

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Thursday, February 16, 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.

CALL TO ORDER **Chairman Siddoway** called the meeting to order at 8:03 a.m.

PRESENTATION Chairman Siddoway welcomed **Colby Cameron** with "Sullivan Reberger Eiguren" to the podium, who introduced **Vic Jaro**, CEO and President of Amalgamated Sugar Company, LLC. **Mr. Jaro** shared a report with the Committee, as well as sugar samples for each committee member. Following are some highlights of his presentation.

Amalgamated Sugar has 182,000 base acres of sugarbeets, expecting to plant 195,000 acres in 2012 in their growing areas from Pocatello, Idaho to Prosser, Washington. They plant in March and April and harvest in September through November. The Mini-Cassia plant is the largest beet sugar factory in the nation, and volume-wise the largest in the world, as it slices 3.2 million tons of sugarbeets, which equates to 17,500 tons of beets per day, making three million pounds of sugar per day.

Their two other plants in Twin Falls and Nampa do 7,000 tons and 12,000 tons, respectively. Each truck carries 35 tons of beets, and one of those trucks is dumped every two and a half minutes. The benefits to Idaho from Amalgamated Sugar include employing nearly 2,300 people, with some \$75 million in payroll, and an economic impact over \$1 billion, according to a University study.

U.S. sugar production and consumption is up, while corn syrup is decreasing as it falls out of favor with the population. The company has developed a Five Year Plan to make investments in the factories while the market is good. The plan includes \$118 million in facility improvements over the next five years. They're also working on Business Development and Best Agricultural Practices.

Mr. Jaro identified challenges to the industry to include: Freedom to choose latest crop technology and Round-up Ready sugarbeets, resulting in crop uncertainty; Transportation issues with railroad service changes and truck load weight limits; Farm Bill policy changes; High Priority Environmental issues with EPA air quality regulations and the permits; and, Mexico importing sugar from around the world to export to the U.S. with higher refined prices, noting that if Mexico exports all of its sugar, it will "backfill" its supply by importing it from other countries.

Supporting documents relating to this testimony have been archived and can be accessed in the office of the Committee Secretary. (See Attachment #1)

Vice Chairman Smyser asked what this body of lawmakers could do to help expand the already successful Amalgamated Sugar business.

Mr. Jaro said one of the most important things they face right now is the improvement of the slice capacity at the Mini-Cassia factory. It would benefit not just the company but the state of Idaho. Emissions will be less if they're able to slice it at the factory near where the beets are grown rather than transport them to other locations, which they have to do because of the cap on the slice limit. At this point, they're working through Idaho Department of Environmental Quality (IDEQ).

The other issue the Legislature can pay attention to is increasing weight limits on the U.S. highway system. Even though Idaho highways are designated as capable of handling the 129,000 pound federal load limit trucks, the company cannot invest in that kind of infrastructure until they know they're able to use the equipment on a longer term basis.

Senator Pearce said he'd like to know more about the Slice Cap, and how much it needs to be raised. **Mr. Jaro** said right now it is 3.2 million tons, and they're anticipating 3.5 to 3.6 tons, which would put it in a position for a reasonable operating season for that factory. He said they probably won't go beyond that. The cap has been in place for many years but this is the first year the factories have been able to reach that cap and with efforts to maximize the use of the facilities, in order to be competitive in today's sugar market, they need to slice at those kinds of levels year after year. This is a major problem going forward.

Senator Nuxoll asked for an explanation of the No Cost Policy on the 2008 Farm Bill. **Mr. Jaro** explained the Farm Policy, as it relates to sugar today, does not take any direct cost from the government farm program. Most crops have some form of subsidy. There is no direct paid subsidy to sugar growers. It is done through a system of supply management, recognizing that the world market for sugar is a unique market. Most countries raise the sugar that meets their needs, and what they don't need goes into surplus market. It does not truly represent the cost of production. When looking at the cost of production against typical world sugar prices, they are much below the cost of production. So if the floodgates are opened and that sugar is allowed to come in, it would destroy the domestic sugar program and industry.

