

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Thursday, February 02, 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.

Chairman Siddoway called the meeting to order at 8:00 a.m.

MINUTES: The committee considered the minutes of the Agricultural Affairs Committee meeting from January 24, 2012.

MOTION: **Senator Pearce** moved, seconded by **Senator Bock**, to approve the minutes of January 24, 2012. Motion carried by **voice vote**.

MINUTES: The committee considered the minutes of the Agricultural Affairs Committee meeting from January 26, 2012.

MOTION: **Senator Vick** moved, seconded by **Senator Nuxoll**, to approve the minutes of January 26, 2012. Motion carried by **voice vote**.

PRESENTATION: **Chairman Siddoway** introduced **Blaine Jacobson**, Executive Director of the Idaho Wheat Commission, for the Idaho Wheat Commission Annual Report.

Mr. Jacobson shared an overview of the World Production and Use of Wheat, stating that worldwide, the last four years have been the four highest production years on record, and it continues to be a growing market and growing crop. However, the United States is the only market in the world that saw a decrease in production. This is attributed to the link between wheat and corn, and with corn seeing record prices and usage, wheat crop acreage is decreasing. The biggest impact on the wheat industry is the growth of the soybean and corn crops. There could be more changes if more wheat acreage turns to corn. **Mr. Jacobson** said Idaho exports wheat to seven of the top ten international customers, including Japan, Mexico, Egypt, Philippines, Korea, Taiwan and Indonesia.

Turning to investments, **Mr. Jacobson** shared that the Idaho Wheat Commission has made two separate one-million dollar endowment investments at the University of Idaho, as the Commission believes that there needs to be more advances in wheat research, as future yield increases will be driven by research. The Commission has a five part investing strategy: Endowments; Infrastructure and operating capital for CALS by increasing wheat assessment; Public-Private partnership; Work-study opportunities for students; and, Restoration of public funds. **Mr. Jacobson** said he urges the restoration of public funds for agriculture as soon as possible, noting a strong wheat industry contributes to a strong agriculture industry.

Mr. Jacobson described how private breeding of wheat is changing the wheat industry, especially with the growth of six major companies making investments in wheat breeding: Monsanto, BASF, Limagrain Cereal Seeds, Syngenta, Dow AgroSciences, and Bayer CropScience.

Mr. Jacobson described the different breeding programs and their time frames. He said that Oregon, Washington and Idaho have joined with Monsanto on "Seed Chipper Technology" that will help researchers find the best germplasm by determining the genetics of the seed without destroying the seed itself. Researchers then use an interlinked database and genetic markers to determine an agronomic match, meaning the best location for the best growth of the seed. He said this is faster technology than waiting for a leaf of wheat to grow.

Mr. Jacobson told how private companies are looking to partner with public programs that have good agronomic practices, good infrastructure and good germplasm, and he said this is why it's important for the Idaho Wheat Commission to remain strong and growing.

Mr. Jacobson said the options are: Make solo investments; make a public-private partnership; or, exit the breeding process. He said it's not feasible to make solo investments as public endeavors can't keep pace with the spending of private companies. Exiting the breeding business would hurt the local industry. So the Commission has chosen to work through partnership, while at the same time keeping the agronomics and infrastructure healthy in order to keep the partnership healthy.

Mr. Jacobson said in summary, there is a new era in the wheat industry. The world wheat trade will double over the next 40 years to accommodate world growth. There are "Wheat Belts" in both the northern hemisphere and the southern hemisphere, and the largest population growth is between the belts, as in India and China, and the Pacific Northwest is best positioned to capture that growth.

Looking at the Idaho Wheat Commission budget, **Mr. Jacobson** shared that wheat tax revenue is expected to be \$2 million, working with the wheat tax assessment being at two cents. However, the spending budget is \$2.2 million, so the Commission has been operating on reserves this year. He said that as of December 31st, they have less than a year's operating budget in reserve.

Research takes nearly half of the budget, about a third of which goes to the University of Idaho. The Commission has had to prioritize to keep some of the most critical research programs intact. The assessment can't cover everything, which is why he said he encourages as soon as the state can afford it, to reinvest in agriculture.

