other states experienced, witnesses who follow me will likely quantify the level that occurred in the state thus far and potential liability in the future. The potential for additional processing sector disruptions as the pandemic continues presents a novel and ongoing catastrophic livestock mortality risk and obviates the need to ensure planning, capacity, preparedness to respond appropriately. I would characterize the investments that would be funded through LB970 as primarily to bolster public sector capacity. The expenditure of ARPA funds contemplated, I would suggest, are eligible under the framework for eligible uses beyond expressly enumerated uses, as discussed beginning on page 32 of the overview to the Treasury's Final Rule. The bill contemplates an indefinite capital expenditure. The livestock groups who brought this request to me have worked with the Department of Agriculture to develop a list

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of types of investments to enable preparedness to address potential catastrophic livestock mortality due to pandemic disruptions of the livestock processing sector or other causes of large-scale livestock losses. I'm sharing a document that itemizes the types of expenditures, expenditures needed, including equipment, software, and training. And I anticipate an expert from the veterinary community who has been involved in this type of emergency planning to follow, who can discuss these elements in more expert detail. The investment would complement and assist realization of emergency preparedness of monograph two, catastrophic livestock mortality, of the state emergency planning documents. Additionally, it is contemplated that a reserve to be set aside providing for state and local personnel compensation for state and local government staff in contracted services if necessary to assure effective service delivery should a major depopulation event occurred before the commitment deadline. I will concede that the amount specified in the bill is a placeholder amount, but I do believe that the expenditure of ARPA funds contemplated is a justified response to an economic and public welfare impact of the COVID-- COVID pandemic. I will entertain any questions and I appreciate your consideration.

**STINNER:** Any questions? Seeing none, thank you.

**HALLORAN:** Thank you.

**STINNER:** Afternoon.

**KIP LUKASIEWICZ:** Hello, how are you?

**STINNER:** Good.

**KIP LUKASIEWICZ:** Good afternoon, Chairman Stinner, members of the Appropriation Committee. My name is Kip Lukasiewicz, L-u-k-a-s-i-e-w-i-c-z. I serve on the animal health and nutrition committee for the Nebraska Cattlemen. I am also a licensed large animal veterinarian and for production animal consultation, our company currently looks over about 25 percent of the fed cattle in the U.S. and then we have-- we cover about 13 states with a veterinary network that covers about 1 million cows today as well. I reside in Grand Island, Nebraska, is where I live. I am here today representing the members of Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Soybean Growers Association, Nebraska Farm Bureau, Nebraska State Dairy Association, and the Nebraska Pork Producers Association. Thank you for the opportunity to testify on LB970. Nebraska's ag leaders strongly supports this legislation.

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LB970 builds upon the work of LB848, which gives express authority for the Department of Agriculture, under the Animal Health and Disease Control Act, to expand planning for the response to a potential emergency catastrophic livestock mortality event. Both bills address a serious need for Nebraska's livestock sector. According to the 2021 National Ag Statistics Service, Nebraska has over 15 million head of beef and dairy cows, cattle on feed, yearlings on grass, sheep, and hogs. These numbers do not include bison or poultry in the state. Developing and funding comprehensive plans to handle a catastrophic livestock mortality event caused by a disruption in an already fragile supply chain is vital for the safety and well-being of unaffected livestock and citizens of the state. At the height of the pandemic, the U.S. Department of Agriculture found that approximately 40 percent of domestic beef processing capacity was not operational and at one time, there was about 50 percent disruption of that capacity. This disruption in the meat processing portion of the supply chain resulted in a significant economic impact on farmers and ranchers, the livestock industry, and the public and private and animal health community, including loss of revenue and cost to dispose of animals that had to be euthanized. The potential for additional processing sector disruptions at the pandemic-- as the pandemic continues presents a real and ongoing catastrophic livestock mortality risk and emphasizes a need to ensure planning, capacity, and preparedness to respond appropriately. This ARPA funding requested anticipates capital expenditures and potential aid to local emergency planning authorities to bolster public sector capacity to respond to an extended pandemic impact. And I would also add that when we have packing plants today that shut down, we literally have today a 48-hour supply of fresh meat to the U.S. and to-- just to the U.S. We have frozen meat in coolers, but that's already sold and is going for export only and is not provided to the U.S. citizens or consumers. And so when we're down to 50 percent or 40 percent capacity, it only takes 24 hours to see a significant reduction on the meat, meat shelves in a, in a grocery store. So a lot of people don't understand that and don't, don't know that, but that's how fragile our supply chain is at the end of the day. So today, Nebraska is ill prepared to deal with a sizable livestock mortality event. Requiring equipment, supplies, and necessary programming for processing and disposal of livestock carcasses after livestock mortality event and locating them strategically in livestock-dense areas throughout the state will benefit county emergency managers in responding to these types of events. Thank you for your time and we ask you to support LB970 and to move forward. I would be glad to answer any questions at this time.

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**STINNER:** Any questions? Senator Dorn.

**DORN:** Oh, thank you, Senator Stinner. Thank you for being here. Bill is asking for \$7 million. How did you come up with-- what did you use to come up with that figure?

**KIP LUKASIEWICZ:** So I know-- like in our company today, we have a rather large data warehouse. I know what our data warehouse is worth today. When-- and that's just for 25 percent of the fed cattle in the U.S. Our, our warehouse today is worth right at \$10 million in itself. It, it costs us on average-- on an annual basis to maintain it, it costs us \$300,000 a year for computer programmers and that to maintain the safety of it from hacking, as well as just to maintain the source and to grab the data when we need it. And so I know in here on the database system, the numbers that are there, but those are really, to me, is very low numbers at the end of the day for what it would actually cost to maintain that and to build it. There are data services today that are available, but they would come at a cost. They're not going to be free. As far as for, you know, euthanasia, euthanasia of animals, you know, there's captive bolt, rifle, those types of things. But with the number of animals, say in a hoof-and-mouth disaster or just like what we had to do during COVID-19 when, when we had to euthanize several swine because there was no place for them to go and that's a continual chain that has to-- you have supply chain coming in right after them, and so that's a huge disruption to the barns and, and to the safety and the health of the swine farms. And so to be able to euthanize-- I'll wait. Sounds like my driving sometimes. But in order to, to euthanize that many animals at once, we would have to have a larger scale euthanasia capability. And so one of the things on there is the nitrogen foam box, which is basically saying in, in disaster of that nature, if we had to do cattle, for example, you'd have to dig, dig a hole, trench a hole and then, and then put the cattle down in there and then you would cover that with nitrogen foam, which would basically then replace so that they could no longer take on oxygen on the red blood cells and essentially they would, they would die. However, that does pose also-- I mean, there's risks of, you know, other things with the water and those things as well, so.

**DORN:** And maybe this is a question more for Senator Halloran, but the USDA, they have somewhat of a program and they will be here also or they will be a part of it. But this is-- what you're suggesting here or asking for is just money to, I call it-- basically so we have a program available where we can act quicker.

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**KIP LUKASIEWICZ:** Yeah, because right now today, we, we really don't have much.

**DORN:** In the state of Nebraska.

**KIP LUKASIEWICZ:** Yeah.

**DORN:** Yeah.

**KIP LUKASIEWICZ:** Yeah. And in that regard, I would say we're-- the state-- we do a lot of work in the state of Kansas as well and I would say we're a little bit further ahead down there in just our preparedness. And from the biosecurity standpoint, I think the whole U.S. is way behind on traceability. I don't know how we can ever have a biosecurity plan if you don't know where they're at. That seems silly to me that we don't have traceability. It's literally the one thing in 2003, when BSE came through, that allowed Brazilians to escalate their, their meat sales around the globe, was the fact that we had no traceability and they did. That put us behind. And so that impacts our exports to China, that impacts our exports to Japan, and all those other places, as well, when you don't have those things in place.

**DORN:** Thank you.

**STINNER:** Senator Wishart.

**WISHART:** OK. Well, my first is a comment. I want to thank Senator Halloran and, and your group coming prepared and filling out this worksheet that helps us as a committee determine how you're meeting those benchmarks, so I appreciate that. Secondly, are there other states that you could point to who have some of this infrastructure in place where you can see how, during a pandemic or a natural disaster, another situation, they're able to respond quickly?

**KIP LUKASIEWICZ:** Yeah, Senator Wishart-- Wishart?

**WISHART:** Yeah.

**KIP LUKASIEWICZ:** Yeah. I do think-- I think Kansas, again, I would say, is a little bit further ahead just in their biosecurity planning as well as their, their implementation of a biosecurity-- like they've actually-- we've actually gone through mock trials of hoof and mouth with our feed yards and with cow-calf, as well as with the state veterinarians and with the police departments and county agents. So those things have already been done there. We haven't even

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done that in Nebraska yet. And so, therefore, that requires a lot of money and training and those things just in that alone to get all of those entities working on the same page and understanding, like I got the phone call in Nebraska, in my office, when all that mock trial is going place. And thankfully I had the training so I knew exactly who to call and, and I knew that they were going to know what to do from that point forward to get things shut down and isolated as far as where we needed to be. Again, we haven't done that in Nebraska.

**WISHART:** OK, thank you.

**STINNER:** Additional questions? Seeing none, thank you. Afternoon.

**AL JUHNKE:** Good afternoon. Mr. Chair and members of the committee, my name is Al Juhnke, A-l J-u-h-n-k-e. I'm the executive director of Nebraska Pork Producers and like the previous testifier, usually don't double up, but I am here on behalf of the Corn Growers Association, Nebraska Farm Bureau, Nebraska Dairy, Nebraska Soybean Association, Wheat Growers Association, and the Nebraska Cattlemen. So we have seven groups that have worked on, on these bills together and are all supportive of it. Mr. Chair and members, I can't emphasize how important this is for the livestock industry. I really can't. In the overall scope of things, this is a smaller request, I believe, but the importance-- and we've learned about it. COVID taught us something. So in the swine industry, we have been doing exercises in tabletop and live farm exercises and other things to prepare for a foreign animal disease outbreak. However, two years ago with COVID, we all of a sudden found ourselves in a situation that wasn't foreign animal disease, but was a pandemic-caused need to euthanize and dispose of livestock. And we quickly realized that even in our secure pork supply planning we're doing and, and all the traceability that we do and everything else, at the end of the day, we ended up having to tell our farmers as they called our office, you're kind of on your own because we don't have a state plan in place. And I'm not blaming Department of Agriculture or USDA or anyone else because we're all working together on this, but there's so many different ways to euthanize and dispose. What we need to do now is get our own stockpiles of equipment for all livestock in this state and be prepared for the next pandemic where plants may close or slow down or we have a backup. In our case with pigs, you can't just put them back out to pasture for a while. Pigs keep growing and eventually they get to a size where they can't be processed anymore. And so at that point, you don't have much of a choice. You are taking food and having to dispose of it. So I gave you a list of some of the things that it may be used for and there's many things on here and

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there's many that I probably did not list. But you see the foaming machine, you see things like that. If they're approved as ways to dispose, those foamers can cost from \$500,000 and up, some of them. So do we need three or four of them placed around the state strategically to be ready when there's an event, whether it's cattle or hogs or poultry or what, what is it? We need-- in our case, we can compost those animals. So we should have composting equipment available on a site where farmers might be able to haul their animals to and we would compost on their behalf and bury either above or below ground, depending on the water tables, right? So there, there's a lot of things in here; maintenance, truck washing equipment. We don't think about it. But when you're driving pigs all over the state and the country, from farm to farm or farm into a composting site, there's a lot of potential for disease. Disease is a big thing in our-- we try and keep our animals safe and secure. Disease is a big thing. And so having portable truck-washing equipment so we can wash those trucks on that site before they send them back home and hopefully not send disease from another truck with them. I will also say this is timely. Yesterday, Nebraska was named of one of the handful of states to do a national depopulation and disposal exercise this year, on-farm, live exercise. So it'll be Department of Ag, USDA, our State Emergency Management people, University of Nebraska-Lincoln, of course, the Pork Producers, our organization. We're all going to be doing these exercises and we need to know that we have some resources. Once we get done with these exercises, we're going to start really having a clear idea of what we need, where we need to place it, and how we need to prepare for that next pandemic that, that may be here where we would have to euthanize animals. So again, really stress the importance of this in the livestock industry. This isn't just a wish list for us. This is, this is real world and we've seen it really happen during the pandemic, and so now we're ready to prepare moving forward. Glad to answer any questions anyone may have.

**STINNER:** Thank you. Any questions? Senator Clements.

**CLEMENTS:** Thank you, Mr. Chairman. Thank you, Mr. Juhnke. I was wondering if the state funds some equipment like this, would USDA match any of those funds?

**AL JUHNKE:** Mr. Chair and Senator Clements, that's a possibility. There are pots of money at USDA. For example, we put together-- the pork board funded a grant to the state to do a electrocution trailer and we're building our second one now on another grant that we, we received, which will work in smaller operations for swine, to, to



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euthanize. State of Nebraska ultimately put in for a grant from USDA that was granted last year and they bought that trailer, and now it sits over at UNL. So it's, it's ready to go there, but, you know, we need that second and third trailer. Yes, we'll-- we apply for grants when we can, but again, we need to be training people and building our own stockpiles and making sure. We had nothing in place last year when this event happened and it was tough.

**CLEMENTS:** Thank you.

**STINNER:** Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Stinner. Welcome. So if, if we were to fund this project we're talking about, whether it's \$7 million or \$5 million or whatever it might be, where would-- the equipment that we're talking about, because we're talking about hard-core equipment here--

**AL JUHNKE:** Yep.

**KOLTERMAN:** --would that be owned by the pork producers or the cattlemen or would it be owned by the state of Nebraska, USDA? Who would take responsibility for maintaining that, making sure that it got, you know, taken to where it needs to be? As you said, it might be-- make sense to have one-- three or four locations throughout the state. Fill us in on that a little bit.

**AL JUHNKE:** Yeah. Mr. Chair and Senator Kolterman, that's a good question. From our aspect, we always want either the state or the federal government to own things like this because of the liability insurance. There are limits on-- if they're-- you know, you're, you're using captive bolts, which are live ammunition, or you're using electrocution, if, if someone gets hurt or injured-- and I don't deny anyone their day in court and they should get what they have coming to them, but that liability is more comfortably fallen on the state or federal government, number one. Number two, we need to look for areas for the storage. That will be part of our exercises. And what we'll do as we move forward, you can think about Nebraska Department of Transportation, you can think about Game and Parks you can think about, think about public places where you may be able to store this, but in every place you store it, you have to also make sure there's someone to maintain it. I mean, I hope we never have to use this equipment, but we're planning for the day when we do, as we saw last year or two years ago. So I don't-- I hope we don't have to lease something. I hope we can find public facilities to do-- to park

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this equipment. But again, you gotta, you've gotta have people trained to use it, emergency management folks take over. This will be-- if, if an event like this happens again, there will be an emergency declared and the emergency management people become the people that are responsible for a lot of the euthanization and disposal of those carcasses. So they will be trained and they are experts in equipment and storage and all that too. We'll work closely with them.

**KOLTERMAN:** So a follow-up question, if I might? Recently, Bennington, we had a horse fire, equine, and that's not your area of expertise, but nine horses, ten horses, whatever, were-- they perished in that fire. How-- how do we-- I mean, that doesn't sound like a lot, but that's still a lot of--

**AL JUHNKE:** Right.

**KOLTERMAN:** How do we dispose of that right now?

**AL JUHNKE:** Right. Well, Mr. Chair and Senator Kolterman, the vet is behind me, but you know, horse disposal, now you can do it-- there's places that dispose of them for-- the bury them, mainly. But this is a COVID request so I'll make that clear because that's why we're sitting here. However--

**KOLTERMAN:** It's still--

**AL JUHNKE:** --once the equipment is there, if we get African swine fever or, God forbid, we get foot-and-mouth disease, which is spread by aerosol and kills cattle and hogs, it's not differential to them, we would be in a disastrous situation in Nebraska trying to figure out how to depopulate those herds and barns and dispose of those carcasses. So even though we saw it and we had to put down hogs during COVID-- so this is a real deal and, you know, our farmers lost \$37 a head during the COVID time. So we, we-- economically, we were hit hard and a lot of those costs fell on the farmers who had to dispose of, of their own animals and do that also, so. But, yes, you could use it for other livestock and other event. We had a thousand-year flood a couple of years ago, right? And we had carcasses, cattle especially, floating down the river and finding them on shore. Again, we would have ways now to wisely, smartly dispose of these things that are approved by the USDA and are safe and are efficient.

**KOLTERMAN:** Thank you.

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**STINNER:** Additional questions? Seeing none, thank you.

**AL JUHNKE:** Thank you, Mr. Chair and committee.

**STINNER:** Any additional proponents? You want to check out-- out there and see if there's any proponents for this? OK. Any opponents? Seeing none, anyone in the neutral capacity? Seeing none, Senator, would you like to close?

**HALLORAN:** Well, I would be the first to admit it's not a pretty topic, but it's a crucial one because we've just recently been through it. Even the floods several years ago, we had an issue with a lot of, a lot of animals that died and we had the issue of having to dispose of those animals. But it's-- to me, it's not a question-- and this is used a lot, but it's not a question of, of if it will happen; it's a question of when it will happen. And-- and I-- I would propose to you that it would be better to have the necessary equipment and training and not need it than it would be to have a real need for it and not have it because it would be a serious situation. With that, I would open up to questions.

**STINNER:** Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Stinner. Thanks for bringing the bill. One, one question that came up when the veterinarian was talking, when-- there's, there's a liability involved when you do something like this. Where-- would the state assume liability if we purchase this equipment and send it around?

**HALLORAN:** Well, Senator Kolterman, I'm not, I'm not sure who else would be the most logical party to carry that liability. You had me worried for a second. I was afraid you're going to ask me to spell the name of the veterinarian again and I could not do that. But to answer your question, I would assume it would be, it would be the state that would have to carry the liability.

**KOLTERMAN:** OK, thank you.

**STINNER:** Senator Vargas.

**VARGAS:** Thank you very much. Thank you for being here. And I had the-- I had a similar question. That's actually when I was talking with him about. And the reason why at least it came up to me was for many of these things, it is good for us to think about liability insurance because that would be an ongoing General Fund cost. If we buy one-time equipment if it's on the state, that would be something

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that would be an ongoing cost to the General Fund and the Department of Ag, which, which is good for us to plan ahead if it's something that we go down and we do, because we can't use that with ARPA funds.

**HALLORAN:** Right.

**VARGAS:** That's helpful and that's why I had the same question.

**HALLORAN:** Good question.

**STINNER:** Any additional questions? Seeing none, thank you.

**HALLORAN:** All right. Thank you, everyone. Appreciate it.

**STINNER:** I have received one proponent on the online mail, so that concludes our hearing on LB970. We'll now open with our hearing on LB755. Senator Brandt.

**BRANDT:** Thank you, Chairman Stinner. We've got a large group of people in the hallway that would like to testify on this bill. Is there any way maybe we could get some of you guys to switch around because when they're done, they're going to leave, if that's possible? I don't want to kick anybody out.

\_\_\_\_\_ : [INAUDIBLE]

**BRANDT:** Seats are-- seats are-- seats are at a premium in this [INAUDIBLE]

**STINNER:** Go ahead, Senator.

**BRANDT:** Good afternoon, Chairman Stinner, members of the Appropriations Committee. I am Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. I'm here today to introduce LB755, which appropriates \$10 million to the Nebraska Department of Agriculture for grants for small and medium meat processors. These federal funds would go into the Independent Processors Assistance Program that was created in my bill, LB324, which passed last session. To qualify for this program, as stipulated in Nebraska Statute 54-1915.02, the applicant must meet a set of minimum eligibility standards and approved applicants can receive financial assistance for eligible expenses such as expansion; modification or construction of buildings; packaging, processing, and storage equipment; technology to improve logistics or enable e-commerce; costs associated with state or federal inspection; and educational or

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workforce training programs. Some of the eligibility rules for the Processor Assistance Program include they must currently operate as a slaughter or processing facility in good standing here in Nebraska; demonstrate employment of fewer than 25 employees; and demonstrate existing sales revenue of less than \$2.5 million annually. The coronavirus pandemic greatly disrupted our food supply. Outbreaks impeded work at many regional packing plants. When big plants reduced the line speed, it backed up finished livestock on the farm and beef and pork producers turned to local processors to fill the void. This created a bottleneck in every local meat locker in the state. They simply do not have the capacity or equipment to keep up with demand. Small and mid-sized livestock producers are struggling as a result. Before the pandemic, a typical producer scheduled locker dates four to six weeks in advance. At the worst of the pandemic, wait time can be 12 to 24 months. This means reservations must be made before the animal was even born. This is an excellent, appropriate, and approved-- and approved use of American Rescue Plan funds, which is reflected in its inclusion in the Governor's proposal, which becomes LB1014, as well as on the checklist that has been passed out to you. Today, we will hear from Nebraska meat processors who are in need of funding and would benefit from this program. Other proponents will further explain the need for these funds and how they will be used. With that, I would be happy to answer any questions.

**STINNER:** Any questions? Seeing none, thank you.

**BRANDT:** You bet.

**STINNER:** Afternoon.

**JOHN HLADIK:** Good afternoon. Thank you, sir. Chairman Stinner and members of the committee, my name is John Hladik, J-o-h-n H-l-a-d-i-k. I'm testifying today on behalf of the Center for Rural Affairs and the Nebraska Economic Developers Association. The coronavirus pandemic weakened our food supply. Five companies process 80 percent of our beef and 60 percent of our pork, and during the first 12 months of the pandemic, sickness and death significantly affected their workforce. Approximately 59,000 meatpacking workers at these companies became infected during just the first 12 months, and 269 lost their lives, and these high rates of sickness and death limited production at meatpacking plants across Nebraska. In fact, 3 of the top 25 rural counties with the highest rates of COVID infections at the end of May 2020 were meatpacking counties in Nebraska. Colfax County topped that list. In the first 12 months of the pandemic, the Tyson plant in Dakota City saw 18 deaths and almost

2,000 infections for an infection rate of 46 percent. The industry has not recovered and the problem persists. New variants continue to limit production at facilities throughout Nebraska. When these plants do not operate at full capacity, large scale beef and pork producers must turn to local processors to fill that void. These small business owners have done everything they can to catch up. Garages have become freezer units, and outdated equipment has been unpacked and put to use, and they've done this with little financing. Many have inherited a business and lack the credit required for a loan. And others don't have the collateral to offer, and federal programs have been a big disappointment. The Meat and Poultry Inspection Readiness Grants are not available to current USDA facilities or to facilities who don't want to become USDA approved. A second program invests \$150 million in only 15 projects nationwide. So allocating nearly \$10 million to the Independent Processor Assistance Program is a smart solution to this problem. As Senator Brandt explained, LB324 established this program during the 2021 Session. That bill featured 19 cosponsors, including several on this committee, and it did not receive a single no vote during any stage of debate. An allocation to the IPAP program is compliant with ARPA restrictions. It can also be a use-- a one-time use of funds. And funding for this program, as Senator Brandt pointed out, was included in Section 9 of LB1014. The administration found this use to be compliant with ARPA guidance found under State and Local Fiscal Recovery Program FAQs, Section 2.17, page 10. We know at least 18 other states have used federal relief dollars to create a similar program already. This includes Iowa, Kansas, Missouri, Wyoming and South Dakota; and some have even done so twice. A survey of Nebraska's small, independent meat lockers shows dollars will be utilized right away. Drawn from data prepared by the University of Nebraska's Department of Animal Science, we estimate about 80 businesses in Nebraska would qualify for assistance. We've been able to speak with 41 of these; 38 share plans to utilize the program. Just these 38 proposals would result in between \$10.8 and 17.5 million of projects. It would allow each locker to process anywhere from 3 to 30 more beef per week and 8 to 10 additional hogs. And we're confident that a large number of the 40 or so processors we haven't yet been able to speak with would say the same thing, both doubling the dollar value of proposed projects and the increased capacity that results. I'm once again including for your review a list of those businesses we spoke with that has the details of the requests. There's been maybe about ten more additions since last time we last spoke, and I put those in your districts up front again, but you'll see and you'll hear from many of the processors behind me today. This is a regional issue. They serve

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customers across the state, and if that-- if that facility is not your district right now, it's probably affecting it in some way. And with that, I'd be glad to answer any questions.

**STINNER:** Any questions? Seeing none, thank you.

**JOHN HLADIK:** Thank you very much.

**ACE VANDEWALLE:** Good afternoon, Chairman Stinner and members of the committee. My name is Ace VanDeWalle, spelled A-c-e V-a-n-D-e-W-a-l-l-e. I have owned and operated the Ord locker in Ord, Nebraska, since 2015. It's approximately a 3,500 square foot facility then; we expanded and moved into a new 8,500 square foot facility in August 2020. I am testifying today on behalf of the Nebraska Association of Meat Processors, or NAMP, of which I am currently the vice president. NAMP supports the state setting up a program to help the small and very small meat processors currently operating. Grant money can be used by small meat processing facilities to increase capacity and efficiency, create jobs, and benefit local economies and local producers in multiple ways. Most small processors in the state are currently operating at maximum animal processing capacity. Grant money can be used to renovate current facilities or help current processors expand and build new facilities. This will increase rail space, thus directly increasing the quantity of animals processors can handle. This will directly impact the direct-to-consumer market positions for farmers and ranchers that need more processing appointments. New construction is expensive, generally running \$250 to \$450 a square foot. An increase in a facility's ability to process more animals will create additional jobs at the local level and increase revenue generated across the state. Expansion is not the only option for increasing capacity. Grant money can be used to purchase newer, more efficient equipment to benefit their operations. Equipment can range anywhere from \$15,000 to \$150,000 per piece. With the purchase of more efficient equipment at a processing plant can reduce the hours required for certain tasks by 50 to 70 percent. As many industries deal with a shortage of employees, this can keep a business operating at maximum efficiency, even if they are unable to find additional employees. By increasing the efficiency of current employees and utilizing equipment to make the manual labor less strenuous, a facility can create additional capacity to process more animals. Lastly, NAMP fully supports a program to help small and very small meat processing facilities whether they are members or nonmembers. We would like to go on record stating that we believe if a program is set up to help meet processors, money should only be available to processors who are currently operating, not fuel

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start-up operations. Investing in processors that have a proven business existence and track record for our industry should allow this potential grant program to positively impact the state and our industry faster and more effectively. Thank you for the opportunity to testify, and I'm happy to answer any questions you may have.

