

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

- DATE:** Tuesday, January 29, 2013
- TIME:** 8:00 A.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Bair, Vice Chairman Guthrie, Senators Brackett, Tippetts, Rice, Nonini, Patrick, Durst and Buckner-Webb
- ABSENT/ EXCUSED:**
- NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
- CONVENED:** **Chairman Bair** called the meeting to order at 8:05 a.m.
- MINUTES:** The minutes from January 17, 2013, were presented to the committee for approval.
- MOTION:** **Senator Rice** moved to approve the minutes from January 17, 2013. **Senator Tippetts** seconded the motion. The motion carried by **voice vote**.
- INTRODUCTION:** **Chairman Bair** introduced **Benjamin Kelly** of the Food Producers of Idaho, who talked briefly about the 13th Annual Public Policy Tour, and welcomed the students and advisors from the University of Idaho. Each of the twelve students stood and shared their name and focus of study.
- PRESENTATION:** **Chairman Bair** welcomed **Laura Johnson**, Agricultural Bureau Chief, Market Development Division, Idaho State Department of Agriculture, to the podium. **Ms. Johnson** oversees the domestic and international marketing and promotion of Idaho food and agriculture products, and works closely with the Idaho Department of Commerce. Together, they partner with the three full-time International Trade offices; China, Taiwan, and Mexico. She said exports for 2012 were up 15 percent from last year and attributed this increase to having full-time trade offices in each country and their efforts in assisting the exporters.
- Ms. Johnson** introduced **Eddie Yen**, the International Trade Office representative of the Idaho-Asia Trade Office since 1989, who presented highlights of the program for 2012:
- exports to Taiwan for 2011 were \$760 million
 - second largest export market with 15 percent of total exports
 - Taiwan has recently opened its beef market to the United States (U.S.)
 - with the new VISA Waiver Program, tourism is expected to increase by 25 percent.
- Supporting documents related to the testimony of Mr. Yen have been archived and can be accessed in the office of the Committee Secretary. (See Attachment #1)
- Mr. Yen** stood for questions.

Ms. Johnson next introduced **Xu Fang**, the International Trade Office representative of the Idaho-China Trade Office, who presented highlights for 2012:

- Idaho exports grew 596 percent between 2000 and 2011; Idaho became the third largest export market in 2012 with export increases up 60 percent
- total (including Idaho) exports of cheese rose 44 percent in 2012, mainly due to emerging young middle income families recognizing the nutritional value. He is optimistic of this continued growth trend
- due to the Ractopamin issue, importing beef is "officially" banned, however China is the fourth export market of U.S. beef (including Idaho beef); it comes into China through the "gray channel", where there is no ban

Supporting documents related to the testimony of Mr. Fang have been archived and can be accessed in the office of the Committee Secretary. (See Attachment #2) **Mr. Fang** stood for questions.

PRESENTATION: **Chairman Bair** introduced **Rich Garber**, Director of Industry and Government Relations, College of Agricultural and Life Sciences, University of Idaho, who introduced Dr. John Foltz, Professor and Interim Dean for Academic Programs, College of Agricultural and Life Sciences, Department of Agricultural Economics and Rural Sociology, University of Idaho.

Dr. John Foltz introduced faculty members, Paul Patterson, District Extension Economist, Extension Professor, at the Idaho Falls Research and Extension Office, College of Agricultural and Life Sciences, Department of Agricultural Economics and Rural Sociology; Dr. Garth Taylor, Regional Economist, Associate Professor, College of Agricultural and Life Sciences Department of Agricultural Economics and Rural Sociology; and Cathy Roheim, Professor and Department Head, of College of Agricultural and Life Sciences, Department of Agricultural Economics and Rural Sociology.

Paul Patterson thanked the committee for the opportunity to present and spoke on the financial condition of Idaho agriculture and the outlook for 2013 and beyond:

- total Cash receipts were up 5 percent and growing
- long-term growth rate in the last ten years has jumped to 5.4 percent
- livestock sector is up 8 percent
- crop sector is up 5 percent

Mr. Patterson stated that the increased values are coming from increased production. This brings lower prices to consumers. Idaho's investment in research is a key factor driving these increases in value by helping agricultural industries become more efficient. Government program payments have decreased, dropping below \$100 million or 2 percent of the cash receipts coming into Idaho and now less dependent on the government and more dependent on markets.

For the third year in a row, net farm income had a record high, possibly due to the draught and its effect on the grain markets. Net farm income, normally stable here in Idaho, has become more volatile in recent years affecting the farmer, government and communities. Expenses were up, driven by manufactured and farm origin input increases. This rapid rate of the cost of inputs increasing faster than what the farmer receives, makes increasing overall productivity the only way to stay in business.

Farm profitability has improved with the jump in equity from the increases in real estate. Low interest rates, demand, and outside investment dollars have driven up the price of land, and pushed up the rates of return on assets to somewhere between 15 to 20 percent. Farmers today are not as leveraged as in previous years, and have enough of a buffer to better protect agriculture. **Mr. Patterson** stated he would provide additional data on the ratio of the debt-to-farm income.

Mr. Patterson provided expectations for 2013:

- crop cash receipts will go down about 5 to 8 percent or \$3.1 to \$3.2 million
- livestock cash receipts will go up about 2 to 3 percent or \$4.4 to \$4.44 billion
- expenses will continue to rise, with a moderate rise on fertilizer and fuel
- net farm income will go down 10 to 15 percent or \$2.15 to \$2.35 billion, and is driven by the potato market; the fresh potato growers and the fresh pack sheds are getting between \$2.50 to \$4.50 return on potatoes that cost \$8.00 to \$8.50 to raise
- Stocks-to-use ratio, wheat side is good with no shortages, and the feed side is tight; if they plant 100 million acres of corn and there is no draught this year, we should produce a good crop

Chairman Bair welcomed Garth Taylor to the podium. **Mr. Taylor** thanked the committee and said his presentation would focus on the macro perspective of Idaho agriculture

- total state employment is about 900,000, a decline since the recession
- farm employment is about 38,000 or 4.4 percent of total employment; agriculture is very labor efficient and has been very stable over time and believes this long term trend of in jobs will continue to decrease;
- agriculture is a growing portion of the Gross State Product (GSP) and Project 60, and is the largest increasing segment of Idaho economy; the on-farm GSP was 5 percent in 2011, and farming personal income increased over 41 percent

Mr. Taylor stated that economic activity creates jobs in Idaho.

- 11 percent of the jobs created are in agriculture
- in terms of sales, agriculture is the largest industry in the state of Idaho; last year sales were \$19 billion and 18 percent of the state economy
- excluding California, Idaho is the third largest agriculture state in the west; in 2011, Idaho surpassed Colorado, and if the current growth rate continues, Idaho will surpass Washington
- increased productivity is responsible for this growth, with an even greater expectation of increasing export demands; the world will be better fed as we shift to a higher protein diet

Supporting documents related to the testimony of Mr. Patterson and Dr. Taylor have been archived and can be accessed in the office of the Committee Secretary. (See Attachment #3)

ADJOURNED: **Chairman Bair** adjourned the meeting at 9:36 a.m.

Senator Bair
Chairman

Denise McNeil
Secretary