

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

- DATE:** Tuesday, January 31, 2012
- TIME:** 8:00 A.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Siddoway, Vice Chairman Smyser, Senators Corder, Pearce, Hammond, Vick, Nuxoll, Bock, and Schmidt
- ABSENT/ EXCUSED:** None
- 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.
- MINUTES:** **Chairman Siddoway** called the meeting to order at 8:00 a.m.
- INTRODUCTION:** **Chairman Siddoway** passed the gavel to **Vice Chairman Smyser** to introduce the students from University of Idaho on their Public Policy Tour with Rick Waitley of the Food Producers of Idaho and welcomed them to the Committee. Each of the thirteen visiting students stood and shared their name and focus of study. **Vice Chairman Smyser** returned the gavel to **Chairman Siddoway**.
- PRESENTATION:** **Chairman Siddoway** introduced **Dr. Garth Taylor**, Economist, University of Idaho, Department of Agricultural Economics and Rural Sociology, for his presentation on "The Financial Condition of Idaho Agriculture." **Dr. Taylor's** complete presentation is attached in the official record. Following are some highlights of his testimony.
- Dr. Taylor** introduced his colleague, **Ben Eborn**, who assisted with the study and will be available for questions after the presentation. **Dr. Taylor** noted that the presentation is for a 2011 forecast, as the official 2011 numbers are not available until Fall of 2012, and that these figures are based on a "calendar year," not a "crop year."
- Dr. Taylor** pointed out that all crops but one had record years. Most shattered previous records, except for onions, which had revenues down 43 percent. **Vice Chairman Smyser** asked why that was so for onions, if it was supply and demand, and **Dr. Taylor** replied they had problems with the harvest and with wetness in cellars. **Dr. Taylor** noted that the increase in all other agricultural industries indicates that Idaho Agriculture is bigger now than ever and is a growing industry.
- Senator Nuxoll** asked about the difficulty in tracking the economics of hay. **Dr. Taylor** replied that there is significant drought in Texas and Mexico, that led to higher export revenues for Idaho hay producers, and that yes, it is a difficult industry to track, and the producers have the responsibility of providing accurate survey data.
- Chairman Siddoway** instructed the Committee to please hold all further questions until the presentation is concluded.
- Dr. Taylor** shared his forecast that Idaho will double the size of its agriculture industry every fifteen years. Idaho Net Farm Income is up 88 percent, which he called unbelievable growth, at 93 percent above the ten year average. He also pointed out the volatility in the agricultural industry, noting that in just 2009 income was down \$800 million.
- Dr. Taylor** said there are four implications in the coming years: More risk for farmers; Stricter lending standards; Tax revenue volatility; and, Stability in rural communities. He also noted that debt-to-equity ratios are at historic lows for Idaho farmers.

Dr. Taylor shared his forecast for a variety of Idaho agriculture industries. He said his forecast is for an upward demand for cattle. He stated that "Dairy is the 900 pound gorilla" for the impact on Idaho's agriculture industry economy, with an average of 20,000 head of cattle being added each year. The outlook for the beef industry is also for more head, but the loss of the slaughter house will cut into producers' margins with the increased cost of travel for that purpose. For potatoes, the prices are higher for processed potatoes and lower for fresh. Wheat production is coming off a high and is expected to be lower production, as acreage will shift to other crops. **Dr. Taylor** said the outlook for hay is extremely strong as both production and prices will go up. Barley acreage and production should be flat. Sugarbeet outlook is also flat, as acreage and processing availability is limited, but it is the one crop that should not be displaced by alfalfa. Dry beans will still see higher prices.

Senator Pearce asked about how inflation is incorporated into the Governor's Project 60. **Dr. Taylor** replied that inflation is low right now, so very little. **Senator Pearce** asked about beef production being up in Idaho and yet down across the country. **Dr. Taylor** deferred to **Ben Eborn** for response. **Mr. Eborn** said that much of the expansion in Idaho is coming from the dairy industry, rather than the beef industry.

Senator Bock asked about the impact of subdivision development on the acreage used for farming. **Dr. Taylor** replied that it is a problem, especially here in the Valley.

Senator Schmidt asked how government payments are associated with the net income reported in this presentation. **Dr. Taylor** indicated that the only crop produced in Idaho that receives government payments is wheat so it's not a significant amount, as it is only enrollment and insurance based payments.

Senator Schmidt asked that if the farm production goes up, will the jobs availability go down. **Dr. Taylor** replied that is a really good point, in that Idaho produces big crops that don't require as much labor.

Senator Corder asked for **Dr. Taylor's** input on what would be the best way that Idaho can spend dollars to create the maximum economic stability in Idaho, considering the Governor's task to the Legislature to determine the best use of a proposed \$45 million tax incentive or relief. **Dr. Taylor** said this is "Economics According to Garth" and that if someone has no taxable income, they won't be taxed, so what will be seen is that the larger farms will pay a far greater proportion of the total agricultural tax revenue, as smaller farms have more tax deductions. That means there will be more volatility in the farm tax revenue because the bigger the farm, the more the volatility. **Senator Corder** and **Dr. Taylor** discussed the implications of the new yogurt factory coming to Idaho and how granting tax concessions to the business to attract it to the state might be counterproductive to the long term viability of the cattle industry in Idaho.

Senator Nuxoll and **Dr. Taylor** discussed the surveys conducted by the Department of Commerce and the USDA and the importance of providing accurate data on the surveys. **Senator Nuxoll** asked for clarification on the term "households" in the pie charts of the presentation, and **Dr. Taylor** said that indicates income sources such as social security checks, dividends, retirement, that don't cost anything to receive, but still help circulate money and build the economic activity indirectly.