**STINNER:** Any questions? Senator Clements.

**CLEMENTS:** Thank you, Mr. Chairman. Thank you, sir. I'm wondering, if we have a lot more output from small meat processors that are not USDA inspected, how do you sell your meat?

**ACE VANDEWALLE:** So I am currently a custom-exempt processing facility. I was in the old facility. I had planned on being a USDA in the first six months of building this new facility. COVID happened. And my business plan to double-plus production, I was going to pick up these farmers are ranchers that needed USDA federally inspected processing. COVID happened. I am doing 20 to 25 beef a week, depending on how many pigs we do. I just kind of have-- I'm still working towards it, but I've kind of put the brakes on that, so I'm still custom exempt. I have a retail custom-exempt shop. Any retail that I sell through my facility has to come out my door. I buy and box meat that comes from the big--I'll call them-- we always call them the big boys-- Tyson, Swift, them guys. I buy boxed beef that comes from Cash-Wa. I can make anything in my facility from them and sell it through my retail. I cannot harvest an animal in a custom-exempt facility and then sell it through my retail, nor can a farmer or rancher come to a custom-exempt facility, have the animal processed and sell it like a farmer's market or sell by 10 pounds at a shot out of the freezer at home. And yet there is an awful lot of meat moved in this state by halves, quarters of beef, half a pigs, etcetera. And so there's-- there's a need for both going forward, more federal places and more custom-exempt to keep pushing out the volume.

**CLEMENTS:** Yeah, I was just curious, if we have that much more output, is there going to be a place for it to go? And--

**ACE VANDEWALLE:** As of right now, yes. I mean, the phone still-- most-- most guys are booked out a year to two years. I turn away anywhere from 5 to 15 beef a week. Guys can't get in. I'm-- I'm probably six or eight on their phone call trying to find a place.

**CLEMENTS:** Thank you.



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**STINNER:** Senator Kolterman.

**KOLTERMAN:** Thank you for being here today. So you can't bring in a critter, slaughter it, and then sell it.

**ACE VANDEWALLE:** Yes, sir.

**KOLTERMAN:** But the rancher or the farmer, whoever, can bring a beef in, take it home, sell half a beef, and it's OK.

**ACE VANDEWALLE:** They technically have it sold when it hits my place. They have it sold by halves or quarters, and then we talk to them customers and cut it to how they like it.

**KOLTERMAN:** But that's not your sale.

**ACE VANDEWALLE:** As of right now, no.

**KOLTERMAN:** And you pay the processing fee?

**ACE VANDEWALLE:** And then that-- yep, that customer pays the processing fee.

**KOLTERMAN:** Thank you.

**STINNER:** Senator Dorn.

**DORN:** Thank you, Chairman Stinner. Thank you for being here. Approximately of all of the smaller packers or processing places in the state, how many of them are federally inspected? What-- following up on Senator Clements, is it half and half or--

**ACE VANDEWALLE:** I could not tell you. I'd have to look that up and get back to you.

**DORN:** Most of them, you--

**ACE VANDEWALLE:** I, I would imagine we're heavy on the custom exempt--

**DORN:** Custom exempt, that's what-- that would be that. OK.

**ACE VANDEWALLE:** --versus the USDA. Yep.

**STINNER:** Any additional questions? Seeing none, thank you.

**SETH SWANSON:** Good afternoon, Chairman Stinner and committee members. My name is Seth Swanson, spelled S-e-t-h S-w-a-n-s-o-n. I am here

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today in support of LB755. I live outside of Holdrege and I'm a, I'm a cattle producer. My family and I have recently started a direct-to-consumer beef business called Seven Diamond Steaks. When we started the business, we could not find a USDA processing facility with any open appointments. After many failed attempts, I resorted to buying steers from my neighbor and with that sale came opening locker dates at Elwood, which is a USDA certified processing facility. I have yet to be able to get any of my own cattle slaughtered for my brand. Because of the locker limitations, I have started the process of setting up my own processing operation on our farm. Due to higher construction costs and wait times, my plan is to use a turnkey system that will be USDA certified and can end up costing around 75 percent less than traditional building construction. I plan to start small, having the capacity to process ten cattle a week, but I would be able to expand to 40-plus a week in the future. These turnkey systems are modular and can easily be expanded if needed. The Independent Processors Assistance Program would help a lot of small businesses in the state, both livestock producers and meat processors . It would especially help a new business like the one I'm starting. Securing enough capital to start a business from scratch can be difficult. Meat processing equipment is very expensive. Having the ability to not only process cattle for our company, but also for other producers in my community is important to me. I hope to get support from the committee. I'm happy to answer any questions.

**STINNER:** Thank you for coming. Questions? Seeing none, thank you very much.

**AUNBREA ZELENY:** Hi, everybody. My name is Aunbrea Zeleny, A-u-n-b-r-e-a Z-e-l-e-n-y. I currently work at Oakland Processing Plant over in Oakland, Nebraska. I have been there for the last eight years. My father-in-law purchased the business 27 years ago. As of right now, we are swamped. We are working over capacity, overtime. I work with my in-laws, so my father-in-law and my husband, his longtime best friend. I work with my brother, my sister on my side and we do have a couple of Hispanic workers with us as well. They have helped me raise my children that are five and seven years old. We are currently building a new building. We have been stretched to the limit in a building that was built in the '60s. We also raise cattle so we are a small-time-- very small producer. In the last three, four years since we have started our own herd, I have sent only eight to the sale barn. I don't have enough to be able-- I-- if I send all of my cattle up to JBS, I definitely could. I would have enough to be able to do that. All of those cattle are going through our processing facility right now. What we did-- I don't know if you

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guys watch Nebraska football. During one of the games, we were on the half-- during halftime, we were a commercial. So our goal of what we do is we sell halves and we sell quarters or sell a whole beef. My customer base is I have customers in Colorado that come back every year to get a half a beef. They come from Virginia, Washington state. I mail it out to family out in Washington as well. They come and pick up a half a beef from a local rancher. They take it back down to Texas. We have a lot of customers everywhere. We are in the process of building a new facility right now. We have ran into every obstacle in the book. We had talked about it, thrown it around. My father-in-law could retire where we're at. He does not need a new place, a new headache. And was his retirement right now, he has put all of his retirement into this new building that is \$500,000 that he did not need to do for me or my husband or my children. We are doing this to keep farm-raised, beef farm raised and at home. Our goal is eventually to be USDA. That is something that we do want to do, but there are so many obstacles that come along with it that we decided that we are just going to stay with what we do now. We sell halves, we sell quarters. We take in the farmer down the road that only has three cattle in their backyard. We take in Jonathan's [PHONETIC] cattle. We, we do what we can to survive and financially, it's a huge obstacle. We were given-- not giving this business up. We-- we're working our way into it. We put a lot of time into the place. Between 10 and 15 hours a day, we are there. My children are-- came home from the hospital and in their car seats and they're sitting on the cutting table next to me while we are doing our business. My five and my seven-year-old, I think, can outwork half my other crew. They are very, very smart children and this is why we're building a new business. We need to be able to be more efficient. Just us going from the building that we are in now into the new facility that is 320 percent the capacity of what we are working in right now, they still-- we have just frame maybe some tin on the outside. I don't know what they've got done today. My crew going from where we're at, a crew of eight, we are processing 30 beef a week, 20 hogs a week top to bottom. Smoking it, aging it for two weeks. It goes in the freezer. The customer comes and picks it up. You put me with my crew from the facility we are in right now into our new construction and we will get done in six hours what we're doing in nine, just due to the flow. We cannot expand where we're at right now. We are landlocked and I know a lot of other people-- to meet USDA regulations, for me right now, I'd have to literally raise our roof about four foot. And so instead of doing that, we are going to be building a new facility, which means we're going to need more, we're going to need more workers, but we can't train them where we're at

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right now. We need more employees. We're going to-- Oakland is 1,300 people. We have eight employees right now and we'll be able to increase all of that. We'll be able to take in high schoolers and give them an afterschool job. We'll be able to help economically a lot, just right there in Oakland. And this isn't just us, this is all of us, all of us as processors, producers. When you can't get your cattle in to the big dogs, they come to us. And right now we are working overtime and working extremely hard and it's exhausting and the last three years have been just a blur for everybody. And we're just hoping that we can continue doing what we're doing on a bigger scale and serve more people and we need the financing to do so.

**STINNER:** Thank you for coming. Questions? Seeing none, thank you.

**AUNBREA ZELENY:** Thank you, guys.

**KEVIN GOOD:** Good afternoon, Senator or Chairman Stinner and committee members. My name is Kevin Good, K-e-v-i-n G-o-o-d. I am here representing Country Butcher in support of LB755. Country Butcher is a custom-exempt processing facility located west of Humphrey. My son, Trevor, purchased the business in January 2021 and since that time, I have worked as a head butcher. Besides Trevor and myself, we have two other employees who process the meat. Our facility sets around six beef a week. Our goal is to increase ten, which requires more cooler, meat grinder, and other employees. Country Butcher was built in 2002, which is fairly, is fairly recently, and some processing facilities change and expand processing capabilities. The rail system cooler is similarly inadequate for the size of animals that we are processing today. It was built to hang 900-pound animals. We are currently at 1,400-pound animals. The limit of number of animals to our safety of hanging. The equipment is old but is running-- currently does its job. In order to speed up our production, a newer grinder would help benefit. Our goal of grinding requires one employee to spend all day at the machine in order to grind a week's worth of meat. Country Butcher was structurally damaged by the large windstorm in December of last year, making it unsafe to slaughter in the facility. This requires us to cancel a lot of our orders and to slow down. We are still getting a contractor to fix it. Before the storm, we were booked out only three months, but receiving orders every day. We are currently-- we currently schedule 90 beef with one producer who sells quarter, halves, and wholes to the public. These 90 cows would have been processed through 2022. My intention is-- I intend this to help the need for expand capability in our industry. Clarkson, Humphrey, and Howells are all processor businesses within 20 miles and they were just as busy as Country Butcher prior to the storm. The

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Independent Processor Assistance Program would help Country Butcher increase their capacity. My son took out a loan to purchase the business last year and like many other owners, it's not a great position to borrow money-- more money at this time. We see a need in our community to do our business and help the community support LB755. Thank you for the chance to speak today.

**STINNER:** Thank you. Questions? Seeing none, thank you for coming.

**KEVIN GOOD:** Thank you.

**STINNER:** Good afternoon.

**BRIANNA HAITH:** Good afternoon, Chairman Stinner and members of the committee. My name is Brianna Haith, spelled B-r-i-a-n-n-a H-a-i-t-h. I'm the current vice president for Gentert Packing Company, a family-owned and operated meat processing facility located in Holstein, Nebraska. We have been in business for 33 years and currently employ six full-time employees. As with many industries, the meat processing industry was largely impacted during the pandemic and continues to be impacted. For small meat processors such as ourselves, we saw a huge uptick of individuals reaching out to schedule slaughter with many unable to get into any local processor. Due to current capacity, Gentert Packing is currently booked out throughout the remainder of 2022 for slaughter, with only a few open dates randomly peppered throughout the year. In many cases, customers are booking slaughter for animals that haven't even been born yet due to fear of not having an appointment scheduled. Along with custom slaughter of both beef and hogs, we process deer and feature a custom smoked meat product retail area. In 2021, we saw over 600 whole carcass deer and over 4,000 pounds of boneless deer trim brought in for processing. We also estimate roughly \$135,000 in revenue solely from our retail area. While these numbers have broken past year's records, it is not sustainable with our current facility and equipment. We have actively made many improvements over the past few years, including a new clipper machine to expedite the ground meat packaging process, as well as a new smokehouse that has allowed us to double our cooking capacity and cut the time to process a single load in half. Even with those improvements, the new drive for local consumers to shop local and know where their food is coming from will continue to increase the need for improvements and expansion in not only our facility but other small processors in Nebraska. The Independent Processor Assistance Program can play a crucial role in bolstering the small meat processing industry. For our facility, it would mean the opportunity to expand our physical facility, procure

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additional processing equipment for more efficiency, as well as ensuring proper training and development for new employees. I would like to thank Senator Brandt for proposing this bill and to thank all of you for your consideration of funding this program. I would happy-- I would be happy to answer any questions from the committee.

**STINNER:** Thank you. Senator Hilkemann.

**HILKEMANN:** Real quick, what town did you say you're from?

**BRIANNA HAITH:** Holstein. We're just south of Hastings, Nebraska. It's about 250 people.

**HILKEMANN:** You're in Holstein. I didn't know there was a Holstein, Nebraska.

**BRIANNA HAITH:** There is a Holstein, Nebraska.

**STINNER:** Very good. Any additional questions? Seeing none, thank you for coming.

**BRIANNA HAITH:** Thank you.

**STINNER:** Afternoon.

**PAULA PETERSON:** Good afternoon, Senator Stinner and committee members. My name is Paula Peterson, P-a-u-l-a P-e-t-e-r-s-o-n. I am here today to testify in support of LB755. My husband, Tom, and I have been farming for over 35 years together. We are third and fifth-generation Nebraska farmers and we row crop corn and soybeans as well as have a cow-calf operation just outside of Waverly. We do not rely on local meat processing for the success of our farm, but we do typically process two or three animals every year for personal use. Prior to COVID-19, we primarily took our animals to the Wahoo Locker that has always done a wonderful job for us. However, last fall, when I tried to make a reservation with them, the closest appointment available was well into 2023. Fortunately, Nelson's Butcher Shop next to Ceresco has been able to work with us for June of 2022. On rare occasions, we end up with an animal that needs a short-term turnaround for butchering that cannot wait even for a few days. LB755 would hopefully give local processors more alternatives. Many families and communities throughout Nebraska rely on small meat processors to harvest animals raised on their farms. We could go to the local grocery store, big retailers, but many want to have choices that are close to where they live and not everyone has a Wal-Mart in their hometown or even local grocery stores. Knowing how an animal

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was raised and exactly where our meat comes from is important to me and many consumers across the state. Our local processors are a crucial part of this process. If they are able to expand and offer more processing dates, farms like ours could look into diversification and provide direct farm-to-retail opportunities. We want our farm to continue on to our grandchildren and know that we need to be open for new ways of raising beef. Planning a locker date 18 to 24 months ahead is difficult at best. We are hopeful that LB755 would help alleviate this problem. Thank you for your time.

**STINNER:** Thank you. Questions? Seeing none, thank you.

**DOUG GARRISON:** Good afternoon, Chairman Stinner and the committee members. My name is Doug Garrison, spelled D-o-u-g G-a-r-r-i-s-o-n. My wife, Sheila, and I own and operate DS Family Farm located near Malcolm, Nebraska, and I'd like to speak in support of LB755. We pasture raise both beef and poultry and directly market our meat to consumers. As a producer and board member of the Nebraska Food Co-op, I see the need to grow our local processing capability. It is always going to take some planning by producers to accurately forecast how many locker slots they need, but I believe this bill will go a long way in alleviating what we are currently facing. Since we are an established beef operation, we now have beef processing slots scheduled through 2024. Within the past few weeks, we started planning to add pasture hogs. As a new producer of hogs, just on Monday of this week, I tried to secure slots for processing this fall. I was not able to schedule with either plant we use for beef, as they were filled for 2022. Finally, on my fourth call, we were able to find slots for this fall with a local custom slaughter plant. In addition, we raise 600 chickens each year that I end up taking to Iowa for processing, as we are unaware of any facilities currently available here in Nebraska. I have no doubt that existing meat processors will use this program and some new people will be drawn into the industry, which I believe meets the intent of the legislation. And in addition, I'd just like to point out that our main customers are in Seward, Omaha, and the Lincoln area. So with that, thank you for your time and I'd be happy to answer any questions.

**STINNER:** Thank you. Any questions? Thank you for coming.

**DARRYL LINDEQUE:** All right.

**STINNER:** Good afternoon.

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**DARRYL LINDEQUE:** Good afternoon, Chairman Stinner and committee members. My name is Darryl Lindeque, spelled D-a-r-r-y-l L-i-n-d-e-q-u-e. I'm the owner of a meat processing, processing facility located in Deshler, Nebraska, 12 miles from the Kansas border. I purchased the meat locker in Deshler in June 2021 and rebranded the business as Patriot Beef. I was helped by a small business loan through the Center of Rural Affairs using the business innovation program. Over the past year, I've spent a lot of money getting our facility USDA certified. The entire renovation cost us a lot of time and money and we couldn't process beef during this project. An unfortunate truth about dealing with the USDA is there's no real handbook at times and seemed like a trial-and-error basis. This, along with the shortage of USDA agents, made this for a long and painful endeavor. Our goal at Patriot Beef is to be USDA-certified facility that focuses on serving producers with 100 to 150 cattle. We would do this by expanding our capacity to 50 beef a week. The amount prices-- the amount of processed meat would equal to about one truckload on the wholesale market. We are currently set up to process 25 beef a week. Access to the grant money would help us to expand our reach, our capacity, and make our goal more attainable. We currently have two empty lots next to Patriot Beef, which we want to build on. As it is now, producers of livestock receive very little in return compared to their effort, risk, and hard work. The big four processors have way too much control in the industry and my goal is to provide local cattle producers with an alternative and fair market for their beef. The small meat processing industry is important to our future. The COVID-19 pandemic showed us that the huge plants are susceptible to shutdowns, which can have regional and national implications. Investing in small operations would help provide a crucial second option that we need. Thank you for your time and would be glad to answer any questions.

**STINNER:** Thank you. Questions? Seeing none, thank you very much.

**DARRYL LINDEQUE:** All right, thank you.

**BILL ALWARD:** Good afternoon, Chairman Stinner and committee members. My name is Bill Alward, spelled B-i-l-l A-l-w-a-r-d. My family and I started our farm back in 2017. It is located near Fort Calhoun, Nebraska. We raise and sell grass-fed beef, grass-fed lamb, and pasture for-- and pasture-enforced-raised pork under the Little Mountain Ranch and Garden brand. We sell meat directly to consumers, making our business model pretty much completely reliant on local meat processing capabilities with USDA inspection. Over the past five years, we have grown our direct-to-consumer market and it has allowed



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us to consistently increase the size of our herd. COVID-19 and that whole situation led to severe overbooking of the primary processor we use and it really impeded our ability to grow. In 2020, we made a decision to slow down, not wanting to be stuck with animals and no place to process them. We had the demand from our customers, but we couldn't risk it. We were fortunate to get dates booked for our hogs through the end of 2023. Beef has been tricky for us. We see the market opportunity to grow our herd and now have that-- now that we have secured land and access to-- land access to grow, we are extremely limited in the amount of animals we can finish to harvest for direct marketing. We just can't get those slots booked to fill the need for this year and we're trying to get it booked for next year. Our sustainable and organic-minded farming model is becoming more popular. Each year we have more people who want to purchase their meat locally, but we do market many animals as wholes and halves, which we can use a custom-exempt facility for those sales. Consumer trends show that the biggest market opportunity for a small farm is through by-the-cut sales, which requires USDA and USDA-inspected facilities. The processors need help setting up and expanding those existing facilities to meet that demand. I want to make it clear that the vast majority of our customers live in Nebraska with the exception of a small customer base in the Council Bluffs, Iowa, area. Ninety percent of our customers live in Omaha. We do not ship any of our product across the country. We are raising food that feeds families right here in Nebraska. The Independent Processor Assistance Program helps grow our local processing capacity. Allowing this trend to continue also takes an incremental step in strengthening our food security by making our communities less reliant on long supply chains and giant processing plants that cause major disruption when they have to shut down. Local economies also benefit from small meat producers and processors by keeping dollars local. LB755 will make an investment in not only meat processors, but also in farmers like me and my family who want to bring people closer to their food source. Thank you for your time and I'm happy to answer any questions.

**STINNER:** Any questions? Seeing none, thank you.

**BRAD GLEASON:** Chairman, senators, thank you. Brad Gleason, B-r-a-d G-l-e-a-s-o-n. I'm the owner and operator of River's Edge Meat Locker, located in downtown Fullerton, Nebraska. It is a family-owned start-up business that is expected to employ three to six employee-- full-time employees. The reason I'm here today is to speak on the issue facing local meat lockers. Today, currently, there is a very, very high barrier to entry. My facility is roughly 4,000 square feet,

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expected to cost in that \$1.2 to \$1.5 million. This creates future cash flow issues that prevents new business from being successful locally as far as starting out. This is, this is also going to be a huge, huge issue-- rural economic development. Started my new business. I have received 50 to 60 phone calls already from around the state asking for booking dates. Many local lockers, they're booked, you know, as everybody said, 12 to 16 months out. While this is a COVID-made supply chain issue-- you know, I'm not going to read this. This is, this is a huge issue. We're all here for the same reason. It's a big problem throughout the state and demand is there. You know, I'm getting phone calls from as far as Neligh, North Bend. I had a phone call last week all the way from a guy from Douglas, Wyoming. He can't get in. They can't get in anywhere. So we're asking, we're all asking for your help, you know, LB755. You know, if there's money available to get things going, this is what we need. You know, this is a problem statewide. I believe it's Midwest wide, probably nationwide. This is, this is something we need. This is a, this is a real, real problem. So we just appreciate your time, you know, listening to all of us here and that's all I got. If you got any questions--

**STINNER:** Any questions? Seeing none, thank you very much for coming.

**BRAD GLEASON:** Yeah, thanks.

**ROBERT BERNT:** Mr. Chairman, senators, thank you for the time you're spending here. My name is Robert Bernt, R-o-b-e-r-t B-e-r-n-t, from Spalding, Nebraska. And 19-- in 2004, we established a dairy processing plant on the farm because we could see there was no, no way to get around the processing facilities that were out there currently so we went ahead and did that. We processed or milk from our 40 herds of cattle and we sell that cheese, butter, and ice cream directly to the customers, including stores here in Lincoln. And in 2009, we've seen a lot of need for our direct sales of our meat to do something similar so we built a meat processing plant on the farm. And currently my five-- five of my 12 children operate that meat processing plant. We were intending to just process our own products and deliver them direct, which we do do, but because of COVID, we started processing animals for others in a custom processing facility. And that's went clear through the roof, from five head of hogs a week to 40 for outside-- I don't-- I'm not going to regurgitate everything that's been said here today from the processors, but one thing we've learned is that this system is broken. It is broken. This system was, was established years and years ago. In 1976, I listened to a senator from the U.S. Congress

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talk about-- Jerry Litton was his name-- talk about cheap food policy that we have here in the United States. And once that policy was established and set forth, he predicted what has happened and all it would take was a hiccup in the system. And once we segregated our processing plants to where we did, it broke and that's the problem we have. You've got to, you've got to back run on these little processing plants trying to answer the demand on them and the need and it's, it's just overwhelming to them. But we're there. We need more of them. We need more people directly selling this product. This other part of our chain that is broken is the distribution chain. We're experiencing that right now. We're, we're transporting vegetables-- our meat from Sioux City to California, from vegetables from California to Nebraska, and we're experiencing a broken distribution chain. These small custom-processing plants behind me sell a half, quarter, or whole, who does the distribution of those animals? The people that buy them. They take care of the distribution. We solved that problem and that part of this scenario that was planned back in the '70s with Jerry Litton talking about the cheap food policy. We have to go back and, and try to fit the situation that has happened and fix the problem and work in that general direction. Now this money is going to be outstandingly helpful as long as it's distributed equally or within reason. If it falls into the hands of a few, it's not going to solve any problem. If we could take these small processing plants and back them up to the 1950s when you could go into your local town and you could find a meat locker that's specially processed smoked product, specially processed baloney. You went there because you wanted that product. A facil-- a piece of equipment that you can utilize to make that product today would run \$50,000 to \$100,000. And you could do this with this grant if it was distributed out equally amongst the members in this room or the facilities that need them and go back to doing that. We could answer that demand. If we could coincide this bill with Senator Brewer's bill asking for a state-inspected facility and vet-inspected livestock that could be resold, you could see meat from Nebraska sitting on Nebraska grocery store shelves. You could see meat and products from Nebraska sitting in an Omaha restaurant. We could get a cooler purchased with this product for a dry-aged beef. Can you walk into a grocery store and buy dry-aged beef? Not that I know of. You have to demand it from a custom-processing facility and most of them don't have the ability to do that today because they-- there's such a turnover, but it's a demand. It's there and we need it. This state needs to back up, look at the past, look at some of the things that have happened previously, and understand that we've got to back away from that and start focusing on the way it was

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before and not lose any more ground. The system's broken. It's been proven. Now we got a follow up and learn from it. Any questions? Thank you for your time.

**STINNER:** Any questions? Senator Hilkemann.

**HILKEMANN:** Yeah, I think you touched on something that, that I've-- I'm interested about this pro-- is we're talking about an appropriation bill to help out because of the-- of using ARPA funds for this. But the real problem is the whole inspection process, am my right? There's not enough inspectors out there to-- that, that, that slows down the process between the federal and state.