Mr. Jacobson said production is up eight percent, but they expect next year's crop will be down a bit, saying the Commission has been aggressive with contracting, but they may lose some acreage to potatoes and sugar beets. So the Commission is projecting a tax revenue of only \$1.8 million.

Mr. Jacobson described an increase in research needs, with the late maturity problems the past couple of years that need to be researched. Worms and nematodes are other problems they're working on, as well as a need to protect against stem rust.

Mr. Jacobson shared some of the products from end-users of Idaho wheat, and brought samples of cookies from Grand Central Bakery in Oregon as well as Gold Fish crackers, which are made from southern Idaho soft white wheat. **Chairman Siddoway** thanked **Mr. Jacobson** for the cookies and the presentation and opened the discussion for any questions from the Committee.

Senator Nuxoll asked if the Idaho Wheat Commission is not considered private. **Mr. Jacobson** replied that no, it is not private. It is a state agency that has self governing authority.

The enabling legislation allows for five commissioners appointed by the Governor, and as a state agency it has to report to the State, but is self-funded as well. So, when funding is needed, the wheat growers need to go to the wheat growers to support it, and if the wheat growers feel the return is worth it, then they'll approve it.

Senator Nuxoll asked what is the problem if the private takes over. **Mr. Jacobson** answered that the problem is that wheat growers will pay a higher price for seed. Currently Idaho wheat growers have an agreement with the University of Idaho that allows for competitive pricing using University of Idaho germplasm. As the privates look for germplasm and technology, they are bound by an agreement with the University, so that any joint releases will be made available to Idaho growers at a competitive price.

Mr. Jacobson went on to describe an example of Syngenta with corn and soybean and with how Syngenta runs the seed business today, the farmers pay an extremely high price for their seed. Monsanto told the Idaho Wheat Commission when they started looking for wheat, they realized it is a highly fragmented industry, especially in Idaho where there are "micro climates," which means one variety of wheat that grows well in one part of the state won't grow as well in another part of the state.

The difference is that with corn and soybean seeds, they can develop one or two varieties and run them over hundreds of acres. Therefore, Monsanto realized they need local partners to make that entry into the wheat business. Again, with the public-private partnership, having that bound by agreements, and using public germplasm, there is a large benefit for Idaho growers. **Mr. Jacobson** said it's not that seed prices won't go up, and he said they will probably go up everywhere, but with this kind of provision they prevent the privates from using the same pricing model that they've used for corn and soybeans.

Senator Nuxoll asked how much of the assessment increase proposal is going into research. **Mr. Jacobson** answered that more than half of the assessment increase will go into research, because if it doesn't, then the growers stand the risk of being frozen out of wheat breeding. The Commission believes it better to be part of it than being on the outside looking in.

Vice Chairman Smyser expressed her appreciation to **Mr. Jacobson** for his leadership in regards to the endowment and to his commitment, as well as that of the growers, for working to secure public-private partnerships to benefit the state of Idaho and support of the University of Idaho research, because it makes a difference.

Mr. Jacobson thanked her and shared that one of the Commissioners posed the question, "If we don't do it, who IS going to do it?" The Commission has looked at what's been happening for the past couple of years, and they didn't want to come back for a wheat assessment, but they finally decided if they are going to be part of the new world of wheat, they needed to pursue other investments, such as the endowment and public-private partnerships.

Senator Schmidt also complimented the Commission on their forward-thinking and asked about wheat with transgenic traits. **Mr. Jacobson** replied that the Commission knows that wheat with transgenic traits will eventually be in the food industry, and they have built good relationships with global companies who keep them up to date on what's going on in the world.

They expect that probably in the next five years, transgenic wheat will be in India, Pakistan and China. Eventually that will come to the U.S., Canada and Australia, but expect that the U.S. won't be first. In looking at where the world food needs are and where the population is growing, the world will need to double the food output by 2050. Monsanto's goal is to triple the productivity of seeds, and the only way to do that is to bring new productivity-enhancing traits into wheat.