Chairman Siddoway commented that with the projections indicating the prices we see this year won't return until the year 2020, and what happened to the cycle of seven years of good business. **Dr. Taylor** replied that it doesn't seem to jive with his outlook of doubling of Idaho agriculture every 15 years, but he is basing part of his forecast on the growth of the dairy industry. **Chairman Siddoway** commented how even with a moratorium on water, the state has made incredible gains in net farm income and how it will fall to the youth to continue the increases with even better productivity and new technology. **Chairman Siddoway** expressed his concerns about feed costs and the need for sheep herds to compete with cattle and that what used to cost \$50/head now costs \$110/head, and the challenge to keep the industry going.

Chairman Siddoway expressed his gratitude to **Dr. Taylor** and his staff as well as the visiting students from University of Idaho.

PRESENTATION: **Chairman Siddoway** introduced **Teri Murrison** of the Soil and Water Conservation Commission to present the Commission's Annual Report. **Ms. Murrison** introduced her colleague, **Kristin Magruder**, who will be available for questions as needed. Following are highlights of **Ms. Murrison's** presentation. Supporting documents related to this testimony have been archived and can be found in the office of the Committee secretary (see Attachment #1).

Ms. Murrison began by saying how **Dr. Taylor's** presentation helped emphasize the Commission's strategy that "voluntary" conservation is key to success. She thanked **Senator Bock** and **Senator Vick** for their presentation and the rest of the Committee Members for their recent confirmation of two Soil and Water Conservation Commissioners.

Ms. Murrison outlined three goals for her presentation: an overview of the Conservation Commission, an update on district and Commission relations and accomplishments since the last legislative session, and emphasize why the Commission is important to Idaho. She stated the Commission's mission is: "To facilitate coordinated non-regulatory, voluntary and locally led conservation by and between federal, state and local governments (including conservation districts) in order to conserve, sustain, improve, and enhance soil, water, air, plant and animal resources."

Ms. Murrison described how the Commission efforts to achieve that mission by operating Comprehensive Conservation and Incentive Programs, District Support Services, and Capacity Building, which aims to help districts become stronger and less dependent on Commission resources. **Ms. Murrison** cited the example of the Teton Soil Conservation District that held a Rural Living Workshop that addressed wildfire protection, weed control, and tree selection and maintenance. Districts around the state educate and sponsor hundreds of school children with Ag in the Classroom, Ag Days, poster contests and others.

Ms. Murrison shared another example of saving resources with an attractive irrigation diversion structure that used gravity flow and strategically placed rocks at the cost of only \$30,000 instead of a massive, unattractive concrete structure that cost \$500,000.

Ms. Murrison outlined the results of a statewide survey of Conservation Districts, which indicate overall satisfaction with the quality of assistance from the Commission, but expressed concern that resources and staff are inadequate to provide equitable support. The report indicates the assistance provided dropped 25 percent from 121 projects in FY2010 to 92 projects in FY2011. The drop was related to downsizing, in which there were 33 staff members in FY2009 and ended FY2011 with 16 staff members.

The Commission's efforts with conservation programs including "Total Maximum Daily Loads," "Ground Water Nitrate Priority Areas," "Conservation Reserve Enhancement Program (CREP)," and "Resource Conservation and Rangeland Development Programs (RCRDP)" were also reviewed.

Ms. Murrison cited how "OnePlan," the Commission's free, easy to use online conservation planner, has been a great example of how incentives work better than regulations. Expansion plans are underway to integrate statewide reporting on voluntary conservation to demonstrate the positive environmental and economic impact on Idaho.

Ms. Murrison described another way the Commission aims to achieve its mission is through efficient administration, with strategic planning, transparency, and cost savings, such as controlling expenditures, and reducing travel to the extent possible, given the Commission's focus on district outreach and the size of the state. She stated that the Commission still faces challenges as they adjust to the reduction in workforce and general funds, but they continue to seek alternative sources to be as efficient as possible.

Ms. Murrison shared that she has visited more than 25 districts, attended ten district tours, and conducted a field hearing in Northern Idaho and reported that good relations and trust are on the rise. The first ever Commission Listening Session at the annual District Association Conference encouraged relationship building.

Ms. Murrison shared that the Commission is important to Idaho because it helps preserve the natural resources and wide open spaces that Idahoans love and enjoy. She says the Commission "is not whining about what we don't have, but are thankful for what we've got," and will continue to work hard to advance incentive-based, good stewardship in Idaho.

Vice Chairman Smyser thanked **Ms. Murrison** for her leadership and for streamlining the process that has been a positive impact for Idaho.

Senator Vick, Ms. Murrison, and Ms. Magruder discussed the differences between CRP and CREP and details about nitrate reduction priority projects. **Chairman Siddoway** added his understanding that CRP involves dry land, while CREP has an irrigation component to it.

Chairman Siddoway thanked **Ms. Murrison** and **Ms. Magruder** for the presentation and they were excused from the meeting.

NOTICE:

Chairman Siddoway notified the Committee of his interest to review a final rule that will impact the elk industry, noting the rule is making it impossible to bring elk into Idaho. He has spoken with **Dr. Bill Barton** and **Brian Oakey** at the Department of Agriculture about how to fix it and they suggested calling the rule back to the Committee to try and solve that problem. **Chairman Siddoway** said he will contact **Dennis Stevenson** of the Department of Administration to coordinate the process. **Senator Hammond** said that if there is a problem, it's likely that **Chairman Siddoway** is not the only one affected and that it should be called back.

ADJOURNED:

Chairman Siddoway called the meeting adjourned at 9:53 a.m.

Senator Siddoway
Chairman

Christy Stansell
Secretary