**ROBERT BERNT:** It does hinder them considerably. The proposal that I've been asking for, for the last several years is to have the inspections of the facilities done by the state of Nebraska. When I started farming in 1977, there were 3,800 dairies in the state with six dairy inspectors. Today there are less than 180 dairies in this state with three inspectors. There's no reason that that existing inspector couldn't inspect a meat processing plant when we're only talking about 80 at the most. And that inspection would be done more often, get a better-- more better quality product coming out the other end than we currently have with USDA inspections of the state-inspected-- I call on state inspected because prior to '72, they were state inspected, but they're actually customer exempt now. It would actually bring you back into that scenario where that state would be more frequently inspected that facility. And as a facility owner, I'm a damn fool to ask for more inspections, but more me-- it's really important for me and my product going out that door being healthy and nutritious and safe. You won't see and you haven't seen recalls on beef processed in these gentlemen's facilities, but every week you see recalls from mass production facilities, another issue that we're facing. So yes, if we can go back to a state-inspected facility that would allow us to do safer product and get away from the USDA-- they're overrun. And in most cases, a USDA inspector may not walk on to a custom-exempt processing facility to inspect it-- especially my situation out in the country-- for two to three years. That's not adequate. So yes, that is one of the main issues or a big issue.

**STINNER:** Thank you. Additional questions? Seeing none, thank you very much.

**ROBERT BERNT:** Thank you.

**LOUIS DAY:** Senators--

**STINNER:** Good afternoon.

**LOUIS DAY:** Been a long time since I've done this so I'm a little nervous. But anyhow, my name is Louis Day, L-o-u-i-s D-a-y, and I'm from Valentine, Nebraska. I was raised in Wheeler County. Bob and-- Mr. Bernt for me-- hard calling him Mr.-- me and Bob Bernt went to school together and we've seen that same film from this Jerry Litton. And, you know, this-- I, I sat here and listened to the one vet on the previous deal and it shocked me that we have 48 hours of meat supply that isn't spoken for or sold. Ladies and gentlemen, we have a food security issue. It's huge. We can get into the market deal of it of-- and I've-- I agree with you guys. We call them the big boys too. I'm, I'm just here representing my family. At one time, me and some other people went together and we tried to have our own USDA-inspected plant in Mullen. We failed. That's America capitalism. That's just the way it is, but we was USDA inspected. So I realize the hoops that you have to go through for the USDA. I've also got a 16-month-old grandson at home that you have to-- his dad hauls fuel during the day so he can ranch in the morning and at night to support the cow habit. But you have to-- Harrison [PHONETIC] is my grandson. He's 16 months old and you have to spell out cow or chores or otherwise he's getting his clothes on because he wants to go with his dad to do the cow chores. So anyhow, this, this is important for our future. What Mr. Litton said in, in that film was if this cheap food policy went on, these agribusinesses got control, you would not see any independent dairies, no independent hog producers, no independent poultries, and the last segment of the industry to be control of livestock would be the cattle industry. But when they got control of the processing, you would be forced through that narrow window where we at. COVID was both a curse and a blessing because it, like Bob said, opened up a huge weakness. I agree with him. I would like nothing better to see-- you know, yes, people can go into these, these exempt lockers and get quarters, halves, and wholes. There's a lot of people in Valentine, Nebraska, that can't afford five pounds at a time. They're on limited budgets and this inflation deal with everything that's going on is going to get worse. This is a huge security issue. You folks right here are the opening to whether my grandson continues in this business because we are on the verge of losing our independence in the cattle industry. On the way down here-- I got up at four o'clock this morning to get down here. The only dairy I seen was Bob's. I seen three big hog deals plus Bob's. He's got open-range hogs. I'm guessing two of them was Pillen's because I could tell by the advertising on his truck. I seen two

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chicken-- well, I seen three chicken deals. Bob's got open-range chickens, but I seen two buildings. The last thing we've got is the cattle industry for our independence in this state. It's huge. We're on the verge of losing it. There's a lot of other stuff I'd say, but I've taken up enough of your time. But I would urge you-- and I don't know how all this stuff works, but we've got to drive a wedge in there because right now, the USDA is controlling this state's industry. We have an opportunity to start within the state and have our own food security. Thank you.

**STINNER:** Thank you.

**LOUIS DAY:** Oh, any questions?

**STINNER:** Any questions? Thank you for coming all the way from Valentine.

**ERDMAN:** Senator Stinner.

**STINNER:** Senator Erdman.

**ERDMAN:** Senator Stinner, thank you. Maybe not necessarily a question, but just a comment. I appreciate you coming all that way.

**LOUIS DAY:** Well, the founding fathers set this up. If we do nothing, whose fault is it?

**ERDMAN:** Thanks for coming.

**LOUIS DAY:** You're welcome.

**ERDMAN:** We appreciate it.

**STINNER:** Thank you.

**LOUIS DAY:** Thank you for the opportunity. May the good Lord bless [INAUDIBLE].

**PETE McCLYMONT:** Chairman Stinner and members of the Appropriations Committee, for the record, my name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I am honored to serve as the executive vice president for Nebraska Cattlemen and I'm here in strong support of Senator Brandt and LB755 and we-- my testimony is not only for Nebraska Cattlemen, but Nebraska Farm Bureau, Nebraska Corn Growers Association, Nebraska Soybean Association, Nebraska Pork Producers, and Nebraska State Dairy. So I don't want to be redundant. I want to

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be efficient with your time, so I'll just get the highlights of my testimony to emphasize all the great comments you've heard before me. One critical point is that for one hook of capacity in these operations can cost \$100,000. So that's, that's real money, so. And you've seen these folks just want to have a chance to compete. And I think it's obvious from the strong testimony you've heard that they're going to leverage-- if LB755 passes and your colleagues pass it, they're going to leverage every dollar in their local communities to the processors, to the producers that raised and fed the animals and strength-- and create a stronger relationship with the consumer. So we want to be on record. We want to support Senator Brandt and LB755. And with that, Mr. Chairman, I will conclude my testimony and answer any questions.

**STINNER:** Thank you. Any questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Thank you for coming today. Previous testifiers said-- the one before that said something about state inspection, state meat inspection. Have, have you been working at all with Senator Brewer on trying to get that accomplished?

**PETE McCLYMONT:** Yes, sir.

**ERDMAN:** So we used to do state inspectors, is that correct?

**PETE McCLYMONT:** I believe so.

**ERDMAN:** Twenty years ago or whatever it was?

**PETE McCLYMONT:** Correct.

**ERDMAN:** Did, did you see the bill that I introduced a couple of years ago or maybe it was last year on the state inspection?

**PETE McCLYMONT:** Um-hum.

**ERDMAN:** And then did you also see the fiscal note that the Ag Department put on that?

**PETE McCLYMONT:** I remember it was in question, Senator, yes.

**ERDMAN:** It was, it was significant--

**PETE McCLYMONT:** Yeah.

**ERDMAN:** --to say the least. I have had several bills that have come out that way. I don't believe that was the correct number. It-- just

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for the record, it appears to me that the Department of Ag doesn't want to do state inspection. Otherwise they wouldn't have had that fiscal note like it is. So we need to move forward on trying to get something accomplished about state inspection. This is a, this is a problem. Those people have brought that to our attention today. And so if, if you have an opportunity to work with Senator Stinner on-- or Senator Brewer on getting that fixed, I would appreciate that. I'll try to help.

**PETE McCLYMONT:** Yes, sir. Thank you, Senator.

**STINNER:** Additional questions?

**PETE McCLYMONT:** Thank you.

**STINNER:** Seeing none, thank you. Any additional proponents?

**ALLEN CHLOPEK:** Hello. My name is Allen Chlopek. Allen is spelled A-l-l-e-n. Chlopek is spelled C-h-l-o-p-e-k. I currently serve as the city administrator for Fullerton, Nebraska, here to speak on behalf of LB755. Local meat producers are huge boons for small and rural communities, as well as urban communities. Investing in these locally owned and operated businesses have ripple effects that make our communities more resilient towards issues like that have been previously mentioned, supply chain issues, and allow for more operations like farm to table and just community investment. What you have in front of you is a, is a layup. You know, it's a-- it's smart, easy policy that will have lasting effects in these communities. I don't really have any more points that haven't already been made. This is a straightforward issue. It would really help a lot of Nebraska.

**STINNER:** Thank you. Questions? Seeing none, thank you very much. Any additional proponents? Any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you like to close?

**BRANDT:** Thank you for your patience this afternoon. That was a lot of testifiers, very good testimony. I'd like to thank the Fiscal Office, the committee, and all the testifiers. This is about COVID relief and food security. We had a good cross-section of Nebraska businesses here today. They need help to service a great need out there. Senator Dorn, you asked about the number of federally inspected lockers out there; 36 percent are USDA, 64 percent are custom exempt. Senator Clements, you asked about custom exempt or USDA. Nebraska does not have state meat inspection. We're one of 23 states that do not have



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that. The biggest reason-- and we may here a little bit, but the biggest reason we do not have it is we have to pay for 40 percent of it, hence, the big fiscal note. If the USDA in Washington would pay for this, we would have it in a heartbeat. I believe 1972 was the last year that we had state meat inspection, but it would really help grow this industry that came to testify today. I want to clarify something. Our second testifier, Seth, talked about having to buy steers from his neighbor instead of processing his own. The reason he did is his neighbor called the packing-- the locker plant and took all 30 or 40 spots. OK, he didn't want to give his spot up for his steer. He wants him to come buy his steers to use those spots. And that's what's happening today is when spots become open, traditionally, I would take just one spot. I'm so spooked. A lot of these guys are taking 20 or 30 or they'll take all the spots and then they'll try and market their animals. If you want that, you have to buy the animal from that producer. And yes, I do believe the program will distribute the money evenly. We left it in the hands of Nebraska Department of Agriculture to figure this out because at the time, we, we had no idea of what our funding source would be or how much money, but I'm sure they'll set some, some guardrails up on that. With that, I would, I would take any questions.

**STINNER:** I just want you to clarify something for the committee. The Governor put \$15 million in his, in his ARPA request for small meat processing plants. Did you see that? Did you--

**BRANDT:** We saw that he put \$10 million in this and he put \$15 million in North Platte.

**STINNER:** Put \$10 million in this?

**BRANDT:** Yeah, but wait, wait. If you're doing-- giving \$15 [million] today, we're-- we'll do that. We'll help you out.

**STINNER:** I thought I saw it was \$15 [million]. I'm sorry. Is it-- is that the same program?

**BRANDT:** Yes, as what-- was the Governor's as this? Yes.

**STINNER:** OK.

**BRANDT:** Absolutely.

**STINNER:** Very good. Senator Dorn.

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**DORN:** Question more for clarification. I think the second or somebody talked about-- and I don't remember your bill from last year. It said that this wouldn't be used or could it be used for any new startup. This had to be for an existing, is that--

**BRANDT:** I--

**DORN:** Do you remember that or--

**BRANDT:** I'll have to, I'll have to reread that quick and--

**DORN:** Give me the information.

**BRANDT:** Yeah, we'll get back to you.

**DORN:** I don't know who said that--

**BRANDT:** Yeah.

**DORN:** --but I-- when they said that, I just--

**BRANDT:** Right, the--

**DORN:** Just a question.

**BRANDT:** The intent of the bill is to help the existing industry.

**DORN:** Is, is-- OK.

**BRANDT:** Right. OK.

**STINNER:** Any additional questions? Seeing none--

**BRANDT:** Thank you.

**STINNER:** --we do have letters of support for LB755. We have two letters, proponent letters. And with that, that concludes our hearing on LB755. We'll now open on LB783.

**WISHART:** OK. Welcome, Senator Groene.

**GROENE:** Yes. Are we--

**WISHART:** We're ready to open.

**GROENE:** --waiting for the Chairman or you want me to start?

**WISHART:** Yep.

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**GROENE:** Thank you, Vice Chair Wishart and committee members. Today we're here to-- I'm-- we're requesting from the committee ARPA funding to address harm done to the beef production class within agriculture by aiding the construction of new beef processing facilities that will help "alieve" the harm done to this effected class of people within agriculture. Our request is based on two of the U.S. Department of Treasury's guidelines on the provisions of allowable uses for the ARPA funding. Number one is water and sewer infrastructure, decentralizing the wastewater treatment system, treatment systems that treat municipal wastewater and domestic sewage, and management and treatment of stormwater for some subsurface drainage water. I've given the committee a handout, a copy of the letter I received from the North Platte City Administrator outlining the costs that are associated with the water and sewer provision. I believe the Governor's budget said \$15 million, but we had a confusion there. In that original document, we, we put the, the-- I think it was a clerical error. We put the cost of the water and sewer and it was \$37 million and then we all-- I also instructed the city administrator to-- because the Governor said you better have skin in the game-- prove to us that the local communities have put money into it. And they also listed down below that there's going to be \$22 million of TIF or \$21 million in TIF and then \$1,000 from LB840 money. Well, when you subtract that from the \$37 million, he came up with \$15 million. But the reality is that money that the city is, is for the entire project and not specifically for the water and sewer. So right there, we have a, a deficit on the-- of \$22 million of what is necessary. And then number two under the capital expenditures section of the Treasury Department's guidelines that are subject to the same eligibility standards and other eligible uses to respond to the pandemic's public health and economic impacts. Specifically, they must be related and reasonable, proportional to the pandemic impact identified and reasonably designed to benefit the impacted population of class. Under this provision, we are not asking for the funds to relieve an impacted industry, which we do not qualify for, but are asking for the funds to respond to the harm done to the population of beef producers who were personally harmed by the pandemic and they fit under that description. We believe the best course of action to address the harm done to the beef production class within agriculture is to help create new processing facilities to relieve the bottleneck and lack of, of excess capacity that we found out did not exist in the processing industry in order to address the harm that the pandemic did to the beef production population. Another harmed population that would be aided by addressing the lack of beef processing is the beef consumer who has

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been adversely affected by the lack of processing facilities, causing empty grocery shelves and inflated meat prices that has essentially made beef unaffordable to many consumers. I would appreciate the consideration request. I wanted to read President Biden's plan and I wanted to read a few quotes from Senator-- from President Biden when he was asked about supply and demand and the bottleneck in supply. And when he was asked about that, he said the meat industry is a textbook example of the price side. Four big corporations control more than half the markets in beef, pork, and poultry. These middlemen that they buy from, farmers and ranchers, and sell the processors-- excuse me-- and sell the process-- excuse me-- sell the processed product to the grocery store. I'm quoting him verbatim. That's the, that's the, that's the way it works. Without meaningful competition, farmers and ranchers don't get to choose who they sell to or another, another way, our farmers and ranchers have to pay whatever these four big companies say they have to pay. By and large, that's only half of it. These companies can use their position as middlemen to overcharge grocery stores and ultimately, families. If you can hold, if you can hold a second, I was just-- I was telling my colleagues early, early in my office that I was sitting in my kitchen yesterday and there's a sunroom off the kitchen. And my wife was there with her sister and a good friend named Mary Anne [PHONETIC] and she was saying, do you realize it's over \$5 for a pound of hamburger, \$5? Well, this is, this is partly, you know, the pound of beef today costs \$5 compared to less than \$4 before the pandemic. He went on to say-- I guess what I'm saying-- by quoting him on what he just defined and a class of people, a population of people who have been harmed by the pandemic and that's the beef producer. So it fits well under the ARPA funding under the capital, capital expenditures. And we also-- even the Governor agreed that we have water and sewage-- sewer infrastructure needs that can be addressed by ARPA money, so anyway, any questions?

**WISHART:** Thank you, Senator. Any questions? Senator Clements.

**CLEMENTS:** Thank you, Vice Chair Wishart. Thank you, Senator Groene. I was looking at the Governor's suggested use for the ARPA money and he had meat processing plant grant of \$15 million. You know, are you, are you intending this to be for the same project that you have?

**GROENE:** Yes. If I showed you the original letter we sent on the app-- when, when the Governor asked for certain criteria, when-- we send him a whole proposal, my office and, and the interested individuals, on why ARPA money should be-- and they picked out the sewer and water. But there was confusion on that letter where we had \$30-- the

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\$37 million so I asked my city administrator to upgrade it for you guys. And on the bottom of the letter it said these are the local inputs. It was \$1 million from the-- and Gary Person from the economic development can explain where that money comes from. It's LB840, I believe. You know, they're-- part of a sales tax. They gave them \$1 million and then they-- the estimated amount is a tax increment financing because it's a blighted and substandard piece of ground next to a sewer plant where nobody was going to build. It's been in the city for over six-- 70 years-- was \$22 million. So I'm assuming the Governor's Office-- I need to clarify with him-- took that \$22 million and subtracted it from the \$37 million, came up with \$15 [million]. But there's no relationship between that money. That money is overall project money that's going to come in over the next 15 years on the tax increment financing-- or 20 years, takes a couple of years to get built.

**CLEMENTS:** And I have one more question.

**GROENE:** But \$37 million would qualify under the water and sewer.

**CLEMENTS:** And do you know what the total project to build this plant is going to be?

**GROENE:** Originally, \$325 million now and I'm hearing anything from \$375 [million] to \$425 [million], pandemic inflation--

**CLEMENTS:** OK.

**GROENE:** --because everything came to a standstill during the pandemic.

**CLEMENTS:** All right, thank you.

**WISHART:** Senator Dorn.

**DORN:** Thank you, Vice Chair Wishart. Thank you for bringing this bill. I, I guess I-- mine's a little bit along Senator Clements' line too to clarify really, I guess, what you're asking for. On the front page of the fiscal note, we see \$75 million.

**GROENE:** Yeah, we're asking for \$75 million.

**DORN:** That's what you're asking for. Well, later on back here, though, it says expenditures of \$7.5 million. So that's expending the \$22 million.

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**GROENE:** Where is the fiscal note?

**DORN:** On the second page of the fiscal note, yeah. They're-- you're asking for \$75 million both those years--

**GROENE:** Yeah, I have--

**DORN:** --but then you have-- give some expenditures.

**GROENE:** I have no idea. I tried to figure this one out and I, I don't know where the \$7.5 million comes from.

**DORN:** We, we sometimes don't understand the fiscal notes either, yeah.

**GROENE:** Because the \$75 million fits the amount in our bill and \$15 million-- yeah, we'd sure like to get \$90 million, but--

**DORN:** Senator Brandt was asking-- he'd take more too if we could give it to him.

**GROENE:** Yeah.

**DORN:** Yeah.

**GROENE:** That works too well.

**DORN:** So-- but this bill is for \$75 million. That's what this bill is asking for.

**GROENE:** Yeah, that's what I--

**DORN:** Thank you.

**GROENE:** --came in and asked for. And I've been told that's enough, but you're welcome to add to it because it helps Senator Vargas' meatpacking workers that he cares about and makes them a better work environment.

**WISHART:** Any additional questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Wishart. Thank you, Senator Groene, for coming. I added those numbers up and it comes in \$97.5 million. That's almost as much as I wanted to give you. I want \$100 million so we're getting close. I don't know who added this together, but I thought this is the way to go.

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**GROENE:** Senator Erdman, when you're on the committee, you have more power than me. If you want to give us \$100 million, I can't do anything about it.

**ERDMAN:** That would be my goal. That would be my goal. You know, and, and one of the things-- Senator Groene, I think you alluded to it earlier. You said it started out at about a \$325 million--

**GROENE:** Yeah.

**ERDMAN:** --project and it may be \$375 [million] or \$400 [million] now and so-- and I, and I spoke with Mr. Briggs last time he was in, what is needed yet, and I believe he said \$75 million, but that may have changed because of inflation.

**GROENE:** Let's remember how this whole project got started. It wasn't started because somebody thought they could make money meat processing.

**ERDMAN:** Right.

**GROENE:** It came from a class of individuals who were harmed, which is the beef producers all the way from the cow-calf to the, to the, the beef, what he called the cattle yards. And they were harmed and they were looking for an answer. They were a class of people looking for an answer to "alieve" their harm and they came up with this idea of building a packing plant to give a market for their beef. So it fits right into the capital, capital expenditures part of it and it also worked fits under-- I mean, you can give-- combined, you can give the \$37 million and then your, your \$63 million for the capital expenditures.

**ERDMAN:** Right. We, we had had a conversation when you first began talking about this and your goal was \$50 million and then just a few weeks later, you came with the \$75 [million].

**GROENE:** Well, they kept coming in with higher and higher estimates on the cost of building it. And, you know, these are, these are the people who live out there and produce beef who are behind this. They had, they had already figured out what they could-- out of their own pockets and get financing. Where it reached the tipping point on the financing were who's, who's in charge and what kind of demands by the lender would be put on the, on the, on the ownership. And there's lots of money out there from investment funds, hedge funds, who they want to come in and give you money for ten years and then by God, after ten years, their whole goal is to take over and sell it to the

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big four. These folks have made sure this will stay Nebraska owned and they're financing and in order to do that, they need to have the, the equity to control the financing.

**ERDMAN:** Thank you.

**WISHART:** Any additional questions? Senator Hilkemann.

**HILKEMANN:** Senator, if-- the Governor recommended \$15 million for this. If you don't get the additional funds that you're asking for today, what happens to the project?

**GROENE:** It probably will go forward--

**HILKEMANN:** OK.

**GROENE:** --with some very bad terms-- and financial terms with some, some-- hope the market stays and hope that we can make it work. We can get some more funds. We're, we-- they also have to have some funds for the startup. It's one thing to have the funds to build, but it's another thing to bring in 800 employees and train them for three weeks or slowly bring them in and then to ease their way into full production. That takes some money in the bank. And part of the ARPA funds is wages for affected-- replace wages for affected employees. There's anybody more-- have been affected than the meatpacking employees. This is going to be-- give them a heck of a good working conditions, further apart. It might stimulate the rest of the, the meatpacking industry to think forward and improve their working conditions because we're going to take the cream of the crop. They're going to come work with North Platte.

**STINNER:** Additional questions? Seeing none, thank you, Senator. Afternoon.

**DAVID BRIGGS:** Good afternoon.

**STINNER:** Good to see you again.

**DAVID BRIGGS:** Good afternoon, Chairman Stinner and Appropriations Committee. My name is David Briggs, D-a-v-i-d B-r-i-g-g-s. I'm here today as CEO of Sustainable Beef and we are in the process of building a new facility in North Platte. I'm working with a group of-- Nebraska Cattlemen to build a new beef processing plant in North Platte in order to address some of the issues that impacted all of us during the last two years during the COVID pandemic. Today, I'm here to speak in favor of LB783. It has been well documented and we all



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can relate to the times we could not find the beef we desired at our local supermarket, even in the beef state of Nebraska. At times, 25 percent of the nation's beef processing capacity was shut down due to health concerns and within days, the supply chain was short of product. This situation was amplified by the fact the beef processing industry was already 5 percent short of the capacity needed to process the nation's cattle supply. Not only did we consume, did we consumers see the immediate impact, the cattlemen realized significant loss revenue as the cattle that were ready to be harvested had to be fed longer while the market quickly dropped in the first quarter of 2020 and did not recover to the same price level until the fourth quarter of 2021. At times, Nebraska cattlemen lost revenue of \$500 per head compared to prepandemic prices. We process 30,000 head of cattle per day in Nebraska. Thus, at times, our cattlemen were short \$75 million per week, interestingly, the same amount Senator Groene is requesting to help the industry recover and grow here in Nebraska, the beef state. Our state's beef processing plants workers worked diligently to keep up with demand on both ends of the plants as the facilities were quickly retrofitted to implement more employee protections in the decades old plant. Our post-pandemic-designed plant will have more square footage per employee to provide a safer work environment for employees. When we began this journey to try and make a difference in the beef industry, I summed up our roadmap, roadmap as the three Cs. We needed a city, we needed cattle, and we needed capital. North Platte stepped up forward-- stepped forward to make a difference in the cattle country as did 25 feedlots that have agreed to supply the plant with cattle. We currently are working diligently to secure all the funds to build a \$325 million plant prior to breaking ground. However, the cost of the plant has risen \$90 million since we began the effort. Thus, support from the ARPA funds would help us bring this important project to fruition. In the Coronavirus State and Local Fiscal Recovery Funds Final Rule introduction-- that's a mouthful-- it references quote, fight the pandemic and support families and business, businesses struggling with its public health and economic impacts. Also quote, build a strong, resilient, equitable recovery by making investments that support long-term growth and opportunity. The Nebraska beef industry was definitely impacted by COVID, with the cattlemen feeling much pain, as did every family in the state, with rapidly increasing prices for beef products. Helping the beef industry create a new post-COVID plant will provide a safer work environment and create more capacity to provide food security for the state's citizens. An investment in the meat processing industry to help this project come to fruition will also provide a long-term

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benefit of over \$1 billion in economic impact each year. We believe ARPA funds are eligible for this project. Under the State and Local Fiscal Recovery Funds FAQ 6.1, funds can be used for capital expenditures in water, sewer, and broadband infrastructure. The Final Rule on ARPA aligns eligible uses of funds with a wide range of types of categories or projects that would be eligible to receive financial assistance through the Environmental Protection Agency's Clean Water State Revolving Fund or Drinking Water State Revolving Fund. Our use of capital is consistent with this, this section. I truly respect the task this committee has to determine how best to allocate ARPA funds and I ask that you support LB783 so Nebraska's beef industry can fully recover from the pandemic and prepare for easing the future disruptions. I'd be happy to take any questions.

**STINNER:** Any questions? Senator Hilkemann.

**HILKEMANN:** I'd like to understand this just a little bit. Here's what-- from what I'm picking up on this, we have-- this beef plant that you're building, the underlying are investors who are actually in the beef industry now, is that correct?

**DAVID BRIGGS:** That's correct. Some of the investors-- some of the investment will come from the cattlemen as well as will also-- because originally, this was set up to be a cooperative. And my background, I'm a cooperative manager. I've managed co-ops for 32 years and-- but however, this is such a large capital-intensive project, we could not get enough equity just from the cattlemen. So we will have some outside investors to make this happen. But we do have-- definitely have equity from our local cattlemen and local people around the state that want to participate in this project.