Mr. Jacobson went on to compare wheat to corn and soybean crops, and how corn and soybean crops are increasing, and wheat is decreasing and how that's a direct function of not having productivity genes in wheat. He said his best guess is that transgenic wheat will be introduced within five years, and it will be in the U.S. in about eight to ten years.

Senator Corder commented that what **Mr. Jacobson** just said is the best argument for using public research rather than private research, in the best interest of agriculture as a whole and Idaho as a whole. **Senator Corder** offered an example of a private company creating a chemical that could satisfy all the weeds problems for one particular crop, and that same company was producing all the seed for that particular crop, too, that such a scenario would pose a significant risk to Idaho. **Mr. Jacobson** said it's exactly that kind of statement scares them to death. They do not want the model used for corn and soybeans brought to Idaho for wheat. There is no guarantees that they can maintain this position, because eventually the privates may run over them anyway, but based on their efforts in the past year and a half, they believe in the reasonable chance of being able to make it a win-win for the growers and the privates, and that is the Commission's intent.

Senator Vick asked for a better definition of what transgenic wheat is. **Mr. Jacobson** answered it is genetically modified wheat, "GMO" which means a change has been made to the wheat to make it more productive in some manner. A gene has been inserted into those plants to make it resistant to Round-Up, so that the Round-Up can kill all the weeds around a crop, but not the wheat that has the Round-Up ready gene in it. Monsanto's top priority is a drought resistant kind of wheat, because considering the world picture, places where wheat can make the most difference are areas with a really dry climate, like Pakistan and China. It will also help the United States push back against corn. Parts of the Midwest that were traditionally wheat growing country have been replaced with drought resistant corn and soybean crops. Those crops are expanding at the expense of wheat. A transgenic wheat could be one that can be productive with less rainfall or other beneficial uses. It's not anything that in time breeders couldn't do themselves, but by using partners, it can happen much more quickly and makes wheat more productive more quickly.

Senator Vick asked for clarification because his brothers use Round-Up ready wheat already. **Mr. Jacobson** replied that there are varieties of transgenic wheat being tested but none that have been approved yet for introduction into the food chain. So, where transgenic wheat is grown, it is grown in controlled conditions, with a wide buffer with other crops, but research is occurring in public and private breeding institutions, including at the University of Idaho. When the final approvals are given in eight to ten years, it will be commercialized then.

Senator Nuxoll asked with all the controversy on GMO's, if the research considers the change in composition of nutrition of the plants, and also the effect on its ability to resist some other diseases that arise because of the changes in the nutrition of the plant. **Mr. Jacobson** said yes, that is correct. There are a variety of traits that have been identified, and the seed chipper is just one part of the research. They have a database from testing millions of seeds a year. They have cataloged all those traits, and they can identify where in the world that seed is best suited. **Senator Nuxoll** commented that she knows there has to be a balance.

Chairman Siddoway thanked **Mr. Jacobson** for his presentation and that he's welcome back next Tuesday.

IDAPA 02.04.21 **Chairman Siddoway** brought before the committee a review of a final rule: "Rules Governing the Importation of Animals," IDAPA 02.04.21, specifically the rule relating to the importation of domestic cervidae and certain treatments and testing requirements. The rule is Section 600, subsection 02.

Chairman Siddoway declared his conflict of interest as he has an elk ranch. He then described how the current regulation that requires treatment of elk with a flukicide or parasiticide overlaps with another regulation that requires a test for brucellosis. The overlapping of the timing of both tests only allows a window of one day to bring in animals.

Chairman Siddoway invited **Dr. Bill Barton**, Administrator for the Division of Animal Industries and State Veterinarian from the Idaho State Department of Agriculture, to the podium for further explanation. **Dr. Barton** referred to the rule governing importation of animals and the requirements to import domestic cervidae into the state of Idaho. One of the requirements is that those animals that are imported must be treated with a parasiticide for the treatment of giant liver flukes. That treatment needs to occur no less than 30 days and no more than 60 days prior to import. The reason those dates were set is that 60 days takes into account the life cycle of a fluke.

The idea is to make sure the animal is treated early enough that the life cycle is disrupted to make sure the animal is not shedding the organism when they come in to the state. The 30 days is the lower end of that which will allow the producer to meet the drug withdrawal times in any of those elk that are for human consumption.