**HILKEMANN:** OK. Long-term goal, obviously, this is-- the investments will make money.

**DAVID BRIGGS:** Long-term goal, I mean that, that is one, one option, yes. But as a Senator Groene indicated in his, his testimony, this project came about in the-- really the summer of 2020 after the pandemic hit and after all the cattle supply was backed up, we need to do something in the industry. And we had a group-- three different feedlots stepped forward and said we-- we're willing to make a difference for our next generation of our children. Something has to change. And so we wanted to make this happen and that's when we met with the city of North Platte and they said we'd like to have this plant. And that's really where we kind of got this thing rolling. And so we've been working on this for about 18 months.

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**STINNER:** Any additional questions? Senator Dorn.

**DORN:** Thank you, Chairman Stinner. Thank you for being here, and I know I've asked questions for you before. Majority of the cattle, will they come from Nebraska?

**DAVID BRIGGS:** Almost all the cattle will come from Nebraska, yes.

**DORN:** Your product that goes out, out the door, then, your product that you're going to market, where will most of that go?

**DAVID BRIGGS:** Majority of that will go domestically and we will export probably about, about 10 percent of what we process will be exported. There is tremendous interest in all the beef that we produce, whether it's for international sales or for domestic sales. It's interesting, as I learn this business, a lot of the stuff we sell internationally is products that we, we actually will not, will not eat in the United States. And so it's a, it's a good, it's a good mix of where the products will go. So roughly 10 percent of the product will go internationally, but most of it will be sold domestically.

**STINNER:** Additional questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Thank you, Mr. Briggs, for coming. Did you, did you say it was going to be a cooperative, this is going to be a cooperative?

**DAVID BRIGGS:** It is not. Originally the concept was they wanted to make a cooperative. It is a cooperative concept in that we are going to return some of the income back to our members. That is correct. But it is a-- it will be an LLC because-- which in a lot of ways is very similar to cooperative because all their-- all the income is passed back to the members.

**ERDMAN:** I remember several years ago we passed the cooperative-- private partnership cooperative when Bob Anderson was the co-op council president. Remember that? Has anybody ever used that--

**DAVID BRIGGS:** Not that I'm aware of.

**ERDMAN:** I thought maybe you guys might try to use that here. Thank you.

**STINNER:** Additional questions? Seeing none, thank you very much.

**DAVID BRIGGS:** Thank you.

**STINNER:** Afternoon.

**CASSIE LAPASEOTES:** Hello. Chairman, Chairman Stinner, members of the Appropriations Committee, for the record, my name is Cassie Lapaseotes, C-a-s-s-i-e L-a-p-a-s-e-o-t-e-s. I'm here today on behalf of Sustainable Beef testifying in support of LB783. Chairman Stinner, Senator Erdman, my father asked me to tell you hello and to thank you for your service to western Nebraska and to the entire state. I would like to thank Senator Groene for his leadership and for bringing this important proposal before you. I am a fourth-generation member of my family's farming and cattle feeding operation in Bridgeport, Nebraska. As we all know, COVID-19 presented itself with a variety of challenges, which directly impacted not only projected, projected profits to my family operation, but also having the ability to get our animals harvested in a timely manner. COVID-19 made it clear to myself and my family that we need to not only find an answer to the challenges we have been facing, but also be a part of the solution. I believe sustainable beef is part of that solution. My journey in agriculture started when I was five years old, riding pens in my mom's saddle. I would spend weekends and summers helping her process cattle, helping her doctor sick calves. The lifestyle and work ethic she taught me continued without me-- with me throughout my entire career and is still with me to this day. Upon graduating from Colorado State University with a degree in agricultural business, I returned home where I started working with my dad's operation. Over the past years, I have developed into a leadership, I have developed into a leadership role on the operation and I'm excited for what the future in agriculture brings not only to myself, but to my entire family's operation. As a cattle feeder, a smaller regional plant brings another option to the-- for a place for us to sell our beef so do we-- so we do not get caught up in the supply chain issues that we have seen in the past few years. We can share our story of what we in agriculture do every day and how we raise our product and connect with our consumer to meet the changing demand-- demands. As a Nebraska cattle producer investing in our state, we understand the needs and value-- values that this project needs. This isn't just an investment in-- in North Platte. It's an investment in every cattle produce-- producer in our state and region. It opens opportunities for young people who want to be part of Nebraska's number-one economic driver and bring youth back to rural towns throughout our state. Sustainable Beef allows my family to complete our closed-loop system from raising a crop to calving out baby calves and bringing our home-raised crop into our feedyards to feed through our cattle.

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Now we can complete that loop by having a place to harvest our finalized product: beef. It adds security for myself to continue our family-- family op-- business and give generations to come an opportunity to be a part of where our food comes from, to keep our industry alive and keep rural America thriving. We have to create opportunities for ourselves and for our communities. By bringing jobs to the city of North Platte and add-- adding a \$1.16 billion worth of economic impact to Lincoln County, the available ARPA funds would be extremely beneficial in helping Sustainable Beef become successful. As I see it, it is Nebraska's-- Nebraskans investing in Nebraska. We thank you for your time today and would also like to thank Governor Ricketts for his support of agriculture and his support for our project. Thank you. And if you have any questions, I'd be more than happy.

**STINNER:** I will say this. Thank you for coming all this way.

**CASSIE LAPASEOTES:** Absolutely.

**STINNER:** I think Senator Erdman and I really appreciate it. Senator Clements.

**CLEMENTS:** Thank you, Mr. Chairman. Thank you, Cassie--I'm going to try to pronounce: Lapaseotes?

**CASSIE LAPASEOTES:** Yep.

**CLEMENTS:** That's it? OK.

**CASSIE LAPASEOTES:** You have to spell it back though. [LAUGHTER]

**CLEMENTS:** So this processing plant isn't open yet. Where do you take beef now to process?

**CASSIE LAPASEOTES:** To the Big Four today.

**CLEMENTS:** How far it is-- how far is it to--

**CASSIE LAPASEOTES:** From Bridgeport, every two-and-a-half hours, we go to Greeley, Lexington. Those are the two main ones we'll go to, so.

**CLEMENTS:** OK. North Platte would be closer than Lexington then.

**CASSIE LAPASEOTES:** It's-- yeah.

**CLEMENTS:** Slightly?

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**CASSIE LAPASEOTES:** Yeah.

**CLEMENTS:** There was a mention that the producers were losing \$500 per head compared to the pre-pandemic prices. Did you see that kind of loss?

**CASSIE LAPASEOTES:** I-- I don't have the specific number, but the-- the loss was very-- it had a big impact on profits.

**CLEMENTS:** Yeah, revenue decrease.

**CASSIE LAPASEOTES:** Yes, absolutely. We were losing money day in and day out, and it-- and-- part of it was just the being able to get the cattle killed. At one point, the loss wasn't the issue. It was just having a product that was finalized and getting it out the door.

**CLEMENTS:** To sell your haul.

**CASSIE LAPASEOTES:** Yeah, absolutely.

**CLEMENTS:** Thank you.

**CASSIE LAPASEOTES:** Thank you.

**STINNER:** Any additional questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Thank you, Cassie, for coming. You may have driven just a few miles less than Senator Stinner and I drive.

**CASSIE LAPASEOTES:** Yeah.

**ERDMAN:** But I appreciate that. So as you were marketing those cattle, you couldn't market them, how heavy did they get before you finally were able to move them?

**CASSIE LAPASEOTES:** You know, it-- the weight that they go out, it varies anyways, but we were in the 1,400- to 1,600-pound live weight range.

**ERDMAN:** That's significantly more than you normally do?

**CASSIE LAPASEOTES:** It would be a little bit heavier than what-- what normally is, yes.

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**ERDMAN:** And part of the loss was because you had to put that extra gain on? It's harder to put that gain on when they get towards the end, right?

**CASSIE LAPASEOTES:** Absolutely.

**ERDMAN:** Yeah.

**CASSIE LAPASEOTES:** Higher feed, you have to continue to feed those cattle day in and day out, so yes,

**ERDMAN:** Well, I appreciate you coming all that way.

**CASSIE LAPASEOTES:** Absolutely.

**ERDMAN:** Thank you.

**STINNER:** Any additional questions? Seeing none, drive safely.

**CASSIE LAPASEOTES:** Thank you. You too.

**GARY PERSON:** Senator Stinner--

**STINNER:** Oh, you're getting to be a regular person here.

**GARY PERSON:** I know.

**VARGAS:** [INAUDIBLE] or you should sit here--

**GARY PERSON:** Yeah.

**VARGAS:** You should sit here.

**GARY PERSON:** Yeah. Good to see you again, Senators. My name's Gary Person, spelled like "person," P-e-r-s-o-n. I'm president and CEO of the North Platte Area Chamber and Development Corporation. Our organization is a combined chamber of commerce and economic development corporation with approximately 600 business members and organizations in the North Platte area. We speak united here today, from that entire group, in favor of LB783. We started down this path, arm in arm, 538 days ago with a beef processing project now known nationwide as Sustainable Beef. It is one of the most critical agriculture projects of our generation. Our board of directors went on record early on in this process to unanimously support the Sustainable Beef Project located in North Platte. However, it's just not a North Platte thing. We've received support from all over the state of Nebraska because it's a statewide issue and beyond. Capacity

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issues complicated by the COVID worldwide disruption has made it a daunting and expensive challenge. This talented and knowledgeable Nebraska grassroots group of founding partners, advisors, and contractors came together to make this happen. It needed a community to embrace it. Through the past year, this project's been through 14 different public votes involving five different public agencies. In each case, it received a unanimous vote from North Platte public officials on each respective governing board. That in itself is amazing. North Platte is the capital of Sandhills cattle country and Nebraska's ranching community. No economic development opportunity has ever made more sense for our region, our community, or our state. When well-respected and well-known economist Ernie Goss outlines the local economic impact at greater than \$1 billion a year, it speaks volumes to the impact this will have for generations to come. The beauty of agriculture processing is that it uses local, homegrown Nebraska products and produces a value-added project that goes right back into the local economy when producers are part of the ownership equation. The escalating construction price tag is more than daunting, but in the end we'll have a \$50 million annual payroll, with approximately 1,000 direct and another 1,000 indirect jobs, averaging over \$50,000 apiece with good benefits. The author who wrote the book Making Numbers Count says humans are not built to understand numbers, so sometimes we have to translate. Compare it to seconds. A million seconds is a little over 11 days. A billion seconds is 32 years. So think about that when you think about a billion-dollar economic impact annually. We have a chance to change our region and this industry's future, and we need your help in making the project happen. Sustainable Beef has been severely challenged by supply disruptions and escalating costs of its own. The pandemic has continued to create those challenges. Agriculture needs this to happen. Nebraska needs it to happen. But more than anything, our communities and our ranching and farming neighbors needed to sustain their way of life into future generations. It's the Nebraska right thing to do. We encourage you to support LB783 and thank you for your service.

**STINNER:** Thank you. Any questions? Senator Clements.

**CLEMENTS:** Thank you. Thank you, Mr. Person. We've been hearing also about a rail spur connection to North Platte. Would this plant be located on a rail spur or--

**GARY PERSON:** It-- it would not. But it is critical that there-- they have rail shipping capacity, so our rail spur will not be very far from the plant, so it can be shipped from the plant location to the



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rail park to do this. And the development will coincide same time this project's going. It'll take probably two years for both projects to get fully completed, but we do indeed have a plan to ship the-- the frozen beef from that location.

**CLEMENTS:** Well, somebody would need to have a cooler in the rail, right?

**GARY PERSON:** Correct.

**CLEMENTS:** Yeah.

**GARY PERSON:** And we've been contacted by some companies that are-- are interested in providing that as a different business that would come alongside.

**CLEMENTS:** Thank you.

**STINNER:** Additional questions? Seeing none, thank you.

**GARY PERSON:** Thank you.

**STINNER:** Afternoon.

**CHRIS BRUNS:** Good afternoon, Chairman Stinner, members of the committee. My name is Chris Bruns, spelled C-h-r-i-s B-r-u-n-s, and I am the chairman of the Lincoln County Board of Commissioners. I want to thank you all for allowing me the opportunity to speak today in favor of LB783, a bill that seeks to address a significant and dire challenge that is facing the beef industry and the negative impacts that it's having on consumers. Nebraska: the Beef State. It's literally who we are as a people, and I am so proud of that. I'm proud of that identity and truly what it means, not because of the fantastic product that we provide to the world and the cattle that we raise and-- and care for to produce it, but more so because of the individuals that choose to live out a lifestyle necessary to feed the world, the tough, gritty, tenacious, persevering cattlemen. As someone with a small nurse cow operation myself and who is frequently out speaking with producers, both in Lincoln County in my capacity as a commissioner and throughout west-central Nebraska with my campaign. I see and interact with cattlemen on an everyday basis. The sacrifices that are made to deliver to the world the most protein-packed, nutritious element of our diet, they're staggering. Every day, rain, snow, bitter wind, or sweltering heat, tending to the cattle and the operation must happen, from well before the sun rises to well after it sets. The business challenges are unique in

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their own regard from many other industries as well. Inputs are bought at retail and products are sold at wholesale. Margins are already tight. In a normal market environment, ranchers don't complain about those things. It's-- it's not who we are. It's-- it's not in our DNA. But because of the COVID-19 pandemic, the challenges that were just a part of everyday life have been drastically compounded. Input prices for cattle operations significantly rose; and because of the emergency situation, an already-stretched processing capacity in the market, as well as other elements in the supply chain, became crunched to roughly 75 percent of normalcy. Processing plants dealt with complete shutdowns due to the health concerns, resulting in a massive shortage of beef on the market. Producers with cattle ready to go to market are forced to lose money by maintaining herds far longer than what is optimum. Carcass quality suffers, resulting in poor product for the consumer. I have-- I've spoken with many producers who have generally-- generational operations that are really in dire risk of-- of closing down, of going under. All of these challenges brought on by this pandemic have led to a deflationary environment for prices in the livestock market, as well as unprecedented inflationary pressures on beef prices for consumers at the grocery store. This is an emergency that we haven't been able to rebound from completely, and really we won't until we expand capacity significantly. Members of this body, we-- we as a state have a major problem. This Bill, LB783, seeks to help provide remedy to that problem through desperately needed funding that I believe meets the spirit, intent, and confines of the American Recovery Plan Act and the funding it provided for our state. In the coronavirus state and local fiscal recovery funds final rule introduction, it references utilization these funds can be purposed for, and that is, quote, to fight the pandemic and support families and businesses struggling with its public health and economic impacts; and it also states, quote, in order to build a strong, resilient and equitable recovery by making investments that support long term growth and opportunity. To be sure, the Nebraska beef industry, the industry that literally defines to a large degree who we are, has been negatively impacted by COVID-19. We have producer operations all over this great state, family businesses that have been and continue to struggle as a direct result of this pandemic. They need help from you all to be able to get their product to the market, and they can only do that if we increase processing capacity. Making an investment with these funds through LB783 will support long- term growth and opportunity of this negatively impacted industry and allow for stronger, more resilient, and greater equity in the recovery as we make it. I know that there are many worthwhile

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investments that can be made with this unprinted--unprecedented allocation of funds that you all have the unenviable task of allocating. I recognize and respect the challenges that you all have to ensure that these funds are spent on one-time transformative and meaningful expenditures and in a manner that respects taxpayers and is in keeping with the law that provides them. I believe LB783 meets all those tests, and I humbly ask for your support and advancement of this legislation that will help our state's number-one industry. Thank you for your time and consideration and the work that you all do for this great state.

**STINNER:** Thank you very much. Questions? Seeing none, thank you.

**CHRIS BRUNS:** Thank you.

**PETE McCLYMONT:** Chairman Stinner--

**STINNER:** Afternoon.

**PETE McCLYMONT:** --members of the Appropriations Committee, again, my name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I serve as executive vice president for Nebraska Cattlemen. I'm here to express our strong support for Senator Groene and LB783 on behalf of Nebraska Cattlemen, Nebraska Farm Bureau, Nebraska Corn Growers Association, and Nebraska State Dairy Association. So the handouts you'll be receiving, I'm going to have some specific numbers in here and there will be university research to back up some of those claims to help you in my testimony. The COVID-19 pandemic resulted in over \$13 billion of economic damages to the U.S. beef cattle industry. The vast majority of these damages were due to disruptions within the beef processing sector. At the height of the pandemic, the U.S. Department of Agriculture found that approximately 40 percent of domestic beef processing capacity was not operational. The result was a devastating 18 percent reduction in fed cattle prices to cattle feeders and ranchers, which had a bearish ripple effect across prices for all classes of cattle. While the beef cattle industry has made great progress towards recovery from the height of the pandemic, cattle producers are still experiencing the impacts of the insufficient beef processing capacity. Because the demand for live cattle is derived from the inventory needs of beef processors, the packer currently maintains leverage advantage in fed cattle pricing negotiations. A 2020 stubby-- study, excuse me, by Rabobank found that, even under pandemic conditions, the beef industry could economically accommodate about 5,000 to 6,000 head of daily packing capacity. Achieving this target is in the form of higher throughputs,

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plant expansions, and even construction of new facilities, which will greatly aid in bringing supply and demand back into balance and give more marketing choices to beef and cattle producers. New entrants in the packing and processing industry also struggle with access to capital. Construction costs for new packing plants, as is the case with Sustainable Beef, on average amount to \$100,000 per hook capacity of daily capacity. For example, a modest 25-head facility would require \$2.5 million in cash on hand just to turn the lights on. Fixed and variable operational costs only increase once the plant is built. Further adding to higher costs, traditional financing is often difficult to obtain given the risk profile associated with packing business models. Strategically placed regional beef processing plants would be well positioned to increase Nebraska's supply resiliency in the future. Expanding processing capacity and diverse-- and diversity provide more options for cattlemen and -women to market their cattle when existing capacity is slowed or stopped for reasons like the pandemic. So we would like to extend huge thanks to Senator Groene for helping us emphasize the importance for expanding beef processing capacity in Nebraska and ask for you and the committee's approval to advance LB783. I would be happy to answer any questions.

**STINNER:** Any questions? Seeing none, thank you.

**PETE McCLYMONT:** Thank you, sir.

**STINNER:** Afternoon.

**TREY WASSERBURGER:** Afternoon. My name is Trey Wasserburger, T-r-e-y W-a-s-s-e-r-b-u-r-g-e-r. Good afternoon, Chairman Stinner and members of the Appropriations Committee. My name is Trey Wasserburger. I'm a son and grandson of a 140-year-old ranching family, son-in-law to a five-generation cattle-feeding family, husband to a cattle-feeder's daughter, and father of four children being raised in the Nebraska Sandhills. I am also one of the Sustainable Beef founders and representative of the local family of the proposed site of the beef plant facility there in North Platte. I'm here today to speak in favor of LB783. My family is involved in all aspects of the Nebraska beef supply chain. At my ranch, we will breed the registered Angus bull that will go out to commercial ranches all over the nation, where, in turn, we will buy the feeder calf sired by our bulls and bring back to our family feedlot here in North Platte, Nebraska, and finish them to fat with the grain that we raise and send them to the packing facility. When it's all said and done, my family will have five years invested into that one calf: you know, one year for me to

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put in utero that bull into his mother; a year for-- for me to raise that bull; a year for that bull to go out, sire a commercial calf; a year for that commercial calf to get a year old, to come to our feedlot; and then a year later, for us to finish that calf. So when it's all said and done, it's about five years. That's how much time we got invested. And, you know, just-- I was thinking the other day in the last five years, in my short tenure in this volatile business, I've went through bomb cyclones, packing facility fires, cyber attacks, pandemics, and a myriad of other issues that we as commercial ranchers deal with on a daily basis just to watch our margins, sometimes as much as thousands of dollars had head, be taken in the last 48 hours of the supply chain to globalists in major corporations. In the last two years, according to Sterling Beef Profit Tracker, cow-calf producers' margins have been in-- as a measly \$78 a head. Feedlot producers' margins have been around \$27 per head, and beef packer margins have been an astounding \$464 per head. Beef packers are at the end of the beef chain here in Nebraska, and when they are globally owned, that profit leaves our state and does not come back. Sustainable Beef, our-- our Nebraska-led and producer-owned beef packing facility changes that; it rewrites the rules. As shown by Dr. Ernie Goss at Creighton University, our project brings back to my community \$1.159 billion impact for the community in North Platte, a town starving for just that, a game changer in terms of economic develop-- development; and for the first time ever, money raised, grown, and created from our number-one industry in this state stays in the Beef State. Since the formation of our producer-led company almost two years ago, this project has turned from us as cattle producers looking for a local option to harvest our cattle and returning a long-awaited answer to competition in the packing industry. Instead, it's turned into a monster of its own of furthering my community. My wife and I, Dayna, sitting behind me, on numerous occasions, run into total strangers throughout the North Platte community, extending their hand or grabbing us in embracing hug, thanking us for what we're doing for our community. This community is behind us, and I stand before you today representing the entire North Platter greater region and producers all over the state for this project. My great-great-great-grandfather homesteaded in the hard-grass hills northwest of nowadays Crawford, Nebraska. One hundred and forty years ago, sometime in the 1880s, the railroad only carried him so far, to Chadron, and he had to get-- had to saddle up a horse and ride the rest of the way alone. His sons and their sons have stayed and continued to ranch on the Nebraska-Wyoming border until this day. My father, Jeff Wasserburger, was the fourth son of his family and I was the second son of his family. In

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agriculture, unfortunately, birth order controls your destiny. With only so much margin to feed so many mouths, somebody must go. I am that second son. I am that second son who had to leave the family operation to pursue another life in agriculture outside of the family business. My father, who's also a state senator, so he enjoys the pain of committee meetings just as you guys do, he put it best. He spoke. He went to North Platte, to a city council meeting, and spoke in favor of this project, and he put it best, saying, you have my son now, he has built a beautiful life in the Nebraska Sandhills raising his family, but, like me, he, too, has two sons; you have my son now and you have his first son, but his second son is up for grabs, and it will be competitive to who gets him. Here's your chance to assimilate that second son in your community and keep them. If we do not create economic development, our children will leave this state and find economic opportunity somewhere else. For 30 years, our community of North Platte has been stagnant in economic development and population, never really getting that catalyst project that could jumpstart a community into prosperity. It takes a product to manufacture to create manufacturing jobs, and the only thing we manufacture in North Platte, Nebraska, in quality and in volume, is corn and cattle. This project adds value to both our main industries in corn and cattle, while building an economic foundation to-- to build a strong local economy. Sustainable Beef is our long-awaited answer to assimilating our children raised here in the great state and keeping them. Sustainable Beef is the answer to the long-evaded and unanswered question how we can put competition into the packing sector and return it to the Nebraska producers that have earned it. Here's our opportunity to keep all our children--

**STINNER:** Excuse me. The red light's been on for a while. If you could conclude, that would be great.

**TREY WASSERBURGER:** Here's our opportunity to keep all our children and all our communities' sons and daughters in our industry across Nebraska, using beef in the Beef State. I will now take any questions before or by the committee. Thank you.

**STINNER:** Thank you. Questions? Senator Clements.

**CLEMENTS:** Thank you. Thank you, Mr. Wasserburger. I'm seeing this beef margin and wondering, this plant is going to compete with the big boys, they call them, and are you going to pay-- pay better than the big boys pay?

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**TREY WASSERBURGER:** I-- I haven't checked into what the big boys pay, but we are going to start our-- we're going to take care of our employees like we do today, and starting wage is going to be about \$50,000 in the floor, which the median wage in North Platte is \$28,000, and we think that speaks volumes for our community and we think we will-- we will get that good labor, that quality labor.

**CLEMENTS:** You think a plant like this competing with the other plants will maybe help everybody get a better price?

**TREY WASSERBURGER:** Yeah, I mean, competition is healthy, and today at any given time I might have one buyer. And Sustainable Beef is an answer to that. And we're not-- we're not trying to go after the-- the Big Four or the big guys. We're going to-- we're going to carve out. The piece of pie has already been established. We're going to create our own piece of the pie and be our own athletic, nimble company and create our own piece, is our plan.

**CLEMENTS:** OK. Thank you.

**STINNER:** Thank you. Additional questions? Seeing none, thank you--

**TREY WASSERBURGER:** Thank you

**STINNER:** --for coming all this way.

**TREY WASSERBURGER:** Thank you.

**STINNER:** Any additional proponents? Seeing none, any opponents? Seeing none, anyone in the neutral capacity? Seeing none, would you like to close, Senator?

**GROENE:** Thank you, Mr. Chairman. I've got 11 cows and these guys have welcomed me into, but I'm not one of the 25 partners. This is really-- we heard about North Platte, but this is the whole state. This is the whole state. Those 25 producers are across the whole western part of Nebraska. We're talking about the end product. We're talking about the beef, the bottleneck on the beef. So it's going to help Senator Dorn, with his cattle, open up 1,500 slots in the-- in the Big Four because we have a bottleneck of slots for kill slots, and so it's going to open up 1,500 slots for other producers across the state because this will take 1,500 head. The corn farmer, the corn farmer will add to his basis because the local cattle feeder-- those of you who know about basis, it's usually the freight from the logistics of getting them in and out of elevator cost. But this goes directly to the cattle feeder, and the corn farmer is going to

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profit. The soybean farmers are going to profit. The cow-calf operators are going to profit. The whole state will profit because we have kept the cattle here. Out west, there's a packing plant, Fort Collins-- Fort Morgan, Colorado, one in Greeley, Colorado. A large percentage of the Panhandle beef and the southern, southwest Nebraska beef ends up in Colorado, to their jobs and their profit margins. So, no, it's just not about-- about North Platte. It just happened it fits, perfect timing, perfect location. The city came in with the old sewer lagoon, oh, and nobody wanted to build. Of course they didn't. And they're building it on a sewer lagoon. They're cooperative about water treatment, which we need help with the money for the water treatment and sewage treatment. There's no relationship between the rail park and the-- and the packing plant and its origins. It was just timing. I was working on the rail park with Gary [PHONETIC] over here, and for jobs, and that's eight miles, six miles west of North Platte, near Hershey. The packing plant's on the east side of town, because if any know-- anybody knows anything about packing or any-- not-- it's not going to smell. It's got all of the perfect new technology. But when you do something like that, or a sewer plant or anything, you want to put it on the east side of town because of prevailing north, northwest, and northeast winds. So anyway, we-- but they fit together. The-- the refrigeration place would work perfect there and be able to truck, ship out the-- the byproducts or whatever to the foreign markets and I believe which, you know, David Briggs had talked about it, but I-- I believe they're real close to a negotiation with a major buyer, major supplier, not a supplier but a user that will-- will use most of their products. And, you know, we've got the Costcos and Hy-Vees, and I have no idea who it is, but those are the type of area, the people were talking about, I believe. Now I said those two names. I have no idea who they're talking about, but this is well planned out. This is going to help Nebraska's economy. This is going to have-- help agriculture all the way down to the-- to the implement dealer. It's-- the money is going to stay here and the margins are going to stay here. Nobody's going to get rich, but they will make a living.

**STINNER:** Any questions? Seeing none, thank you, Senator.

**GROENE:** Thank you.

**STINNER:** We have 16 letters of support for LB783, and that concludes our hearing on LB783. We will now open on-- a hearing on LB1006.

**MURMAN:** Ready?



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**STINNER:** Afternoon.

**CLEMENTS:** Ready.

**MURMAN:** Good afternoon, Chairman--

**STINNER:** I thought you'd be right outside the door, racing in here.

**MURMAN:** Should we wait a little bit?

**STINNER:** Well, you might want to wait until-- till everybody comes in and has a seat so it can-- because it has to be picked up on the mic and-- and I apologize for the room. It isn't my choice, believe me.

**MURMAN:** Well, it's nice and cozy.

**STINNER:** [LAUGH] It is cozy. All right. Go ahead, Senator.

**MURMAN:** Good afternoon, Chairman Stinner and members of the Appropriations Committee. For the record, my name is Dave Murman. That is spelled D-a-v-e M-u-r-m-a-n, and I represent District 38, which includes the counties of Clay, Nuckolls, Webster, Franklin, Harlan, Furnas, Red Willow, and a part of Phelps County. I come before you today to introduce LB1006, which essentially-- essentially appropriates \$25 million from ARPA funds to provide grants for the construction of a new-- new dairy processing plants. Before I get into the bill, however, I would like to offer an amendment-- let's see, where is it? Oh, it's in here. Here is the amendment-- to provide that the grant money would-- would not only be used for-- to fund new dairy processing plants, but also be used to-- to expand existing dairy processing plants. I think that this amendment is necessary to put existing dairy processing plants on equal footing with those seeking new construction as the entire industry experienced a negative economic impact as a result of the pandemic. Agriculture is Nebraska's largest industry, and dairy operations are a vital part of the state's economy. However, as several of these-- of those following me will more specifically testify, the milk-processing industry in Nebraska has been adversely affected by COVID-19 pandemic. Supply chain disruptions have occurred due to logistical problems getting milk from dairies to processing plants, which ultimately caused lower prices to producers and increased prices for consumers. Milk production growth in Nebraska has also been thwarted due to the insufficient capacity of dairy processing plants in Nebraska. For the dairy industry in Nebraska to recover from the pandemic and grow, we need increased milk production, either through new plants or through the expansion of exist-- existing

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plants. Furthermore, with recent price inflation for construction cost, it is more difficult now to build new processing plants or expand dairy processing plants. LB1006 would appropriate \$25 million from ARPA funds to the Department of Economic Development. The department, in turn, would provide grants for the construction of new dairy processing-- processing plants or the expansion of existing dairy processing plants. The recipients of such grants shall only spend the awarded grant in compliance with federal law. Looking at ARPA eligibility, a negative impact falls upon: (a) small businesses, these businesses or dairy farms qualify since they have less than 500 employees; moreover, they have experienced revenue decline, increased cost, and in the case of producers, business closures; and (b) the dairy processing plant-- processing industry as a whole. Due to COVID-19 pandemic, this industry experienced significant employment loss, as those testifying after me will relate. The awarding of grants would help to mitigate the financial hardship and negative impact experienced by small businesses and farms and the industry as a whole, which was caused by the pandemic. And I've got some more handouts here to illustrate what I'm talking about and also a checklist for the ARPA funding. That's the last thing you'll get there. So, members of the committee, I'm glad for your attention and I'd answer any questions, but there's a lot of testifiers behind me.

**STINNER:** Questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Thank you, Senator Murman, for coming. How many dairy processing plants we have in Nebraska now?

**MURMAN:** I'm sure the ones behind me can answer that better. I know of Hiland in Omaha, and-- and there's one in West Point and Dairy Specialties in Norfolk.

**ERDMAN:** Are they-- they just processing raw milk or are they making ice cream or are they making cheese? What are they doing?

**MURMAN:** Well, the one-- Hiland in Omaha's a bottler, and the ones behind me can answer those questions better.

**ERDMAN:** OK. So maybe-- maybe you know the answer to this. How many plants would \$25 million build?

**MURMAN:** They can answer that better, but I'm guessing a whole plant would use probably all of that.

**ERDMAN:** OK. Are there enough dairies to support that?

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**MURMAN:** Not right now, but in the past we've learned-- you know, I used to think-- it's like, what comes first, the chicken or the egg? And I've been lobbying for processing in-- in the state for decades. And when I was younger, I used to think, well, we need more dairies first before we can get more plants in. But in different parts of the country-- for instance, Kansas is a good example. There was a plant built in central Kansas, western Kansas, and weren't any dairies there, or very few at the time, and Kansas really moved up in its dairy production since then. And-- and examples of the same are true in all of our surrounding states, including Colorado, South Dakota and Iowa.

**ERDMAN:** So you being a dairyman, what is the distance one can transport milk safely? Is-- I mean, you can't haul it a long ways, can you?

**MURMAN:** You can, but of course the farmer pays for the transportation. So I know there is milk from New Mexico that does-- does come up to Nebraska at times, and I think fairly often, but people behind me can--

**ERDMAN:** OK.

**MURMAN:** --answer that.

**ERDMAN:** Thank you.

**STINNER:** I-- I've got a question. You don't have any limitations. So one-- one entity could take the whole \$25 million?

**MURMAN:** I-- it's up to the Department of Economic Development. I didn't specify on that in the bill.

**STINNER:** OK. Any additional questions? Oh, Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Stinner. Senator Murman, thanks for bringing this bill. Where-- where do you-- just curious, where do you market your milk?

**MURMAN:** I've always marketed my milk through a co-op, and originally it was Mid-American Dairymen, which started in Kansas City and Omaha had a branch office, and then in, I believe, about 2000, 1999, it changed to Dairy Farmers of America, and that co-op handles a large percentage of the milk in the country.

**KOLTERMAN:** And-- and where they are located now?

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**MURMAN:** Kansas City is headquarters.

**KOLTERMAN:** So your milk goes from where you live to Kansas City?

**MURMAN:** My milk typic-- well, it's went a lot of different places through the years, but, well, originally Glenvil, then Hastings. I'm talking about in the '30s with my father, Glenvil, then Hastings, then Superior, then Ravenna, quite often West Point now, and had-- did go between there to Meadow Gold in Lincoln before that was closed for the Haymarket area, and-- and then quite often Hiland in Omaha also.

**KOLTERMAN:** So we have some bigger producers coming behind you? Are there?

**MURMAN:** Yes.

**KOLTERMAN:** I'll ask them. Thank you.

**MURMAN:** OK.

**STINNER:** Additional questions? Seeing none, thank you.

**MURMAN:** Yeah. Thanks.

**STINNER:** Proponents?

**MIKE GUENTHER:** Chairman Stinner and members of the Appropriation Committee, my name is Mike Guenther, M-i-k-e G-u-e-n-t-h-e-r, and I'm a third-generation dairy farmer from Beemer, Nebraska. I farm with my dad and my brother. I'm also the acting chairman of the Nebraska State Dairy Association. I'm here on behalf of the Nebraska State Dairy Association, Nebraska Corn Growers Association, Nebraska Soybean Association, and Nebraska Grocery Industry Association to te-- to testify in support of LB1006, Senator Murman's bill to create a grant program to incentivize new dairy processing in Nebraska.. The COVID-19 pandemic has been tough on many agricultural industries, and the dairy industry is no exception. At the height of the pandemic, our farmers were facing significant supply chain disruptions created by consumer purchasing habits changing overnight. Bulk purchase orders from the restaurant and foodservice industries stopped immediately, resulting in the wave-- and-- and resulting in wave [SIC] houses filling up and processing facilities refused to take raw milk. Farmers and cooperatives were faced with a serious decision that resulted in the dumping of millions of pounds of milk, including our dairy, in our state and across the country. Just as the supply

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chain disruptions occurred, the milk price plummeted, resulting in a volatile product-pricing situation that ended with Nebraska producers seeing \$8 per hundred-weight less than they would have in a normal marketing-- market conditions. Going to 2020, future markets predicted \$20-plus, hundred-weight milk prices throughout the year. And after the pandemic took its grasp on the industry, dairy producers saw a \$12 mark-- hundred-weight loss price. In a normal year, the average break-even for the dairy producers in Nebraska is just above \$16 a hundred-weight or even higher. No business can survive making only \$4 under what you need to break even, and these conditions eventually led to farmers leaving the industry and exacerbated-- exacerbated rates. At the start of 2020, Nebraska held-- had 125 producers with an active milk-marketing permit, and as of today we have 105. There are other extenuating factors that led to farm closures, but it's obvious that the stress farmers felt during the pandemic led to an increase in those numbers. Nebraska dairy processing facilities operated as best they could during the-- this time frame, but faced significant challenges as well. When you look at Hiland in Omaha, it is the only fluid milk plant in Nebraska that operates on a large commercial scale. The chaos of the pandemic sent consumers into panic purchasing, and store shelves were vacant of fluid milk. Hiland simply couldn't process milk fast enough to keep stores stocked. Unfortunately, as a way to ensure consumers had a chance to buy enough milk for their families, grocers began putting consumer purchasing limits on milk and dairy products. So at a time where the industry had all-- all-time high amounts of raw milk available to be processed, we're being limited on how much could be sold in the stores. These issues exasperated [SIC] a major problem facing Nebraska dairy industry. Nebraska does not have enough processing capacity for the milk its farmers currently produce. The state of Nebraska milk cooperatives ship 2 million pounds of milk per day across our borders for processing, and the farmers pay to get it there, so the farther the haul, the larger the impact on the producer's bottom line. Adding processing will be instrumental in creating a more resilient supply chain and a healthier, competitive marketplace. Historically, processors have consolidated with neighboring processors in cooperatives, which resulted in a substantial loss to competition for milk and less freedom to expand. Right now, out of 105 farms in Nebraska, over 80 of them sell to one co-op. Due to the limited processing capacity in our state, cooperatives have implemented supply management programs, which economically dis-- disincentivize expansion outside of what the milk shed can handle. So in order to-- our producers to get the opportunity to expand, we need to help our existing processors grow

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as well as recruit new processors. I would encourage the committee to review the dairy study that was done by the University of Nebraska that we have provided for the record. This study concludes that building just one large processor in Nebraska will result in \$1.7 billion in annual economic impact to the state and local communities. LB1006 would have substantial economic impact on our state, and it would be an excellent opportunity to invest in meaningful development opportunities that will impact our state in a positive way. We ask that-- we ask the committee to move LB1006 forward and to give the dairy industry a shot in the arm that it desperately needs. Thank you, and I'll be happy to answer any questions you may have.

**STINNER:** Any questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. So what's the average sized dairy in Nebraska?

**MIKE GUENTHER:** So we have 60,000 cows. And so if you divide that by 100 dairies, approximately 600 cows.

**ERDMAN:** How big are--

**MIKE GUENTHER:** But they range from really small to really large.

**ERDMAN:** How big's your dairy?

**MIKE GUENTHER:** We're 600 cows.

**ERDMAN:** Three times? Milk three times?

**MIKE GUENTHER:** Three times a day, yep.

**ERDMAN:** You have trouble finding help?

**MIKE GUENTHER:** Yes.

**ERDMAN:** Has it always been that way?

**MIKE GUENTHER:** No.

**ERDMAN:** Just since the pandemic?

**MIKE GUENTHER:** Pandemic was tough. This past summer was really tough. Yeah, even through just even illnesses, at certain moments, it's been really tough too.

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**ERDMAN:** So to help those areas that are currently in the state of Nebraska, what is the best location to build this plant?

**MIKE GUENTHER:** Our impact study-- studies-- or shows three of them. You'll see Grand Island, Norfolk and South Sioux City basically are different places. Grand Island showed probably the greatest impact, followed by Nebraska-- or, sorry, followed by Norfolk and then Sioux City, but they're all very close. I feel like Norfolk centralizes where a lot of our dairies are; Grand Island's got a lot of room to grow and the city is kind of built for it; and then Sioux City's got the-- you can kind of maybe start by stealing some milk from the neighboring states or anything like that. So they all kind of have their advantage.

**ERDMAN:** Wouldn't it be important to build closer to the population?

**MIKE GUENTHER:** As long as you have good transportation, I think you'll probably be OK. That's why I like Nebraska, because Nebraskans can get to most-- most-- most of the places in the country.

**ERDMAN:** So the information you gave us from the University of Nebraska in that study, does it show what one processing plant would cost to construct?

**MIKE GUENTHER:** I believe so, and I'll actually show you even just the different sizes of the processing plants, and so kind of go through the different sizes and the different locations and what return and what [INAUDIBLE]

**ERDMAN:** And that's in the-- that's in the information?

**MIKE GUENTHER:** Yes.

**ERDMAN:** OK, thank you.

**STINNER:** Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Stinner. Thanks for coming today. What I was asking Senator Murman, and-- and it's really about his location because he's in kind of cen-- not central, but--

**MIKE GUENTHER:** Sure.

**KOLTERMAN:** It's not western Nebraska, by any means. But--

**ERDMAN:** That's right.

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**KOLTERMAN:** So his milk would go to a processing plant or would it go to a bulk plant and then go to a processing plant? Because he indicated that the cost of freight is paid by the farmer.

**MIKE GUENTHER:** Um-hum.

**KOLTERMAN:** So if you built one by Beemer--

**MIKE GUENTHER:** Sure.

**KOLTERMAN:** --or Omaha, that's a lot better for you than having one in Grand Island.

**MIKE GUENTHER:** Correct.

**KOLTERMAN:** How do you-- how do you-- how do you deal with that? I mean--

**MIKE GUENTHER:** Sure. So, for example, my milk goes to Sanborn, Iowa, right now, and so Grand Island is not really closer--

**KOLTERMAN:** No.

**MIKE GUENTHER:** --in that regard, so. But what-- for the state of Nebraska, what we need is just to start the more processing plants here, because what that will hopefully do is show other processing plants that we can and that we can bring the cows in here. And so maybe the first plant, if it's in Grand Island, doesn't directly affect my farm, like I won't take my milk. But by having more competition and more-- the ball kind of rolling in the state, it should easily get to my area, eastern Nebraska.

**KOLTERMAN:** Yeah, because we use-- and I'm just going from the past.

**MIKE GUENTHER:** Yeah.

**KOLTERMAN:** We used to have dairies on about every third quarter--

**MIKE GUENTHER:** Yeah.

**KOLTERMAN:** --and they were Grade A or Class-- Grade-- Grade A or Grade B, and they were part of the co-op, Mid-America Co-op, and they'd go to Lincoln and Norfolk and all over. There's nothing in Lincoln anymore, I don't believe.

**MIKE GUENTHER:** There's only one plant, I believe, in Nebraska that takes raw milk yet. So we speak of other processing plants, but they



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might take the whey or, right, milk where you get the water off of it, so it's cheaper freight. But to actually take raw milk from a farm, I think Hiland in Omaha might be the only one that still does that. And as far as the chicken or the egg-- sorry, the processing plants and the farmers, so you-- no new dairy farms can start in Nebraska right now because no one will take their milk. Both co-ops that we sell to aren't taking new milk. So unless there's a processing plant, there's really no opportunity for a new dairy farm or maybe even expansion for the dairy farmers in Nebraska.

**KOLTERMAN:** And again, the reason I'm asking, I've got a couple big dairies in my district up by Surprise, and we need-- we need places for them to--

**MIKE GUENTHER:** Yeah.

**KOLTERMAN:** --market their milk.

**MIKE GUENTHER:** Um-hum, absolutely.

**KOLTERMAN:** Thanks for bringing this.

**MIKE GUENTHER:** Sure.

**STINNER:** Senator Dorn, did you have a question?

**DORN:** Yeah. Yeah, thank you, Chairman Stinner. Thank you for being here today. OK, so the-- I think you said before COVID we had 125 dairies and now we're down to 105. Generally speaking, what-- what happened to them? Was it the price that drove them out or retirement or--

**MIKE GUENTHER:** So there's a lot of factors, right?

**DORN:** OK.

**MIKE GUENTHER:** So we didn't have great dairy prices for a couple of years leading into COVID. We finally saw a spike in the futures, so there was a lot of optimism around the dairy. But then when COVID hit, they plummeted. So when you were just hanging on by a thread kind of coming into that, a lot of farmers say-- you're thinking about retiring. I think some of the-- a lot of-- I know a lot of cases where the farmer had a child home to take over, but no longer thought that that was a good route for their own kid because it wasn't going to-- it wasn't going to bring a return. So I think in a lot of cases that sometimes it's just the last thing that it could

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take it, and then you can't price your milk anymore to know if you're going to have a future or not, so because we saw-- not only in that year did we see-- we saw a really low milk, but we also saw a super high milk for a couple months, so then you had no idea what to do with your pricing, you had no-- and milk is a perishable product, so you can't market that easy.

**STINNER:** So I was part-- several years ago, I was part of an initiative in Scottsbluff--

**MIKE GUENTHER:** OK.

**STINNER:** --which is way out west. However, we're pretty close to Denver, and Denver, if you know the Front Range, there's a lot of dairies up and down the Front Range. I know Senator Erdman--

**MIKE GUENTHER:** Sure.

**STINNER:** --knows that. But there was-- a lot of the California dairies were actually getting crowded out and bought out for plan-- you know, for economic development and the like of that. And so we approached several of those dairy farms and-- and dairy farmers to move to the western part of the state. And they did come into the western part of the state and looked at it and-- and, of course, they need a lot of water and we had water and they needed cheap labor and we had somewhat cheap labor. But anyhow, we were in a zone that was outside an area that made it economically feasible to move. Do you want to talk about zones? Is-- and is there still an opportunity to attract some of those big, large dairies to the state of Nebraska?

**MIKE GUENTHER:** Sure. Sorry, when you-- when you say zones, you mean like that's people want to receive their milk or the zoning, like there's zoning permits they couldn't get?

**STINNER:** There are-- apparently, there was two or three zones around processing plants, and if you were outside that zone, they basically-- it made it-- it made it infeasible to sell product to them.

**MIKE GUENTHER:** Yeah, and I don't know much about that, but that still has some truth to it. As you'll see, most of our dairies are sitting in the northeast part of the state because we can still get to the plants that are in Iowa, Minnesota and South Dakota.

**STINNER:** Well, I'd still like to see a lot in the western part of the state.

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**MIKE GUENTHER:** Right.

**STINNER:** So is there still that opportunity to go out and attract some of these large dairies to come to the state of Nebraska?

**MIKE GUENTHER:** Absolutely. So, for example, if we get the plant in Grand Island, that would really give a shot in the arm to the western--

**STINNER:** No, we got-- you're--

**MIKE GUENTHER:** --further west.

**STINNER:** You're in the wrong place.

**MIKE GUENTHER:** Further west, Scottsbluff, Scottsbluff. OK, we can put a plant there too. It doesn't help my farm, but it'd still be a really good thing for Nebraska State dairy industry.

**STINNER:** Actually, I think Kearney was looking in the-- at the same time we were looking at that opportunity, I think Kearney did-- did some work.

**MIKE GUENTHER:** Kearney did.

**STINNER:** --on that as well, so.

**MIKE GUENTHER:** Yeah.

**STINNER:** I'm just kidding about Scottsbluff. Anyhow, Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. So how many cows would it take to support a plant?

**MIKE GUENTHER:** So [INAUDIBLE] quite do the math, but so plants can range, right, from like a million pounds to 10 million or something. So if you're just trying to do like a small 1- or 2-million-pound plant, I think it would take-- would it take the-- oh, someone's going to answer that question better than me. But it would take maybe all the cows in our state already just to do that one-- to fill that plant. So like a small plant would basically take all the cows in our state and probably-- and so if you get a medium size, we have to bring cows in. We'll have to double in size.

**ERDMAN:** Because we have the same issue Senator Stinner was talking about. We-- we in Morrill County were the first livestock-friendly county in the state.

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**MIKE GUENTHER:** Right.

**ERDMAN:** And so we reached out to some dairies to try to bring in [INAUDIBLE] and we had the same issue that Senator Stinner was talking about.

**MIKE GUENTHER:** [INAUDIBLE] so far.

**ERDMAN:** And so we were never able to secure those people, but--

**MIKE GUENTHER:** Yeah. I mean, we pay for our transportation. That's a real-- I know one guy who left is because he paid \$1.25 of his hundred-weight, right? We're talking \$16 is break-even, is just to get his milk to the plant, and the guy who lives next to the plant's paying 20 cents. So you're already a buck behind from your neighboring state just because they have the processing plant.

**ERDMAN:** So do you milk black-and-whites?

**MIKE GUENTHER:** Predominantly.

**ERDMAN:** Yeah.

**MIKE GUENTHER:** Yep.

**ERDMAN:** So people who don't milk black-and-whites, jerseys or whatever, do they go-- their-- their milk go to the same place yours does?

**MIKE GUENTHER:** Yeah. A lot of times you get paid on the components, so the jerseys will have a higher component, so they might have-- they might have less milk, but they'll have a higher value to their milk, so.

**ERDMAN:** Yep. Right. Thank you.

**STINNER:** Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Stinner. Twenty-five million is what you're asking for--

**MIKE GUENTHER:** Sure.

**KOLTERMAN:** --and ARPA funds have to be spent within three years. Do you see any problem using that \$25 million up if we-- if we give you that right away?

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**MIKE GUENTHER:** No, I already know of in-state processing plants that would love to expand and are ready, shovel ready, and of other processing plants that are really looking hard into Nebraska, of building here.

**KOLTERMAN:** Is \$25 million enough?

**MIKE GUENTHER:** It would be a good start. It won't build a plant itself, but it will really lure, I think, people to come build a plant here.

**KOLTERMAN:** Thank you.

**MIKE GUENTHER:** Yeah.

**STINNER:** My last plug for western Nebraska is we--

**MIKE GUENTHER:** Yeah.

**STINNER:** --we actually produce dairy-quality hay--

**ERDMAN:** That's it.

**MIKE GUENTHER:** Yeah, that's true.

**STINNER:** --not to be found across and back. We transport--

**MIKE GUENTHER:** You don't find that everywhere.

**STINNER:** That's my last plug. And-- and hopefully, if we get some of these folks that are moving out, that are bought out, they do have enough money to start a processing plant.

**MIKE GUENTHER:** Yeah.

**STINNER:** So in any event, any additional questions? Sorry to beat you up like this, huh?

**MIKE GUENTHER:** It's all right. It's OK.

**STINNER:** Anyhow, thank you.

**MIKE GUENTHER:** All right. Thanks a lot. Thanks for your time.

**ROD JOHNSON:** Good afternoon, Senator Stinner and committee members. My name is Rod Johnson. I'm the former executive director for the Nebraska State Dairy Association, and it's good to see many familiar

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faces here today. In the three years since I retired from the Dairy Association, I have maintained a close connection to the dairy farmers, to the dairy industry, and continue to support the work of the Nebraska State Dairy Association. Just before I start with my prepared thoughts, I could address a couple of the questions that-- that were brought up already. Number one, the number of plants, the processing plants in Nebraska, there is a yogurt plant and a bottle-- milk-bottling plant in Omaha. The bottling plant also makes some other-- cottage cheese and various other products. There is a butter plant in West Point, Nebraska. There is a ice cream plant in Norfolk. The-- those are the-- the major-- major plants in-- in the state. I don't believe I'm forgetting any of them. There are some other small processors. There's a small cheese producer out by Brainard, Nebraska. There are some farmstead processors, a milk-- a small milk bottler, a couple other small cheesemakers, but they're just on-farm, farmstead-type-- type products. I want to offer support for this 10-- LB1006, but I also appreciate the amendment that Senator Murman introduced this-- this afternoon. The existing provide-- producers and existing processors out there also need some help. I'm very familiar with what's happening at the small cheese plant there at Brainard, and help has been a serious situation since the pandemic situation hit. The way he can survive in that particular situation, he probably needs to upgrade some equipment. But based on current situations, he certainly wouldn't need \$25 million. But he could sure use some assistance in financing some additional equipment to make his plant more efficient, to utilize the employees that he has. So there are situations like that, and I-- like I say, I do appreciate that amendment being introduced. There's been several efforts over-- oh, back to the-- the Scottsbluff situation. The zones that you were talking about, a lot of those are connected to the milk-buying cooperative, Dairy Farmers of America. They basically have a-- have a zone that kind of splits somewhere around the Panhandle and anything out that direction goes to-- to-- into Colorado, basically into the Fort Morgan-- or Fort Morgan or Greeley area. And so there, that is a-- one of those invisible lines out there that kind of creates a-- a barrier for a lot of things, anything, but they are producing enough milk in the Greeley area that they really are not looking to pull milk all the way from the Panhandle of Nebraska to Greeley, Nebraska. By the same token, milk produced out in that end of the state, if it has to come to Omaha, is another major situation, so, you know, a plant out in that area would find a lot of good advantages as far as the dairy producers that could locate there, the climate, the feed capabilities and everything else. But here again, it's been mentioned several times, the chicken or the egg. You gotta bring both of them

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in together if you're going to make it happen, and that's going to take a lot of trust, a lot of confidence in each other for dairies to commit and for a processor to commit to kind of build the whole thing at one time. Over the last 20 years, there's been several efforts to grow the dairy industry in Nebraska. Around 2000, there was quite a bit of efforts done and they had some success. There was some success in the-- my light's on and I'm not even getting going here. The-- there was some success in that Kearney area. I know there was interest out farther west. But what we ran into a lot of places was the "not in my backyard" situation. All of a sudden dairies were willing to locate, willing to get going, and there was community objection and basically that effort died, died on the vine at that time. About ten years ago, we started-- through the NSDA, we started an effort we call Grow Nebraska Dairy. We incorporated the support of AFAN, the Alliance for Future of Ag in Nebraska, the Nebraska Department of Agriculture, and Department of Economic Development, NPPD, University Dairy Extension were all part of our effort, and we began going out, looking for dairy farms that would be willing to come and expand to Nebraska. What we found was a lot of interest in Nebraska because of the feed, the water, the general livestock growing situation, and even the transportation situation. We sit right in the middle of the country and we could-- we can transport product all-- you know, every-- every direction from here. But what we-- we found out was--

**STINNER:** I'm sorry. Light is on, so.

**ROD JOHNSON:** Pardon?

**STINNER:** The red light is on, so.

**ROD JOHNSON:** OK.

**STINNER:** It has been for a while.

**ROD JOHNSON:** I guess with that, you've got my written testimony.

**STINNER:** Yes.

**ROD JOHNSON:** And--

**STINNER:** I think we got a question here.

**ROD JOHNSON:** --I'll take questions if there is any.

**STINNER:** Senator Kolterman has a question.

**KOLTERMAN:** Yeah. Thank you, Senator Stinner. So you're very familiar with the industry and you've been here. If-- several years ago we started working on livestock-friendly designations for counties, and counties have advanced that quite steadily. And I don't know how many livestock-friendly counties we have, but has that been helpful to the dairy or not, the dairy industry?