Dr. Barton went on to describe another requirement for elk coming into the state of Idaho, regardless if they're from out of state or from Canada, is that they be tested for brucellosis, no longer than 30 days prior to import. This has posed a problem for those producers who would like to import their elk and only have to work those elk once. **Dr. Barton** stated as the Chairman said, producers have to meet the brucellosis requirement no more than 30 days and producers can't treat for flukes in less than 30 days, so that basically provides ONE day to work those animals if the producers plan on only running them through the chutes and processing them once.

Senator Schmidt asked to clarify the range of effectiveness for the parasiticide, if there is a risk of reinfection and if the parasiticide doesn't eradicate the parasite.

Dr. Barton described the life cycle of the liver fluke as a convoluted life cycle. It has an intermediate host which is a snail. The definitive hosts are typically North American or wild cervids. The drug that we use to treat for liver flukes are approved in domestic livestock species but they have not been approved on the label for treatment of elk. They are known to be somewhat effective in elk but not as effective as they are in cattle, sheep or other animals. The problem lies in that there is not a published withdrawal time for the meat of an animal that has been treated with a flukicide that specifies how long after the flukicide is it safe for human consumption. There have been numerous studies done. Suspected withdrawal time for the two de-wormers that work fairly well in wild elk range from a recommended 27 day withdrawal time to 49 day withdrawal time. So the problem lies in that 30 day number. The producer would likely be accepting a significant amount of liability if he were to allow that animal to be harvested and consumed when it had only been treated within 30 days or less.

Senator Hammond asked about the consequences if the subsection 02 of the rule is rejected, and what is **Dr. Barton's** proposed fix for the scenario of producers being able to treat for only one day. **Dr. Barton** replied that his role is to implement the rule of the legislature, and this portion of the import rule regarding cervidae was put in at the request of the industry in 2008. His recommendation would be to consult the industry and then whatever the Committee decides to do, he would implement. **Dr. Barton** said there are other options but they are more intensive processing of the animals on the front end, and that would be working the animals within that 30 to 60 day window and then again within 30 days for the brucellosis test, but that has been problematic for the elk producers.

Senator Corder asked now that this problem has been identified, what prevents the Department from developing a temporary rule that would resolve the problem without us having to reject this rule? **Dr. Barton** replied that he doesn't see anything that would prohibit the Department from doing that.

Chairman Siddoway described that one of the difficulties of bringing in elk from producers who are treating their animals in accordance with this requirement to match up with the withdrawal periods, is to bring them in before they go hard-horn, in the first few weeks of August. If animals are put into a tight pen where they're worked, and they turn hard-horn, the probability skyrockets that the animals could get hurt or killed or break horns. So it's important to get the testing work done before then. If the animals are treated within the flukicide period and get to the ranch to get acclimated for a few weeks, but then the animals are shot before the end date of the parasiticide, that poses a risk.

Chairman Siddoway shared how this problem frustrated a lot of elk producers last year. So he shared that with **Dr. Barton** and **Brian Oakey** and the idea came about that this would be a fix for this year, and then do rules for next year, with the hope that the Department would bring some ideas to fix the scenario.

Chairman Siddoway also said he doesn't see a problem with flukes in the industry today and asked **Dr. Barton** if he has seen a problem with growers and liver flukes. **Dr. Barton** replied that to definitively determine the presence of liver flukes in any species, particularly domestic cervidae, it is necessary to do a parasitic exam on the feces of the animal, which is not always 100 percent definitive, because they can be missed. But when an animal is slaughtered and processed, the liver wall can be thoroughly examined which would indicate if liver flukes were present. Because those carcasses aren't inspected in the facilities that are harvesting elk, nor is there state meat inspection, **Dr. Barton** said he can't speak for the staff if anything has been noticed, but he has not had any reports from those facilities that perform slaughter on cervidae of liver flukes being a problem.

He said there was a case of liver fluke in a domestic cervidae facility years ago, prior to his work with the Department, and he believes that was the genesis of the industry bringing forth this requirement. **Dr. Barton** said this is a long answer to a short question, but that no, he has not seen a lot of evidence of liver fluke.