**ROD JOHNSON:** There hasn't been enough growth in the dairy industry to say that it was helpful or not helpful. I think we've have other factors involved that has kept the industry from growing, and I think the attitude in general has somewhat gotten away from the "not in my backyard" philosophy and livestock-friendly counties has helped that, yes, but that has not been a plus or a minus as far as growing the industry, what our biggest challenge has been, markets and proc-- access to processing.

**KOLTERMAN:** So if-- if-- if we were to allocate the money and you built this plant or built several of these smaller plants, do you think that the dairy would continue to grow and expand?

**ROD JOHNSON:** Yes, without a doubt.

**KOLTERMAN:** We've seen-- we've seen a model similar to that up in Fremont with the Costco chicken plant.

**ROD JOHNSON:** Yep.

**KOLTERMAN:** I mean, they built that and all these chicken barns come. I mean, that's one company, but that's been super economic development for and it expands our tax base. So do you see-- you see something similar like that happening in the dairy industry with that?

**ROD JOHNSON:** Definitely. I think there are situation in several states-- we'll point at California. The-- the situation with regulations, water and everything else is driving a lot of people to look for new opportunities to move somewhere else. A few years ago, when I first got involved with the Dairy Association, I took a look at the map and I called Nebraska the hole in the middle of the donut. At that time, the states around us were growing, but there was basically nothing happening in-- happening in Nebraska, and that was kind of the result of the "not in my backyard" mentality, a result of not a lot of support. Nebraska wasn't looking very deadly-- dairy friendly at that time. But I think now, if we had a plant, there are a lot of people looking for a place to market their milk.



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**KOLTERMAN:** The last question I might have is, in a large dairy, are they controlled by the EPA? Do they have to put in lagoons for their waste, or how does that collect?

**ROD JOHNSON:** Nebraska Department of Environment, when I was active, it was the DEQ, now it's Energy and Environment or whatever the name is, they have been very good to work with. Yes, they have a lot of permitting, a lot of-- lot of regulations, but they're very-- we know what they are. They are, for the most part, very friendly to the operation. If they know what their-- is expected and they put their operation together to meet those regulations, it can be done and it's not a stopper.

**KOLTERMAN:** So we're set up to accommodate that if that--

**ROD JOHNSON:** Absolutely.

**KOLTERMAN:** --if that's the desire.

**ROD JOHNSON:** Absolutely.

**KOLTERMAN:** Thank you.

**STINNER:** Thank you. Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. You may be familiar with the Oshkosh heifer development location?

**ROD JOHNSON:** Yep.

**ERDMAN:** There's like 19,000 dairy cattle there.

**ROD JOHNSON:** Right.

**ERDMAN:** Those producers are from Wisconsin.

**ROD JOHNSON:** Right.

**ERDMAN:** And they bring those cattle over to develop them because they don't have to develop them on cement like they do in Wisconsin. Had-- have we-- if we put in a facility in western Nebraska, what's the chances of those dairy people from Wisconsin putting dairies in western Nebraska?

**ROD JOHNSON:** Very high.

**ERDMAN:** There's 19,000 cattle there.

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**ROD JOHNSON:** They have-- as they were developing that out there, we've had conversations with the partners in that operation and they have expressed an interest in eventually milking cows here if-- if the opportunity was presented to them. That's not the only heifer development in the state, either, so there are some others working that direction as well, so.

**ERDMAN:** Is there any of that significance, that many, that big?

**ROD JOHNSON:** Nineteen thousand would probably handle a little over a million-- million-five pounds per day in the processing plant. That's how plants are calculated, is million pounds, how many million pounds of capacity they-- do they have each-- for processing each day. A million-pound plant is considered a small plant. You move on up to 5, 7, 10,000-- 10,000-- or 10 million pounds, all that information is in that study that was given to you. There's a lot of good information in that.

**ERDMAN:** When I met with those people, when they had their open house when they first began there, they had like 8,000 or 10,000 when they started. They had-- I asked them why they were in Nebraska and they said, because Nebraska's DEQ was a lot less restrictive than Wisconsin, so they thought it was-- it was more economical for them to come and raise their heifers here on dirt rather than have them there in Wisconsin on cement. Their-- their feet didn't last as long and the cows didn't-- didn't last as long in the herd.

**ROD JOHNSON:** That's one of the advantages we have is a lot of space in Nebraska. Nebraska knows how to raise cattle, and a dairy cow is similar, but very different than a beef animal.

**ERDMAN:** Right.

**ROD JOHNSON:** But it's still a cow eating what we produce here, and Nebraskans know how to do that.

**ERDMAN:** We may have an advantage there with over 7-- 19,000 here already. Most people know what dairy's all about, they could sure come here very easily.

**ROD JOHNSON:** Yep. I know there's some others behind me that can testify on even more the direct impacts of the pandemic than what I've had an opportunity to tell you about.

**STINNER:** I apologize about the red light, but it is getting late and I was canceling all my nightly appointments. We do have another bill

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after this, so thank you for your testimony. Thank you for being here.

**ROD JOHNSON:** Thank you.

**STINNER:** Good afternoon.

**TODD JACK TULS:** Good afternoon, Chairman--

**STINNER:** It still is the afternoon, by the way.

**TODD JACK TULS:** Chairman Stinner and members of the Appropriations Committee, my name is Todd Jack Tuls, spelled T-o-d-d J-a-c-k T-u-l-s. I'm a fourth-generation dairy farmer from Rising City, Nebraska, Butler County, and I'm here to testify in support of Senator Murman's LB1006, testifying today because of the severe impacts the COVID-19 pandemic had on our business and the dairy industry over the last two years. My father and I milk 11,000 cows here in the state of Nebraska, where we employ over a hundred and fifty people. Each day we produce 110,000 gallons of milk that gets processed and bottled through a cooperative, helping to nourish people of communities in Nebraska and around the Midwest. During the pandemic, we faced challenges due to labor shortages, transportation disruption, changes in dining and food service demand, and processing capacity. Including our Wisconsin dairies, my family dumped over 1.1 million gallons of milk during the pandemic due to the challenges listed above. Dumping milk and additional hauling to processors that had capacity resulted in increased producer pay differential, a deduction from our milk checks to main [SIC] fairness among producers and processors, depending on the demand for powder, cheese, butter, and fluid milk. In 2020 and 2021, our Nebraska Dairies paid \$7.48 million more in paid producer differential than we did in 2018 and 2019. We also reduced our production to prevent having to dump milk, which resulted in about \$580,000 worth of loss. After things began to speed up and the economy was picking up, employers began hiring more and more people. And in an effort to keep our teams full and help our employees with rising inflation costs, we gave raises that added about \$520,000 in payroll expenses. We also estimate that inflation has cost us about an extra \$700,000 in supplies over the last two years. All this added together cost us about \$9.2 million and then, with the addition of severe volatility of the CME markets, even more. As you know, Nebraska is the heartland of the country and it's a great place to milk cows. We have excellent weather for animals, fertile soil to grow great feed, people that are familiar with livestock, and a good water supply. We have all the resources needed

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to grow dairy here, but we're lacking the processing capacity. Our two dairies produce about 39.5 million gallons of milk a year, and only 33 percent of that is processed here in the state. We ship 4,500 semi loads a year to Iowa, Missouri, South Dakota and Minnesota each year. This can change by passing LB1006 and making Nebraska an attractive place for processors to expand. I'm 30 years old and I've watched my dad grow our company my whole life. And as a fourth-generation dairyman with a son, I want to continue my family's legacy in the dairy business. By passing this bill in favor of dairy processing in Nebraska, you will help make Nebraska an attractive place for processors to build or expand capacity, reducing our hauling costs, reducing emissions, adding jobs, and creating an opportunity for the dairy industry to thrive here in this great state. I'd like to thank Senator-- Senator Murman for championing bill LB1006 and encourage the members of this committee to move the ball forward. Be happy to answer any questions for you.

**STINNER:** Thank you. Any questions? Senator Dorn.

**DORN:** Thank you. I'll keep it short. Where do you haul most of your milk to then? You said you had 11,000 cows.

**TODD JACK TULS:** About 33 percent of it is processed here. It goes to Hiland and then the rest of it is getting shipped to St. Louis, Kansas City.

**DORN:** To these-- to these other states.

**TODD JACK TULS:** To these other states.

**DORN:** So it's going out of state?

**TODD JACK TULS:** Yeah, there's a [INAUDIBLE] in Minnesota.

**DORN:** If we had a dairy processor here, it could-- would have a lot better chance of staying here.

**TODD JACK TULS:** It would be huge. We-- we've-- have two dairy-- three dairies in Wisconsin also. In 2011 we built our first dairy there in Wisconsin. We would have loved to have built it here. There just wasn't a demand for the milk and there wasn't the processing capacity.

**DORN:** Thank you.

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**TODD JACK TULS:** So we milk-- we milk another 13,000 cows in Wisconsin.

**STINNER:** Thank you. Any additional questions? Seeing none, thank you very much.

**TODD JACK TULS:** Thank you.

**STINNER:** Afternoon.

**KYLER OHLDE:** Afternoon. Chairman Stinner and members of the Appropriations Committee. My name is Kyler Ohlde, spelled K-y-l-e-r O-h-l-d-e. I'm a third-generation dairy farmer. Our dairy is located near Firth, Nebraska. Now I'm here to testify in support of Senator Murman's LB1006. Our farm was fortunate, only dumped one load of milk, about 7,000 gallons or \$9,000, but our cooperative dumped many loads, which cost our farm, along with every farm-- every other farm in the cooperative, as we had to pay for it since ultimately that milk never did sell to a consumer. Keep in mind, not only did we get-- not get paid for that milk, but we still have the responsibility to take care of our cows and hardworking team. That means our feed bill, labor bill, utilities and every other cost of production remains the same. The financial loss of dumping milk is obviously very difficult. But I can tell you, opening the valve and watching so many people's hard work, attention to detail, years of experience, passion and motivation literally dumping down the drain is much harder to bear. The labor issues I've experienced throughout the pandemic extended past our farm into a shortage of truckers to pick up milk and haul milk and, at times, ultimately nobody to process to know due to worker shortages at the plant. Since milk is a perishable product, if it's not used within 72 hours, it must be discarded, so that does not leave any extra time once part of the supply chain has been disrupted. Just like many businesses, we are-- were affected with labor shortages. But unlike many other businesses, we don't have the option to cut business hours or shut down temporarily. Similar to a hospital, we give care 24 hours a day, 7 days a week. We estimate we lost about \$3 per \$100 of milk for four months, totaling about \$500,000 due to negative PPDs. Due to low milk prices that barely covered feed prices at the beginning of the pandemic, we also had to sell almost 300 cows, which then dropped our total milk production. After considering the negative PPDs, lost milk production and increased cost, we estimate a total loss of \$1.5-2 million. Having a local processing plant will benefit us in many ways. Currently, our milk travels about 230 miles to Sanborn, Iowa, which costs us nearly a million dollars per year. A more local market

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will allow us to easily cut this in half by substantially lowering our freight costs. Having a closer market would bring the possibility of needing fewer truck drivers, as more than one delivery could be made per day, which will decrease the likelihood of having to dump milk in the future solely based on less distance traveled to market. In our current market, there is no extra processing capacity. Thus, there is minimal to no competition for milk. By adding more processing capacity, this would strengthen and create competition for our milk, which can lead to improved milk prices for all Nebraska dairies. Over the-- over the years, the number of processors has decreased dramatically. This has caused milk to be transported farther and taken away negotiating power for the dairy farm. It is not unusual in years past to get bids from multiple processors and they would give a higher quality or volume premium to try and get your milk. contract. Premiums and competitions have all but gone away. But adding local processing can give an option to the farmer rather than having to take what we get. Our farm growth is limited to the current processing restraints. As of now, we are not able to grow our farm because there's no available processing capacity within our market. All this leads to more uncertainty for future generations in sustainability to our farm. The need for more processing is very apparent to me and my family, not only for the growth of our farm but for sustainability of all Nebraska dairy farms. This funding will create a more resilient supply chain and help the dairy industry get back on our feet after an extremely difficult economic period. I'd like to thank Senator Murman for championing LB1006, and we encourage members of this committee to move this bill forward. Thank you for your time and I'd be pleased to answer any questions.

**STINNER:** Thank you. Questions? Seeing none, thank you very much.

**KYLER OHLDE:** Thank you.

**DAN ELLSWORTH:** Afternoon, Chairman Stinner.

**STINNER:** Afternoon.

**DAN ELLSWORTH:** It's nice to be here. My name is Dan Ellsworth, D-a-n E-l-l-s-w-o-r-t-h, and I'm here in support of LB1006. I come to this question from probably a different perspective, that perspective being is that I lead a startup company based out of Wisconsin called DARI. We started working on a new product that is an aseptic fluid milk, whole milk that is ultra filtered, lactose free, high protein, low sugar, dedicated to kids' health. COVID, if anything, made us more conscious about our health. And you're thinking about the

pandemic that was [INAUDIBLE] before COVID, and that was obesity. The CDC estimates that at least in-- in '19-- or in 2017-18, 42 percent of adults were obese. Kids ages 2 to 19 were 19.3 percent obese. The scary part of that is, is that from age 2 to 19, the level of obesity goes from 14 percent to over 20 percent. With the pandemic and the lockdowns, we can pretty much assume that obesity is not going away anytime soon. So we designed this product. We-- we came up with the idea in February of last year, and we have a commercially viable product right now. Our limiting factor in the development of this product is processing capacity. We were kicked out of a-- we had a-- an agreement with somebody in Wisconsin. At the last moment, they said we can make more money processing high-acid products and plant-based juices and make more money than that-- than we can with milk, so we're not going to process for you and we're not going to process for other producers. Well, we believe that the ultimate beverage is milk when you look at the nutritional value that it brings. Because of our frustration and finding a co-packer, we have made the decision and are preliminary looking at putting our own processing in. We're evaluating Nebraska, Wisconsin, and South Dakota, where we would put that processing in. As you look at what type of processing you should move forward with, we believe that aseptic is the way of the future. Why aseptic? There's three real reasons behind why you would want to support aseptic processing. Number one is food security. Aseptic processing allows for longer shelf lives of the product, and you also don't have to refrigerate it. So think about your food banks for a moment. We can't deliver milk to food banks because milk doesn't last very long. If it's aseptically packaged, one, they don't have to have cooler space; and two, it has a shelf life of 6 to 12 months. Think about the food security and the nutritional value that we can bring to this state by putting aseptically packaged milk into food banks both here in this state and nationwide. Number two is international markets. As I've talked to people from DFA, from BMI, from people that manage the checkoff, the next opportunity for growth in the dairy industry when it comes to fluid milk is international markets. Well, if you don't have to refrigerate the product and you have a long shelf life, other than it's a liquid product, you open up international markets. Why does Wisconsin have-- if you look at Wisconsin, in that state, we consider that the dairy industry brings about \$45.6 billion dollars of economic value to that state. Why? Because they can export cheese. If we look at the state of Nebraska, my understanding is, is that the value of one cow is \$12,000. You have 60,000 cows; 60,000 times \$12,000, it's under a billion dollars. So what's the opportunity of processing in this state? Somewhere in your investment of \$25 million

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is going from a billion-dollar economic benefit to modeling Wisconsin, except, instead of being the Cheese State, you can be the fluid milk state when you look at aseptic packaging. That's what the opportunity is. That's what you're looking at in front of you. Also, increased resilience and supply chain, if you have processing here, it actually allows you to expand your dairy base, bringing in new dairies and continuing to give opportunities to the dairies that you currently have. With that, again, we appreciate your support of this bill. If you had asked me the question if \$25 million is enough, as we've looked at putting in a processing plant, 100,000 square feet processing, we're bringing in raw milk and sending out finished product, 100,000 square feet is in the neighborhood of Greenfield, is in the neighborhood of \$65-80 million for one plant. Thank you and I'll take any questions.

**STINNER:** Thank you. Questions? Seeing none, thank you.

**DAN ELLSWORTH:** Thank you.

**STINNER:** And we are a good place to locate, so.

**DAN ELLSWORTH:** In western Nebraska? [LAUGHTER]

**STINNER:** In western Nebraska. That would be great.

**DORN:** Pick up on that real quick.

**DOUG NUTTELMAN:** Good afternoon.

**STINNER:** Good afternoon.

**DOUG NUTTELMAN:** Yes.

**STINNER:** Go ahead.

**DOUG NUTTELMAN:** I probably made a mistake only make 10 copies instead of 12, so you might have to make a couple extra if it works out, so.

**STINNER:** I think we'll be OK right now.

**DOUG NUTTELMAN:** Hi, my name is Doug Nuttelman, Doug, D-o-u-g, Nuttelman, N-u-t-t-e-l-m-a-n. Mr. Chairman and members of the Appropriation Committee, thank you for allowing me to make comments before you today. Again, my name is Doug Nuttelman. I'm from Stromsburg, Nebraska, and I'm pleased to discuss the building of the resiliency of the dairy industry in the state of Nebraska for LB1006,



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and authored by Senator Murman, which is a good friend, dairy-- dairyman of mine also. My wife and my three sons, our farm has been in the industry since-- or was started by my wife's grandparents in 1908, and we have five generations now on our farm. We farm roughly 25 acres of corn, soybeans, alfalfa, milk 250 cows, and finish about 2,000 Holstein steers each year. I also serve on the board of directors of Dairy Farmers of America, the Central Ag Council chairman, the executive committee of dairy farmers, and I've also served on the National Milk Producers Federation board and the Nebraska Dairy Council. The global pandemic that has been-- has been a learning experience for all of us. In food production, we have learned that we're not as resilient as we once thought we were. We learned the importance of local markets and we learned how supply chain disruptions would challenge our ability to feed an increasingly food insecure nation. It is critical as we move forward that the state take this opportunity to support the dairy sector by building the inter-- inter-- infrastructure needed to help us withstand volatility in the markets. Nebraska is a great state in which to dairy. We have access to ample food for the cattle, water, the sunshine, and-- and all our feed. The industry is responsible for directly employing over 5,000 Nebraskans and another 13,000 indirect jobs as attributed to the industry. Nebraska is home of several dairy processing plants, and you've heard that already mentioned. The state produces fluid milk, butter, milk powder, and other products. The farmers in the state want to grow so we can bring on the next generation, as been mentioned several times, and preserve the rural growth and economics of our small towns and continue to contribute to the state's economic growth. However, processing capacity must be-- must be kept up. Nebraska has already missed the opportunities. In 2013, the state lost a dairy manufacturer who was processing between 700,000-800,000 pounds of milk a day, which was our cheese plant ran by Leprino Foods at Ravenna, Nebraska. The manufacturer wanted to grow, which would have provided opportunities for the state dairy industry, but that manufacturer was not supported by the state so it left. That was a crushing blow to many of us. The pro-- the reduced processing capacity resulted in more Nebraska milk being delivered to out-of-state manufacturing facilities. My milk shipped to Ravenna, Nebraska, to the cheese plant, which was 80 miles away. And as several others mentioned before, right now my milk goes to Kansas City, to the Hiland plant, with other milk in southeast Nebraska, so instead of traveling 80 miles, it travels 250 miles. A little bit about when I mentioned the state as far as what fell short there, I was asked to testify at the-- at the hearing for the gentleman that wanted the permit. The permit was five miles out of Ravenna, and it

was going to provide about 2,000 cows to the Ravenna plant, and at which time DFA was supplying the milk there. We were bringing milk out of Kansas to meet the sup-- demand for the Leprino plant. I testified at the hearing based on the need for the growth of the dairy industry in Nebraska, the growth for the Leprino plant and everything. And when I got done, the next person that came up to testify was a state employee. He worked for the Game and Parks division, and his testimony stated that the groundwater level at-- because of the Loup River there was very high sometimes and if any refuse or, you know, manure and stuff like that would ever get into the to the river supply, it would kill the spawning and reproduction of the fish. And I walked away very saddened because of the testimony from that and wanting to grow that. So that didn't-- didn't help my venture. During COVID, farmers and cooperatives around the country had to manage the market and turmoil co-- excuse me, clo-- caused by closed schools, restaurant, and by disposing of milk. It just breaks everybody's heart to watch milk going down the drain. But without a customer, without a home and without milk, and due to the high perishability of milk, we had no other choice. At a co-op, which is DFA, when a farmer is asked to dispose of their milk, the loss is shared among the farmers in the region. We share the cost. We also share in the opportunities as well. Creating a local home for the milk will be important going forward. Additionally, investing in a facility that would allow us to produce longer shelf life products would fill an important need. And if I could just make a comment to the gentleman's facility. DFA runs 90-- over 90 plants across the United States. We have five of the aseptic plants around the country. They're the fastest growing plant there is. We have more demand for the products than what we can produce. We're presently trying to expand some of our plants. So that's the new growth in the dairy industry, and I'd really support the efforts to put something like that in Nebraska. I have just a minute or so left.

**STINNER:** Actually, you're out of time, but-- [LAUGHTER]

**DOUG NUTTELMAN:** OK, I've seen it. I've been in D.C. and seen that red light come on before too. I'd like to make one other comment or so. How about plants? We've built five plants in the last five years, DFA. We either built them totally or with partnerships with other people. Other people would come to us and say, would you help us build a plant, and we would. Typically we-- in every one of our plants, we've got state funding, we've got county funding, or we've got tax abatements and everything else, which help build the deals. We lost plants years ago when I worked with Greg Ibach to try to get plants in Nebraska, and I showed him what Wisconsin would do for

plants and it didn't make any difference here. But typically the-- the state has come alongside us wherever we've been to help us build our plants, and so--

**STINNER:** Thank you for your testimony.

**DOUG NUTTELMAN:** Yep.

**STINNER:** Any questions? Seeing none, thank you very much.

**DOUG NUTTELMAN:** Yep. Thank you.

**TOM BENSON:** Good afternoon. Chairman Stinner, members of the Appropriation Committee, my name is Tom Benson, spelled T-o-m B-e-n-s-o-n, and I'm here on behalf of Milk Specialties Global. MSG operates multiple dairy processing facilities across the country, including one in Norfolk, Nebraska, which we'd like to expand by a factor of three. My-- I'm here to testify in support of Senator Murman's LB1006. The COVID pandemic has had an enormous impact, both from a macro- and microeconomic standpoint, within MSG and the dairy industry. Vendor and customer shutdowns and the resulting labor dislocation caused massive swings in customer demand, where we had to figure out what to make without the certainty of customer orders. Anyone who knows what milking cows is all about knows the cows don't take vacations, they don't care about school closures or port shutdowns. Furthermore, the pan-- as the pandemic has endured, getting people to stay in jobs appears to become even more challenging. In March of 2020, we had a vacancy rate at Norfolk of less than 8 percent; in March of 2021 that vacancy was about 17 percent; and today that vacancy is just over 29 percent-- or 23 percent. At the same time, we've raised our wages over 29 in-- to try to attract more talent. Our Norfolk facility produces a variety of specialty dairy ingredients for active lifestyles, health and wellness, along with various feed ingredients. While we're producing almost 20 truckloads of finished dairy powders a week, we process a relatively small amount of farm milk, about a little less than 1 million pounds of milk a day. The balance is concentrated milk protein that is brought in from other states. The reality is that Nebraska has the equivalent of 58,000 dairy cows, producing a little less than 4 million pounds of milk a day. Today, as we've heard about, much of this milk leaves the state due to an overall lack of processing and lessening fluid milk demand. Balancing milk is one of the most underappreciated aspects of the dairy supply chain. When we're talking about balancing, we're talking about managing the critical balance of 100 percent certainty of the supply with less

than 100 percent certainty of customer demand or operational efficiencies. By building additional capacity in the state storage and production flexibility, we're giving the entire supply chain more room for flexibility to handle more milk volumes. MSG, over the course of 13 years, has went from being a nonproducer of value-added dairy ingredients to the global leader in a whey milk proteins. We've done this by partnering with quality producers, the best brands in the world, and focusing in on operational excellence. When you think about the global dairy trade as we are today, you really have Oceania, New Zealand and Australia, the EU and the U.S., and if you look at what's going on within Oceania and the EU, it's becoming apparent that the environmental concerns and regulation coupled with freshwater and available feedstocks, the U.S. is in the pole position to take over the global growth in dairy. The growth plans that we have scheduled for Norfolk are to build capabilities for milk powders that are currently not established or made in the U.S. today, and we will replace 100 percent of foreign imported material. The logistical challenges have opened a door that we intend to walk through and supply U.S. companies with Nebraska-made dairy products. This is a unique opportunity accelerated by COVID-19, but ultimately rooted by the unique position of the U.S. dairy producers. If you look at the last three years of dairy processing in the U.S. and you look at the major investments that are done, you have a Glanbia plant in St. John's, Michigan, it's 9-- 9 million (pounds) a day; Lake Norden Cheese in Lake Norden, South Dakota, the Agropur, 9 million (pounds) a day; Hilmar Cheese just announced Dodge City investment over-- over \$600 million at 12 million (pounds) a day; and then Leprino Foods announcing a new plant in Lubbock, Texas, at a billion dollars of investment processing 11 million (pounds) a day. These four companies are the largest four cheese companies in the world-- or in the U.S., and it's no secret why they're choosing locations: business-friendly governments with communities that embrace agriculture; close proximity to feed and water. In addition, biogas is becoming an asset to dairies as an additional source of income. There's no reason why Nebraska should not be part of this conversation. We're proposing to build an addition under our current Nebraska plan that will consume almost the equivalent supply of milk that is produced today in the state. The reality is, is that we can't grow as-- as processors unless we have those producers to grow with us. We need to have the certainty that producers can meet our needs. There's no doubt in my mind that by investing in processing, you are in turn investing in the dairy farmer, feed processors-- processors, and everyone else associated in this dairy industry. So I'd like to thank Senator

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Murman for championing this bill. We encourage members of our committee to move forward. Thank you.

**STINNER:** Thank you. Any additional questions?

**HILKEMANN:** One quick one.

**STINNER:** OK.

**HILKEMANN:** You said we have 58,000 cows. To make your process go, you said you-- now you want to encourage more. How many more-- how many additional cows would it take?

**TOM BENSON:** You need the equivalent of 50,000 cows.

**HILKEMANN:** An additional 50,000?

**TOM BENSON:** You need-- well, all that milk has a place. For us to run our plant as it is right now, well, under these plans, you'll need 50,000-plus cows just to supply our plant.

**HILKEMANN:** OK.

**TOM BENSON:** So Hiland and-- yeah, that-- that wouldn't be enough. So everything we make in this day right now would support our plant, but that's about it.

**HILKEMANN:** OK.

**STINNER:** Very good. Additional questions? Seeing none, thank you.

**TOM BENSON:** You're welcome. Thank you.

**LOWELL MUELLER:** Thank you, Senator Stinner, for letting me talk today, and-- and committee. I guess a disadvantage to be one of the last ones in, everything's been said already, so you can read the things that I've written, but probably a lot of things that I didn't have down there, just--

**WISHART:** Would you mind spelling your name?

**LOWELL MUELLER:** I'm sorry. Lowell Mueller, L-o-w-e-l-l M-u-e-l-l-e-r. Just listening to some of the comments, I'm-- I've been dairy farming for probably 45 years, been pretty active in leadership activities, and-- and I think some of the developments in the dairy industry are maybe more exciting than-- than we've ever had when we talk about aseptic milk. I'm currently pretty involved in our dairy checkoff

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organization, state and local level, but I also serve on the national level on a couple of committees. One's the accelerated growth committee; and the other, I'm vice chair of the export oversight committee. So I've been very, very involved in exports and I've always felt like Nebraska is a good place to export. We export a lot of things from Nebraska, you know, beef and pork and our grains, so I think dairy has a place for that too. When we're-- we're thinking about processing and adding plants and adding cows, I got to see the Costco chicken plant developed in my backyard. It took coordination for everybody to get it done because there was a lot of opposition and there were groups like AFAN. I think if-- if we hadn't had them there to-- to educate, it might not have happened, so I think education is a big part of this whole thing. I think ,getting back to other things that are going on, as far as aseptic milk, that really excited me. We've had a lot of school milk issues the last couple years and a lot of surpris-- supply chain problems, and I think aseptic milk might add in that. We're seeing a lot of problems up in North Dakota right now with getting milk to our kids. Part of it's trucking, refrigeration, and all these issues and it's-- a lot of it's from COVID, so I think we can solve a lot of these problems. So those are a couple of thoughts I thought while we were discussing. So any other questions?

**STINNER:** Thank you. Thank you very much.

**LOWELL MUELLER:** Thank you.

**STINNER:** Good evening.

**WALTER ASCHOFF:** Are you guys getting tired yet? It's a bad thing about being late in the day. This is exciting. Dairy is exciting. Chairman Stinner and members of App-- Appropriations Committee, my name is Walter Aschoff, W-a-l-t-e-r-A-s-c-h-o-f-f, from Osmond, Nebraska. I guess you could say I'm a second-generation dairy farmer even though my dad went broke milking cows in '83. Two years ago, we did start a robotic dairy up there in northeast Nebraska, as well as I'm involved in the dairy supply business as well. I am here to testify in support of Senator Murman's bill, LB106-- LB1006. During the COVID pandemic, we were able to avoid dumping milk due to some very resourceful efforts on the part of our milk co-op. However, we did not escape--- escape prices that-- for the milk we did sell. With all normal delivery avenues interrupted for milk and other dairy products, pricing suffered. As you all know, shelves in our local stores were empty of dairy products, which are all mostly imported to our state and not processed locally. The benefit to our dairy and

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many others having local processing is obvious. The main one is savings in hauling costs, which directly adds to the bottom line of a producer. Also, development of additional processing would add competition for our milk, which again adds viability of our-- viability of our dairies. With all the consolidation in the processing industry, it has bred uncertainty. However, new construction of processing locally would reinforce local dairies to be here. All of this, as you guys have mentioned of Costco and the-- and the-- seeing the model of that, I believe Costco is this big, and the same dollars invested in dairy is this big to the state. Knowing there will be many asks for the use of these COVID funds, I would like to visit a moment just about the reoccurring economic benefit in leveraging these funds by investing in expansion of dairy processing. It is true, due to all things COVID related, our lives have been greatly altered and many of those things fall into an ask of these funds for some use or another. Our food supply, dairy in particular, we learned in very-- is very vulnerable to disruption. The use of these funds to help prevent and stabilize supply in the future is very necessary. While shoring up this food supply, we can add reoccurring revenue to the state coffers, revenue from property taxes, from new or expanded processing plants, additional property taxes from dairy farm expansion, as well as all the taxes from the profits of those processing plants that currently, for the most part, are not in our state, and also the numerous well-paying jobs that will all be paying income tax. So to sum up my thoughts, as Nebraskans, we have an opportunity to reinforce our food chain, dairy in particular, and grow Nebraska, add additional revenue to the state, create several-- several new direct and indirect jobs. Lastly, I would like to thank Senator Murman for introducing this bill and for all of your members of this committee, for your time and for listening to us. And once again, thank you. Let's grow Nebraska and let's drink milk.

**STINNER:** Very good morning. Any-- any questions? Yes.

**HILKEMANN:** What's your last name again?

**WALTER ASCHOFF:** Aschoff.

**HILKEMANN:** OK.

**WALTER ASCHOFF:** Is that good?

**HILKEMANN:** I go back--

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**WALTER ASCHOFF:** Don't hold that against me.

**HILKEMANN:** My-- my hometown from Randolph, so, yeah.

**WALTER ASCHOFF:** That's a great place. It's close.

**STINNER:** Very good. Any additional questions? Seeing none, thank you very much.

**WALTER ASCHOFF:** Thank you.

**KIT HELD:** Good evening, Senators, I'm Kit Held, K-i-t H-e-l-d. I haven't seed/chemical business from Leigh, Nebraska. I'm here to support Senator Murman's bill, LB1006, to invest in the dairy processing that will reinvigorate and stabilize the Nebraska industry, dairy industry. How I interface with dairy industry, we have a business up at Leigh, Nebraska, right on Highway 91. It is a seed and chemistry business. We work with Brevant Seed back to the Mycogen Seed days. We've been breeding silage corn longer than anybody in the seed industry, and we are-- we-- we work with dairies locally and across the state that use high-performance dairy, four dairies that will get more milk and more butter fat, and-- and so we call it BMR and Unified. And-- and so we-- we as a business work with these dairies, and it's just high in nutrition and high rumen health silage corn. And so I guess I'm here on a little different spin. As we use these funds to bring processing to the state to support the-- the COVID issues that we've had, I really think it's an opportunity to increase the dairies in the state by bringing processing in. Of course, then we can increase dairies, as-- as everybody's been talking about today. But-- but-- but with that, I mean, it's a spin from the side of, you know, it doesn't only help just the dairy industry, but you've got other outside businesses like mine that sell feed to these-- to these farmers of these growers. And-- and in the end, economic development and impact to local Leigh, Nebraska, to bring-- to bring more income to my business, as well as me getting more employees and growing my business, I think that there's a lot of other direction that this-- this money can go and where it can lead to, but-- and then just becomes, you know, a deeper impact to rural communities and schools and everything involved. So-- so just-- just bringing a little different spin to helping the dairy industry, but-- but the money involved, I think, goes a lot farther. And so I have a little bit on food security and supply chain that, you know, through the pandemic, empty shelves and food shortage, and-- and I think this-- by bringing both of these together, the bringing more processing, which will bring more dairies, I think we can certainly



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help that situation that we had in the state of Nebraska. So I would like to thank Senator Murman for driving the bill of LB1006 and-- and I would like to encourage the members of this committee to move this bill forward and want to say thank you to all of you. Any questions?

**STINNER:** Any questions? Seeing none, thank you very much. Afternoon.

**BOB LARSON:** Almost good evening.

**STINNER:** Almost.

**BOB LARSON:** Thank you, Chairman Stinner and members of the Appropriations Committee. My name is Bob Larson, B-o-b L-a-r-s-o-n. I'm a dairy, corn, and soybean producer from Platte County, Nebraska. I'm here today on behalf of Nebraska Farm Bureau to testify in support of LB106 [SIC]. In addition to Nebraska Farm Bureau, I'm also testifying on behalf of our family farm. I'm the fourth generation of my family to farm on the land by Creston, Nebraska. You know, I'm going to read the rest of this-- or I'm going to hand this out to you guys. I guess what I want to say is what's important here is there's 12-14 people here sitting in this room to testify today on the impact of dairy production or dairy processing in the state. If you think about that, that's 12-14 percent of the dairy producers in the state when we're getting down to 100 to 105 dairies in the state. That starts to get a little scary to me when you-- when you think of that and then you think of the people in here, of what percentage it is. So I guess I'm not going to keep beating this to death again, but I guess it is a serious problem and I-- I kind of put that in perspective as I was sitting there thinking of the number of people sitting in here, that that's a pretty big percentage of the total dairy producers in the state of Nebraska right now. And I think processing, we definitely, if-- if we do get dairy processing, we get dairy producers, no question about it. And-- and it does help the food security in the state of Nebraska. Thank you, guys.

**STINNER:** Very good. Any questions?

**HILKEMANN:** [INAUDIBLE]

**BOB LARSON:** Yes.

**HILKEMANN:** You say there's only a hundred?

**BOB LARSON:** Hundred and five dairies, licensed dairies in the state of Nebraska.

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**HILKEMANN:** Wow. OK. Things have changed.

**STINNER:** We got-- we got 15, 16 percent right here, so.

**HILKEMANN:** Yeah.

**BOB LARSON:** I mean, think about that. That's--

That's what you said. I--

That's-- that's pretty-- that's the importance of this to-- to the dairy farmers in the state of Nebraska and the industries that support us, so.

**STINNER:** Yeah. Thank you. Any additional questions? Thank you very much.

**BOB LARSON:** Yeah, thank you, guys.

**STINNER:** Any additional proponents? Seeing none, any opponents? Seeing none, anyone in a neutral capacity? Seeing none, would you like to close, Senator?

**MURMAN:** Yeah, I'll make it brief. Thank you all for the consideration of this bill. Whether it's construction of a new processing plant or expansion of an existing facility, the result is the same. Increasing processing capacity will help address the COVID impacts on the dairy industry as a whole and on small business and/or dairy farmers in particular. I'd like to point out one thing about Treasury guidance that you all are familiar with. These processors that, whether they're in the state or outside the state, were able to show, of course, negative impacts from COVID and the-- the processors outside the state were actively considering coming into the state, so they were in business before COVID and considering coming into the state, so that should qualify. And right now, Nebraska State Dairy Association, that was-- the president was the first one that testified here. They are actively in California and recruiting dairies right now at-- at the Tulare Dairy Show there. And also, they, of course, brought in dairies from Wisconsin, I think some of them testified here today, and also the dairy raise-- or the heifer raising facility that Senator Erdman referred to. Of course, I just want to emphasize that when COVID hit, groceries' shelves were very limited on milk supplies. They had to ration it. Some shelves were empty. And with more plants in the state, espec-- especially the aseptic processing, that won't happen again, shouldn't happen again. And actually, at the same time that the shelves were empty, there was

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milk being dumped in-- all over the state, as-- as was testified also, so just those highlights, and I'll take any questions you guys might have.

**STINNER:** Any questions? Seeing none, thank you very much.

**MURMAN:** Thank you very much.

**STINNER:** Thank you all for coming.

\_\_\_\_\_: Thank you guys for your time.

\_\_\_\_\_: Thank you for your time.

**STINNER:** Got to stretch a bit. Let's take our seats. Just for your information, I cut my entire squad out. They're not going to ask any questions. [LAUGHTER]

\_\_\_\_\_: Good.

\_\_\_\_\_: I know nothing.

**STINNER:** Senator Clements, it's great to see you again.

**CLEMENTS:** Thank you, Chairman Stinner and members of the Appropriations Committee. I'm Senator Rob Clements, R-o-b C-l-e-m-e-n-t-s. I represent Legislative District 2, and I'm here to introduce LB1277. There is a handout coming out that will discuss the-- what we're gonna spend the money for and also a justification for the ARPA conditions. LB1277 was brought to me by the Lancaster County Agricultural Society, which manages the Lancaster Event Center and the Lancaster County Super Fair. I was fortunate to acquire the event center in District 2 after redistricting. LB1277 would appropriate \$7 million from the funds allocated to the state of Nebraska from the federal Coronavirus State Fiscal Recovery Fund pursuant to the federal American Rescue Plan Act of 2021, or ARPA, to county agricultural societies with facilities within a city of the primary class. Such funds shall be used for critical upgrades that have been delayed due to revenue losses from COVID-19 pandemic, with the goal of providing aid to facilities that provide significant tourism and visitor opportunities for Nebraska, increasing education, innovation and entrepreneurship opportunities in the ag industry, and investing in infrastructure projects that expand the economic benefits of significant tourism and visitor attractions. Many large-scale events and venues were negatively impacted and took an economic hit by the COVID-19 pandemic. The events and venue that the

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Lancaster County Ag Society manages were not immune to those negative impacts. If the requested funds were appropriated, they would be used for critical upgrades only. The critical upgrades are in the handout, shows the \$7 million total and a detailed list. They have a sewer lift station needs, they have HVAC, a number of other items that are in their list. The requested-- excuse me. Behind me will be others that can answer more specific questions that you may have on the use of the funds. Thank you for your consideration to appropriate funds for LB1277. And do you have any questions?

**STINNER:** Any questions?

**DORN:** One.

**STINNER:** Senator Dorn.

**DORN:** Thank you, Chairman Stinner. Thank you for bringing this. One quick question, I guess. Some of this says 20 years, and maybe somebody else can answer it. That's been out there 20 years now, the Event Center?

**CLEMENTS:** It is 20-- it is 21 years old and the heating and air lasts about that long, and some other things too.

**DORN:** It would seem like it. Yeah.

**STINNER:** Any additional questions? Seeing none, thank you, Senator.

**KENDRA RONNAU:** Gentlemen, thank you. Chairman Stinner and members of the Appropriations Committee, my name is Kendra Ronnau, K-e-n-d-r-a R-o-n-n-a-u. I'm the president of the Lancaster County Ag Society and we manage the Lancaster Event Center, as Senator Clements said. Thank you for the opportunity to testify today. We understand there's many worthy causes for Nebraska's ARPA dollars and we appreciate the Appropriations Committee-- Committee's hard work to guide smart investments of these funds and to help Nebraska best rebound from the pandemic. I'm here today to provide a bit more history about the mission of the LEC fairgrounds in which LB1277 would in-- would invest and help recover from the pandemic. Before the pandemic, the LEC fairgrounds was on track to have its largest year in history, in 2020. The National High School Finals Rodeo and the Family Motor Coach Association had both contracted our entire facility for these international events in the first 45 days of opening a new national campground and an expanded outdoor grandstand. Our estimated out-of-state visitors impact was on track to grow 50 percent to \$60 million. Instead, the fairgrounds found itself closed by pandemic

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capacity restrictions starting in mid-March of 2020. To date, we were closed, our nor-- to our normal public events for five-and-a-half months and operating over 18 months at reduced capacity, but we quickly recognized the large spaces at LEC were needed for-- more than ever by our community. Though we had to furlough 80 part-time staff, we put our 20 full-time staffers back to reopen after the first five weeks of closure, and we reopened to provide a home for the 75 pandemic service events, such as COVID testing, blood drives, weekly food drive, distribution drives, which helped over 2,500 people. We also held public meetings and services that needed added space, and, of course, eventually we helped with the COVID vaccination program. Now let's go back to how the LEC fairgrounds came to be what it is today. The Lancaster Ag Society has been in existence for over 150 years as in-- as in most Nebraska counties. In fact, the first Lancaster County Fair, hosted by the Ag Society, was held before our first Nebraska State Fair was even held. We had a unique history of hosting our county fair and shared grounds with the State Fair for the majority of our long history. However, about 25 years ago, the Lancaster Ag Society recognized the growing youth population of our county were not having their needs met by sharing the State Fairgrounds. This was ten years before the State Fair moved from its longtime home, where the UNL Innovation Campus is now, and the State Fair moved to Grand Island. After visiting over 20 larger fairgrounds across the country over a couple of years, our Ag Society partnered with the Lancaster County Board to raise the funds to buy the farm ground at 84th and Havelock Avenue, and to build out the first three buildings of the Lancaster Event Center fairgrounds in 2001. Our first county fair was held that summer and now we are cele-- we'll be celebrating our 21st this year. Our fair has grown from 5,000 attendees over a weekend on bar and state fairgrounds to today 120,000 attendees over ten days, bringing ag education to our increasingly urban county. Our fair increased from one weekend to a full ten days in 2010 at the request of our community leaders when the state fair left for Grand Island, There was no additional funding provided for this larger county fair. The Ag Society eventually instituted gate and parking fees to help defray costs. But we fight to keep the county fair as inexpensive as possible to make it as accessible as possible, as all county fairs should be. An additional funding challenge to maintain accessible county fair is caused by the historical oddity of sharing grounds with the State Fair until 2000. Due to the lid law, it's a-- we would have-- due to the lid law, passed right before the fairgrounds opened, Lancaster County Fair receives one of the lowest per capita funding property to run the main-- to run the-- the fair and maintain the fairgrounds at roughly

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\$3 per capita. Most large county fairs' levies are set at \$20-30 dollars per capita. Needless to say, we are not known for having the best bands at our county fair. Now let's-- it's going to take a county election to increase this traditional fairgrounds property tax funding model. But today we know that is not a taxpayer's preferred funding method. Meanwhile, our traditional property tax funding continues to lose ground versus inflation since it's locked at a 3 percent increased year. The city and the county do not-- as how the city and the county are supporting us, the county board has been a strong supporter from day one and continues to be. But it's reached lim-- limited funding mechanisms. The city does not share in any financial support for the fairgrounds over its 21-year history, even as it's grown as the city's number-one out-of-state visitor driver. I could-- I've got another paragraph if you'd like to listen or I can stop.

**STINNER:** Well, yeah, the red light is on.

**KENDRA RONNAU:** OK. Very good.

**STINNER:** Any questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Who owns the fairgrounds?

**KENDRA RONNAU:** The Lancaster Ag-- Ag Society.

**ERDMAN:** It's not the county?

**KENDRA RONNAU:** The county does not.

**ERDMAN:** So you collect tax dollars?

**KENDRA RONNAU:** We-- we collect some tax dollars. We collect that was a question last time that I didn't have the right answer and I made sure, so \$140,000 to maintain the grounds--

**ERDMAN:** OK.

**KENDRA RONNAU:** --OK, \$240,000 for the fair. It's roughly \$2 per attendee to our fair.

**ERDMAN:** \$140,000 and \$240,000?

**KENDRA RONNAU:** Correct.

**ERDMAN:** OK. What's your annual budget?

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**KENDRA RONNAU:** You know, Amy Dickerson, our managing director, is going to talk last. She's got a lot of numbers for you. I don't want to be redundant. I'm going to let her, if that's OK, save your time. So it's important that you know that we've had conversations with the city and we're not getting anywhere. So LB70-- or LB73 is also before you guys. The city would like to completely control that, but it's not sustainable with the way we're going. So any more questions?

**STINNER:** I-- just so I don't misinterpret things, primary class, city of primary class is what?

**CLEMENTS:** Lincoln.

**STINNER:** I figured that. OK. I didn't want to make a mistake, so thank you.

**KENDRA RONNAU:** You bet. Thank you.

**STINNER:** Afternoon or evening, what-- whatever it is.

**ERDMAN:** Looks like your red light on. Oh, sorry. [LAUGHTER]

**STINNER:** All right.

**RICK VEST:** It's all kind of a blur when I'm in front of you all, so good afternoon Senator Stinner and members of the Appropriations Committee. My name is Rick Vest, R-i-c-k V-e-s-t. I am appearing before the committee in my capacity as a member of the Lancaster County Board of Commissioners. I'm also a member of the Lancaster County Fairgrounds Joint Public Agency. I'm here to testify on behalf of the board in support of LB1277. We did vote 5-0 to support this bill. State-level ARPA funding for agricultural societies in cities of the primary class, like the Lancaster County Agricultural Society, is more critical than ever. Over the years, the board has been a consistent and reliable supporter of the statewide tourism attractions maintained by our Agricultural Society. Over the past decade, the board has invested over \$8 million in lodging tax revenue to improve what has become a national leading fairgrounds facility that attracts visitors from over 25 states annually. This total includes approximately \$7 million that was invested to improve the campgrounds, outdoor grandstand, and arena needed to attract the National High School Finals Rodeo to the state of Nebraska. These improvements now are attracting other leading national and international events to our state. In addition, the board has partnered with our Ag Society through a joint public agency to issue two sets of bonds that totaled approximately \$9.9 million. These

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bonds paid for the costs of building out the first two phases of three planned phases of improvements to the Ag Society's facilities. The second set of bonds continues to be paid back by our county taxpayers through a property tax levy through 2032. These substantial investments have allowed the Agricultural Society to become a true asset to our state as a whole. In addition to hosting thousands of 4-H, FFA, and school youth in multiple agricultural events, including Nebraska's largest county fair, this multi-use facility now draws over 300 unique agricultural tourism events year-round to Lancaster County. These events involve local-- involve an impact on local businesses throughout the region, support over 700 full-time equivalent jobs, and generate over \$60 million in tourist activity, much of which comes from out-of-state visitors. There is no doubt that the pandemic took a major toll on our Agricultural Society's operation and bottom line. Over 240 events totaling \$6 million in revenue were canceled due to the pandemic, including the first National High Schools Rodeo Final and the Family Motor Coach Association show in 2020. Despite undergoing its own financial crisis, the Ag Society stepped up to assist our community by holding over 75 public health events to support our community's pandemic response. We believe investment of state ARPA funds into tourist attractions like those operated by the Lancaster County Ag Society offers some of the best potential impact to ensure a sustained statewide economic recovery. The Agriculture Society has over 21 years of proven track record in continuing to grow this nationally known facility into a statewide economic asset. Thank you for the opportunity to testify. I would be happy to answer any questions.

**STINNER:** Thank you. Questions? Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. What's your mill levy on your bond?

**RICK VEST:** Oh, boy. The mill levy on the bond, I do not know, sir.

**ERDMAN:** OK.

**RICK VEST:** I-- I've seen it numerous times, but I can't pull up the amount. Oh, but somebody's--

**AMY DICKERSON:** Here it is in 2019.

**RICK VEST:** But somebody's--

**AMY DICKERSON:** This is the [INAUDIBLE]



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**RICK VEST:** Point-123 is the number I had.

**ERDMAN:** So if-- if the facility has this many visitors, maybe you're not charging enough to make the payments you need to make, the improvements you need to make.

**RICK VEST:** That-- that is a subject that's been discussed numerous times, and we have the director here, but there is a balancing line. And I'm going-- I'm actually quoting Amy, so she'll probably say it better than I can. There's a balancing line between how much the business will bear, how much you can charge the vendors and those who are coming to pay to rent space, and the cost of operating the facility. Economic realities don't lead to high profit margins. That's been my understanding as working on the county board with the Event Center.

**ERDMAN:** But if you're so attractive-- people are attracted to come here, there's gotta be a reason. Maybe you're too cheap.