Chairman Siddoway asked for a description of a typical liver fluke. **Dr. Barton** replied that again, it's a convoluted life cycle, with the intermediate host being a fresh water snail. Very small larvae leave the snail and get in fresh water, attach to vegetation and continue to develop. Animals come along and graze on that vegetation and they become infected. The parasite then sets up home in the liver. There can often be more than two or three flukes in one cyst in the liver. The body recognizes that as being foreign, so it tends to wall it off with a thick fibrous capsule. Those are readily observable in an infected animal.

Chairman Siddoway asked that if he dressed an animal and kept the liver and it was infected with flukes, it would be very obvious. **Dr. Barton** replied that it depends on if it was recently infected and if those cysts had actually had time to form and develop.

Senator Corder asked **Chairman Siddoway** for an understanding of what's being asked of the Committee, and if there is a need to reject the rule or support the Department in their expedited promulgation of a rule that would solve the problem, considering which of those is the industry's preference and why one over the other.

Chairman Siddoway asked **Dr. Barton** if there has been any request or an intent by the Department to promulgate any temporary rules for cervidae this year. **Dr. Barton** replied no, the Department has not had any requests to promulgate any rules in the coming year.

Chairman Siddoway stated that if it will take opening up the whole process with the Department or doing it here, he would prefer to do it here, and then producers would be able to tell their suppliers from out of state or out of country what kind of protocols they'll have to go through, and they wouldn't have to wait until next September for those rules to be submitted. That would be the only advantage of doing it this way, rather than the other way.

Senator Corder asked if since the industry promulgated the rule, and if it's rejected, if the industry then would be inclined to ask the Department to re-promulgate the rule for parasiticide anyway or would there simply be no mechanism for requiring that treatment? **Chairman Siddoway** replied that if it goes away, it goes away, but the Department still has the authority to maintain the health and integrity of the herd. Rejecting this rule would simply remove the requirement for that time frame. Anyone who is concerned about having a fluke problem would already have a regimen to take care of that problem anyway. It is just the time frame that is the problem.

Senator Schmidt asked to better understand the elk industry by asking about elk imported into the state for other reasons, whether its horns and velvet, how would this rule change that part of the industry and also how would this rule change affect the exporting of elk. **Dr. Barton** replied that this rule applies only to the domestic cervidae that are imported into the state of Idaho. Export requirements are dependent on the receiving state, and there are some other states that share domestic cervidae that have a requirement for treatment with a parasiticide, but he said the majority of them do not require it in their import requirements. Other than the timing of the requirement and having a narrow window to do both treatments without running elk through the processing facility twice, it's not an issue for other operations that are not harvesting elk with hunts. The withdrawal issue is not an issue for them because the animals are not being harvested right away. **Dr. Barton** said most of the domestic cervidae facilities that he worked on while he was in private practice used a flukicide treatment in their normal herd management plan.

Senator Pearce asked for clarification of how the rejection of a rule procedure works. **Chairman Siddoway** thanked and excused **Dr. Barton** and then invited to the podium, **Dennis Stevenson**, Administrative Rules Coordinator with the Department of Administration, to answer questions about the procedural protocol for this rule review.

Mr. Stevenson explained that this is a final rule, so it is not subject to a rule number, and there is no docket number. It would be handled exactly the same as if the Committee were rejecting a pending rule. Simply draft a concurrent resolution.

MOTION: **Vice Chairman Smyser** moved, seconded by **Senator Hammond**, to reject Section 600, subsection 02 only, of IDAPA 02.04.21. Motion carried by **voice vote**.

Chairman Siddoway said that to go forward now, the Committee needs another motion to send it to the Floor with that concurrent resolution.

MOTION: **Vice Chairman Smyser** moved, seconded by **Senator Pearce**, to draft a concurrent resolution to reject Section 600, subsection 02 only of IDAPA 02.04.21 to be sent to the Second Reading on the Senate Calendar. Motion carried by **voice vote**.

ADJOURNED: **Chairman Siddoway** called the meeting adjourned at 9:02 a.m.

Senator Siddoway
Chairman

Christy Stansell
Secretary