**RICK VEST:** Well, it's certainly something we will consider.

**ERDMAN:** So you say here it's the first National High School Rodeo meet in Nebraska or what?

**RICK VEST:** Yeah.

**ERDMAN:** That's wrong.

**RICK VEST:** That's correct, sir. It's been- it's--

**ERDMAN:** That's not true.

**RICK VEST:** In Nebraska?

**ERDMAN:** Here in Nebraska.

**AMY DICKERSON:** So the third city--

**ERDMAN:** 1954, they had it in Harrison.

**RICK VEST:** I-- I forgot about that one.

**ERDMAN:** They did.

**RICK VEST:** Well, I did not know that actually.

**ERDMAN:** Wasn't near as big as this one.

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**RICK VEST:** It was impressive to see it last year. Even despite all the travel restrictions, we had people from numerous states. They had to borrow livestock to compete because they couldn't bring theirs in. But it was-- it was amazing [INAUDIBLE]

**ERDMAN:** Ag people weren't scared.

**RICK VEST:** What's that?

**ERDMAN:** Ag people aren't scared.

**RICK VEST:** Not in my experience.

**ERDMAN:** That's why they came.

**STINNER:** Thank you. Any additional questions? Seeing none, thank you very much.

**RICK VEST:** All right. Thank you, Senators.

**BENNIE SHOBE:** First timer. Nervous.

**STINNER:** Oh, don't be nervous--

**ERDMAN:** Relax.

**BENNIE SHOBE:** OK.

**STINNER:** --not at this hour.

**BENNIE SHOBE:** Thank you.

**STINNER:** You bet.

**STINNER:** Thank you.

**ERDMAN:** Your light isn't on yet.

**BENNIE SHOBE:** Yep. The lights are on, there we go. And I can't see that. That's better. Chairman Stinner, members of Appropriation Committee, my name is Bennie Shobe; that's B-e-n-n-i-e S-h-o-b-e. I'm a resident of Lincoln and I've been here since 1998. I came from someplace else. We'll talk about that in a minute. I currently serve as an elected member of the Lincoln City Council. I'm excited to do that. And you guys, being elected officials, you know the challenges of you're always on, you're never off. But today I'm gonna take my City Council hat off. I'm speaking today as a resident of the

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community, and I do not represent the City Council or do I not represent the city of Lincoln. I've had conversations with them about this issue and we'll perhaps get to that later. But I'd like to start by telling you a little bit about me. I grew up on a small farm in Bowling Green, Kentucky. My grandfather owned about 200 acres. He milked 30 head of cattle, and I've got pictures of me as a two-year-old, helping him milk cows. We raised black Angus cattle. We also raised at least 12 pigs on the farm all the time. And if you had to raise pigs in the wintertime, when you have heat lamps and carrying water to the stalls, I-- that's what I did growing up. For crops, he raised-- we raised corn mostly to feed livestock, lots of square bales of hay for cows for the winter. Occasionally, he'd raise some grain crops-- crops like wheat or beans. Our big cash crop was tobacco. I don't know if you've worked in tobacco yet. I've spent quite a number of years in tobacco patches. And the second biggest patch was strawberries. My grandfather loved strawberries, so there was always an acre or so of strawberries and the kids had to pick those. Growing up there meant you were always busy. There was one big rule. If you weren't asleep, you weren't in school, you weren't at church, your butt better be working. Now, when I was a teenager, that kind of was painful and it ruined a lot of my fun. Things we wanted to go out and do, fun, you couldn't because you had to work. But as an adult, I realized that type of work gave me a great foundation and a moral compass that serves me well today, made me the guy I am. Now I moved to Nebraska in 1998 to go to graduate school. I'd finished a master's degree in Kentucky and I'd been teaching at community colleges and I moved here to work on a Ph.D., and I stayed because of the fun, the fun that is Nebraska. There's something magical happening here in Nebraska. You guys know it. I've learned it over my 20 years here. And one of those things that's magical here in Lincoln and Lancaster County is the Event Center. While being a council member does keep me pretty busy, I still time-- find time to be at the Event Center and, well, truth be told, I'm probably out there a couple times a month. I've attended lots of community events out there, including the annual Asian Center New Year celebration that's happened on a regular basis. Before COVID, we had an annual Cristo Rey. Our local Catholic community had a summer event there that was a few days long. I've been to flea markets, antique shows, ham radio expos, model train exhibits and, of course, the county fair, which I just love. It reminds me so much. Last Saturday, I spent out there at the outdoor sports and auto show. It was campers and sports vehi-- and boats and kayaks and canoes. And a few weeks ago, I attended the farm expo center, the second-largest farm equipment expo in the nation.

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**DORN:** Indoor.

**BENNIE SHOBE:** Anywhere?

**DORN:** In-- no, it's indoor, second-largest indoor.

**BENNIE SHOBE:** In-- second-largest indoor. The very-- the larger one is in a place called Louisville, Kentucky. Yeah, yeah, so I picked the most-- best of both worlds. Next weekend, I'm looking forward to the Home and Garden Show, which will also be at the-- at the ag expo center, and nearly every weekend you will find something fun and engaging at the Event Center. And these are events that draw people from all surrounding states, across state borders. and also just-- you'd be surprised the people I meet there from out of state and out of county, out-- way out west. They come to Lincoln to do these things. Last summer, I volunteered during the high school rodeo, which I just found out was the third time it's-- I got my timing-- was supposed to be here in 2020 and got canceled. And so this event is scheduled to return to Lincoln soon. I'm looking forward to it. One of my favorite things about going to the Event Center is going to the county fair and watching the hay-hauling competition. Growing up in Kentucky, my grandfather had a C-150 Stepside Chevy pickup truck and we tried to see how many bales of hay we could get on that so we didn't have to make a second trip. And the hay-hauling competition is very much like that, where you see people try to load a truck, driver around a course, then unload a truck against the clock. The ag center-- the-- being there and going to events like that allowed me an opportunity to reconnect with my country roots, and I'd like that option to be available to everyone here in Lincoln. The Event Center provides us a great opportunity to bridge that gap between urban and rural populations in our state, and investment in the centers and investment in growing our community, your Sor-- your support to help us grow the center in the form of American Rescue dollars would help us recover revenue lost from the COVID-related canceled events and from the 2020 High School Rodeo. Revenues were budgeted from site maintenance and your help would be greatly appreciated to recover from that. Now I'm going to stop and say, do you have any questions?

**STINNER:** Thank you. All right, Senator Erdman.

**ERDMAN:** Thank you, Senator Stinner. Well, thank you for coming to Nebraska.

**BENNIE SHOBE:** Thank you very much. I'm having a good time here. Thank you.

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**ERDMAN:** So you're a city councilman?

**BENNIE SHOBE:** Yes.

**ERDMAN:** Tell me why your city don't help us.

**BENNIE SHOBE:** OK, so I'm-- you're making me put my city council hat on. I testified as an individual, but I appreciate what you're saying. The city, we-- we've had lots of conversations. We had some ARPA dollars and, as you guys know, the requests and demands on that money are much greater than the money that's available.

**ERDMAN:** Right.

**BENNIE SHOBE:** I had conversations with my council people before I came here today and I-- they knew I was going to be here and we discussed whether I represented them and the community. And at this time, the needs for other programs in the city are greater than what we have for the ag side, but we've made an agreement that we're going to continue to discuss it. I look for us to change and move toward more support in the future. At present, it just-- it-- it was started out as a county and an Ag Society event, and it didn't come to the level where the city felt it needed to support it, but I think that'll change in the future.

**ERDMAN:** With the millions and millions of dollars of economic advantage Lincoln has from having the facility there--

**BENNIE SHOBE:** Yeah.

**ERDMAN:** --they should be making a contribution.

**BENNIE SHOBE:** If you're waiting for me to argue with you on that one, yeah, I'm just one council person. I-- I agree with you. We need to recognize the fact that the ag center does help, does bring people from all over the-- if-- for the rodeo, we brought people from all over the world to this community, and there was a lot of money spent and it was a big economic driver.

**ERDMAN:** It would make more sense to have Lincoln make a contribution than everybody else in the state make a contribution.

**BENNIE SHOBE:** I hear what you're saying. I want to acknowledge that I hear you, but the ag center does serve Lincoln, Lancaster County, and greater Nebraska, so we're-- yeah.

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**ERDMAN:** Define greater Nebraska.

**BENNIE SHOBE:** Well, I-- well--

**ERDMAN:** Like out O, west of 9th Street?

**BENNIE SHOBE:** Yeah. [LAUGH] No. During the rodeo, I talked to people from Holt County, Scotts Bluff County, people from Chadron, and then I talked to people from Montana, Wyoming, that all came. And on any given Saturday, you'll see people from Kansas and people from South Dakota, lots of people from Sioux Falls.

**ERDMAN:** Get us some help from the council.

**BENNIE SHOBE:** I-- part of the conversation we had with my council members is I'm-- I'm going to do this, but we gotta-- we gotta to sit down like grown ups and talk about how we do this.

**ERDMAN:** Yeah.

**BENNIE SHOBE:** Yeah, I'm committed to doing that.

**ERDMAN:** Carry on.

**BENNIE SHOBE:** Thank you very much. I appreciate you. Other questions?

**STINNER:** I don't--

**BENNIE SHOBE:** I got lots of farm stories.

**STINNER:** I don't see anybody with any more questions, so thank you.

**BENNIE SHOBE:** Shut up and move on, right? [LAUGH] Let's-- let's go home. The hour's getting late. Thank you very much for your consideration, gentlemen. If you'd like to continue this, I'm available for you.

**STINNER:** Thank you.

**BENNIE SHOBE:** Thank you-- and ladies.

**AMY DICKERSON:** Last thing between dinner, right?

**ERDMAN:** No, we've got--

**STINNER:** [INAUDIBLE] cocktails. I don't know.

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**ERDMAN:** --closing.

**AMY DICKERSON:** Oh, yes, OK.

\_\_\_\_\_ : I've got some trail mix.

Good evening. Thank you for hanging in there with us. Chairman Stinner and members of the Appropriations Committee, my name's Amy Dickerson, A-m-y D-i-c-k-e-r-s-o-n. I'm just approaching my eighth anniversary as the managing director for the Lancaster Event Center Fairgrounds. We call it the LEC Fairgrounds in short. I'm a daughter of an extension agent, crop consultant, and I'm a granddaughter of an animal science professor on East Campus. That's how I come to ag, a 4-Her growing up. I work for the Lancaster Ag Society Board that manages the fairgrounds. Thank you for the opportunity to talk to you about this unique opportunity that could be afforded for Nebraska's ARPA dollars that would impact the whole state, and let's-- let's talk about that. LB20-- LB1277 would invest in what is a nonprofit, LEC Fairgrounds, which is not only Lincoln's number-one out-of-state visitor attraction, but it's the state-- one of the state's top out-of-state visitor attraction, and we'll use-- talk about the rodeo a little bit more in detail about that. So at \$60 million currently per-- per annum, which would be-- I was looking at the numbers, and that's about \$25 million to the state tax rolls since we opened 21 years ago. It's currently at a rate of \$2.5 million coming in, in sales and lodging tax to the state on top of what the city and county benefit from, and over \$500 million of economic impact in our history in 21-- in 21 years, more and more of that from out-of-state visitors. We're proud to be part of this agriculturally themed ARPA hearing today. An investment in the LEC fairgrounds supports our state's ag economy by enabling LEC to continue engaging over 80,000 youth annually in our state's ag future through year-round ag education events; number two, in improving LEC to continue to serve ag business events, such as the second-largest indoor farm show we talked about in the country; and number three, enhancing LEC to further grow ag tourism that will bring future students, citizens and investors to Nebraska, all things that are high priority here. I can tell you that our uniquely skilled ag event staff and our dedicated Ag Society Board have worked hard to keep the LEC Fairgrounds survive this pandemic and is-- but as we sit here today, it is not certain that LEC exits undamaged, as we face ongoing pandemic challenges. Our financial books carry significant damages to this day. We are determined not to let this pandemic hamper our 21-year record of constant growth, but it will take community and statewide support, as occurred with the outpouring of help after we had a mini-tornado

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storm actually hit the fairgrounds five days before the National High School Finals Rodeo came this last July. We appreciated the opportunity to testify in two previous hearings with you all about ARPA. There is a copy of the full ARPA investment proposal that was shared with the Governor's Office in December. It's included in our written testimony at the back of the packet today. Let me highlight a few pages in this proposal for you. On page 8, in Exhibit C, there's a chart which was shared with you by Senator Clements that talks about what the \$7 million in critical upgrades would go towards, and I'd be happy to-- to answer any questions on that. Many of them are pretty easy to understand as we are entering our 21st year. There's also an additional list of \$13 million of competitive upgrades that would allow us to continue doing what we're doing and bringing that kind of impact that I mentioned to not just the city and county, but also to the state. Those kinds of investments have been hampered and delayed by the pandemic and why we're bringing them to you as part of ARPA. On page 7 is a great example of the kind of impact. You know, we throw a lot of numbers around. What's \$60 million of impact? Well, when you look at a picture of what our grounds looks like during the National High School Finals Rodeo, then you understand, when you've got folks coming from 43 states, 5 Canadian provinces, staying for 10 days, over 1,600 families, compe-- competitor families and their fans. We had broke record attendance with the National High School Finals Rodeo versus all other locations they've ever been to. There's a UNL income-- impact study that's about to come out that shows over \$17 million of out-of-state visitor im-- impact. About 99 percent of the visitors were from out of state, not just out of-- out of our county. So the ro-- the rodeo is scheduled to return in '26 and '27, but it is looking like, after a meeting with them after two weeks ago, that there are some additional-- and this is what happens to us with these big events. Since we're competing nationally, internationally, they have big demands and we cannot charge these events enough. They expect-- they-- they see it as a privilege that we have-- that we have won this and we get this economic impact. OK? And so we cannot charge them enough and we're lucky to break-- break even, especially in the early years. So I know you've got a lot of requests. You've got a lot of challenges. On page 3 in my testimony, I won't read through. You guys are capable of reading, but there are significant-- we can help with Nebraska's, you know, multiple objectives, you know, retaining our youth, workforce development. We-- we have multiple folks out of the County Jail and community service volunteers out there that we're upskilling each year, hundreds of them, ag economic growth, diversifying our tax base that we are all passionate about by bringing in these outside visitor



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dollars. So with that, I'll-- I see my red light and I'll open it up to questions.

**STINNER:** Senator Erdman.

**ERDMAN:** Thank you. So I'm having a real tough time understanding. You just made a comment. We have to increase our facilities because we have these demands by these people who want to use them.

**AMY DICKERSON:** Um-hum.

**ERDMAN:** But we've gotta lose money to do that. Why would you want to continue to invite people to come here that you're going to lose money? At some point in time you gotta say this is costing us so much and before we bid that, we've got to be able to cover our costs because we won't always be here to give you a hand out from ARPA money or something.

**AMY DICKERSON:** It's a very logical question.

**ERDMAN:** And-- and it doesn't make any sense to me that you want to be this great attraction and bring all these people in at a loss. I mean, I don't know of any business ever that says, hey, so like the guy haul-- two guys hauling hay and they're losing \$10,000 a load--

**AMY DICKERSON:** Yep, yep.

**ERDMAN:** --and they say, you know what we need, another truck.

**AMY DICKERSON:** You sound like my banker.

**ERDMAN:** That's exactly what it is.

**AMY DICKERSON:** Yeah. Yeah. And that's-- that's--.

**ERDMAN:** Yeah, it doesn't make any sense. You do--

**AMY DICKERSON:** Yeah. Yeah.

**ERDMAN:** --\$60 million worth of economic impact in Lincoln and the city don't help you at all and the-- and the county helps you a little and you come-- and you-- then you're always begging for money. This doesn't-- this doesn't make any sense at all.

**AMY DICKERSON:** Um-hum, agreed. And so that's why we've been talking with the city and the county and at the state level in terms of we have a decision to make here, and it's not just a city-county

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decision, but it's also a state decision because we are not com-- we are competing with facilities that are supported by state funding in Wyoming, Oklahoma, Colorado. OK? So it doesn't make any sense, and we have learned that. You know, we-- if we repeat that rodeo, it will continue, it will be more profitable eventually for us. OK? But if we were-- we are a public facility and we're a nonprofit and we-- we kind of talk about ourselves as wearing the white hat, and we've learned that we have taken it to the point where we can no longer do it on our own. We either need our city and our county and our state to decide that we care about this unicorn of a facility that we have built, that, you know, we do zero marketing. We've got people calling us all the time: We want to come to Nebraska, you guys are in the middle of everywhere. I just got another one yesterday from the American Vaulting Association from Pasadena, California. You know, they want to come here, and I want to say yes, my team wants to say yes, and we have unique skills and we're happy to use them, but we can't do it alone. We have to decide in Nebraska, do we care about ag tourism, ag education, ag business, you know, at this unique facility? You know, there's about one of these in every state and we-- you're sitting on one right here in your capital.

**ERDMAN:** So what's your annual budget?

**AMY DICKERSON:** So normally, before the High School Finals Rodeo, about \$4 million, but we run on a break-even business basis. So I would love to address that question you had earlier about why don't you charge more, very logical question as well. So if-- if these kinds of event facilities were profitable, you know who would own a chain of them is Warren Buffett. Does he open these up and run these and have these in his corporate structure? No. Why? Because inherently, in and of themselves, you cannot charge the events enough to-- we can cover our operating cost, and we do a great job of that; we can cover really basic maintenance like light bulbs and paint, but we cannot keep up with-- we've got to re-- you know, replace the lighting every 15 years or upgrade the roof or the HVAC or that kind of thing. You cannot charge enough to the events themselves. What we've got to try to do as a-- as not just city and county but state, too, you know, \$25 million has flowed to the state and not one penny has come back to help make that continue to happen, and that's what we're talking about. That's what-- what we're competing with in these other states. They have figured out ways to do that. And believe me, we're talking city, county, but we're also talking state that they have figured out how to do it.

**ERDMAN:** OK.

**STINNER:** Senator Wishart.

**WISHART:** Thank you, and thank you for me. I'm building off of what Senator Erdman is saying. If I'm hearing you correctly, take the pandemic out of this situation, would the Lancaster County Event Center be self-sufficient [INAUDIBLE]?

**AMY DICKERSON:** We are from a operating basis, but we are not in terms of covering our-- you know, the upgrades that-- that need to happen on an ongoing basis, absolutely not, and we were already working on that. That's why there's another bill-- and I don't want to confuse it-- that's in another committee where, you know, out of the local county gambling taxes, which is brand-new, out-of-the-sky tax revenue for our city and county, and asking for a small percentage of that to come so that we can support this facility. So that would be the ongoing challenge, but we've got a deficit that has built up over 21 years that is exasperated [SIC] by the pandemic that we're facing right now and it is very eligible for-- under the ARPA guidelines, and that's why we're here.

**WISHART:** OK. So when the county made a decision to-- to build out and expand this event center, were there discussions about the fact that this facility would not be self-reliant after its initial investment?

**AMY DICKERSON:** So I can't-- I've been there eight years.

**WISHART:** OK.

**AMY DICKERSON:** I can tell you that that conversation's been happening in earnest for about five years after I first got there and got it kind of relaunched with the board, then, you know, city and council all asked for that to happen and that became very evident to me, and we've been talk-- working on that, for sure.

**WISHART:** OK.

**AMY DICKERSON:** Yep.

**WISHART:** The last thing I would say is, you know, \$7 million is a significant investment and-- and what I'm hearing is that event centers across the country take a significant amount of public money over continued years. And I would like to better understand why this business-- I understand the initial public investment, but why this business model does not work to be self-sufficient because I'd imagine, with the-- with the High School Rodeo, that should be able to bring in revenue that would allow for the cost to be covered. And

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the decisions that we're making at the state level, you know, when we're doing a one-time investment, it sounds like there needs to be a reckoning with whether this needs to be ongoing or whether there truly is a way to make this be able to fund itself sustainably.

**AMY DICKERSON:** Yeah, and we're working in parallel on the ongoing. What we're looking at in terms of what ARPA is eligible for is one-time investments that would pay off for decades, and that's what we're bringing to you. But believe me, we are working on the ongoing in-- in parallel, so it's sustainable.

**STINNER:** If I could recharacterize what you're saying, you're cash-flow positive on an operating basis, but not enough capital is-- or profitability is being generated for major capital improvements like deferred maintenance and [INAUDIBLE]

**AMY DICKERSON:** Yeah, you look at that \$500 million that we've spilled over to the city, county, and state and not-- very limited of that has come back.

**STINNER:** And you also have levying capabilities, which you do get some money, and that predominantly goes for debt service right now because of still--

**AMY DICKERSON:** That's right, two thirds to debt service and a very small for the fair.

**WISHART:** OK.

**STINNER:** So--

**AMY DICKERSON:** And we've tried to raise that, and even during the pandemic when we were really hurting and that didn't go-- wasn't-- you know, we all know what it--

**STINNER:** OK. The other thing that you--

**AMY DICKERSON:** That's not the preferred way.

**STINNER:** Your mission is to promote agriculture, which not all of that is profitable, so that's--

**AMY DICKERSON:** Yeah, there's broader benefits, right?

**STINNER:** [INAUDIBLE]

**AMY DICKERSON:** Let's keep our youth engaged in ag tech, for example.

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**STINNER:** I hope that summarizes what you're saying.

**AMY DICKERSON:** Yeah.

**ERDMAN:** But not all they do is agriculture, is it?

**STINNER:** I get that, but the special events center-- or pro-- either profitable or cash flow, probably cash flow positive to support some of the ones that they're losing money on and they're not designed--

**AMY DICKERSON:** Such as the 80,000 youth that come out.

**STINNER:** These societies are not designed to make a whole lot of profit, but that's why they have levying capability. Anyhow, Senator Dorn, you had-- you had your hand up.

**DORN:** You done, Senator?

**WISHART:** Yeah.

**DORN:** Thank you.

**STINNER:** I was just trying to summarize.

**DORN:** Thank you, and--

**AMY DICKERSON:** Thank you.

**DORN:** --thank you for being here. Talk a little bit about earlier in somebody's testimony they had the tourism dollars and over I don't know how many years you had \$8 million in tourism dollars or something that has been a part of this? And maybe I read that wrong or whatever.

**AMY DICKERSON:** You're talking about the spend to build and improve the center--

**DORN:** No, the--

**AMY DICKERSON:** --or --or the impact?

**DORN:** Well, I know from the accounting they have, they-- every county collects so much in tourism dollars. Do you as an entity get some tourism dollars back from county, city or whatever, yes or no?

**AMY DICKERSON:** Only through lodging tax grants, which--

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**DORN:** Lodging tax, yes.

**AMY DICKERSON:** --which Commissioner Vest mentioned.

**DORN:** Yeah.

**AMY DICKERSON:** OK, and that's what made the High School Ride-- Finals Rodeo improvements possible. That's been our only method, and we've really tapped that out to the point where, you know, there's other entities that need to-- to use that fund.

**DORN:** Exactly, so that's-- that's a stagnant--

**AMY DICKERSON:** And so we've gotten big enough and impactful enough that we can't-- we have to look for new sources.

**DORN:** But-- but for you, I mean, part of what you're doing here is you're impacting the whole economy of Lincoln and the tourism dollars that you bring in there.

**AMY DICKERSON:** Um-hmm.

**DORN:** And then just as everybody else has talked, somewhere, yeah, maybe the state hasn't given you anything back, but has your tourism dollars come back to you?

**AMY DICKERSON:** And believe me, we are going to-- we are talking very hard with the city and the county.

**DORN:** Yeah.

**AMY DICKERSON:** And you can tell we've got some good supporters here that are helping us with that.

**DORN:** Yeah.

**AMY DICKERSON:** We will work on that. But I will tell you, I don't think there's enough funding in the city and county alone. I think we have to decide as a state whether this facility, if this bringing in these national, international events, these out-of-state visitors-- we have-- Terry Bradshaw flies in each year for our quarterhorse show in June, as an example. You know, these are high investor folks. You know, those students that came out, 1,623 high school athletes in the rodeo and their siblings and their parents all here, and many of them on the UNL campus and other college, you know, these are future citizens, future investors for-- you know, we talk about attracting

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workforce, you know. And then what we're doing with our local folks, and as we do it without even thinking about it, we're getting them in there and upskilling them and using them because we always need help, you know? So there's just so many multiple benefits and it goes way beyond Lincoln and Lancaster County. It just happens to be that we're-- we're here. So thank you so much for the great questions.

**DORN:** Thank you for-- thank you for coming.

**AMY DICKERSON:** Absolutely.

**STINNER:** Appreciate it.

**KENDRA RONNAU:** Thank you so very much, Senator.

**STINNER:** Let's see, I have one proponent on the online letters in favor of LB1277. Senator Clements, would you like to close? I just thought I'd add that while I was thinking of it, Senator.

**CLEMENTS:** Yes, thank you. The-- actually, the event center was hoping that I would also ask for the \$13 million of competitive upgrades, but I decided that we'd just go with the critical items and-- and because I thought they would be more eligible in the ARPA dollars there. I believe Amy said that they produce around \$2.5 million of state sales tax revenue per year, and so they're asking basically for some of that back. The sales tax and lodging tax, they are in the city limits, and so I know they are producing pretty good amount of city sales tax and lodging tax, and I hope they do have a chance to get some more support there. But I do think this is a good use of ARPA dollars and thank you for your time.

**STINNER:** Sounds like it should be a General Funds request and so get so much in sales tax returning. I'm just kidding. [LAUGHTER] OK. Additional questions? It's late. I can go with it. After 6:00, I can get crazy, so. But in any event, that concludes-- any-- nobody else has questions. That concludes our hearing on LB1277. That concludes our hearings for today. I will tell you that we will make up binders and we will try to put in the binders for each and every one--