Mr. Jaro said that is not in the interest of the company and certainly not in the interest of the consumer. Consumers have been very used to having delivery of a very high quality product. That cannot be had from Mexico or any other foreign source. So, by supply management, pricing can be managed so that it's more in line with the cost of production. Sugar has come in as needed and the program has been managed very well. As world prices have elevated, domestic prices have elevated, so Amalgamated has been competitive in the market. So there is no direct payment from the government. It is from management of supply.

Senator Nuxoll asked if Amalgamated Sugar sets its own prices. **Mr. Jaro** replied no, the prices are set by the market.

Senator Corder asked if there is another commodity that is retail based/market based subsidies rather than direct. **Mr. Jaro** says no, none that he knows of.

Senator Corder said he'd like to give **Mr. Jaro** a chance to brag, and hear why sugar is better off having it set up this way, with having the purchase of a bag of sugar support the subsidy instead of direct source. **Mr. Jaro** said in looking at sugar pricing on a worldwide basis, Amalgamated is extremely competitive on the cost of sugar to either the industrial or retail user.

Amalgamated is the most efficient in terms of beet sugar production in any beet growing area in the world. The cane people are in the middle. In terms of production efficiency, Amalgamated is number eight in the world. The cost of sugar in this country is lower in most cases than in other developed countries.

No other business could stand at low and flat levels for twenty five years and survive like Amalgamated has.

Senator Vick asked **Mr. Jaro** for his perspective on sugar versus high fructose corn syrup. **Mr. Jaro** indicated he would not speak badly about a competitor but that his understanding is that the body metabolizes sugar differently than it does corn syrup and there is ongoing research about that. At this point, it seems consumers have decided they feel there is a difference, even though calorie to calorie, they are similar.

Senator Vick asked about the difference between raw sugar and processed sugar. **Mr. Jaro** explained that raw sugar is sugar that is taken only to a particular point in the refining process such that it retains some of the molasses, and therefore has impurities in it and is not a pure product. Refined sugar goes through a process of crystallization to exclude impurities, and then the surface is washed to remove traces of impurities. It is not bleached, it is a natural process. Raw sugar is not more healthy. It has molasses impurities attached to it.

Senator Schmidt asked for comment on the issues with rail transportation. **Mr. Jaro** said Amalgamated is highly dependent on the rail service because of its plant locations, and the need to move large quantities of product. Only one percent of Amalgamated Sugar stays in Idaho. Sixty percent is export to the west coast, and forty percent goes east. Moving from one coast to the other makes it essential that they have access to rail. The railroad industry is looking at their efficiency processes as well, so this area has seen a reduction in service over the years. **Mr. Jaro** said they have had to go to trucking in California because of the reduction of rail service. It is a problem that needs to be addressed with the railroads, as it affects not just the sugar industry, but the state and other industry and businesses as well.

Chairman Siddoway thanked **Mr. Jaro** for his presentation and for the jobs and economic benefits to the state, expressed appreciation for his efforts and wished him the best.

AGENDA AMENDED

Chairman Siddoway asked the Committee for permission to amend the agenda because **Senator Pearce** needed to leave briefly to speak before JFAC. No objections were made, so the agenda was amended.

PRESENTATION: **Chairman Siddoway** invited **Bret Rumbeck**, Executive Director, Idaho Association of Soil Conservation Districts (IASCD), to the podium to share information about the Soil and Water Conservation efforts. **Mr. Rumbeck** shared a brief overview of the purpose of IASCD and its relationship with the Soil and Water Conservation Commission, led by Director **Teri Murrison**.

Mr. Rumbeck introduced some of the other significant participants in the Association: **Randy Purser**, Moore, Idaho, President; **Kit Tollotson**, Lava Hot Springs, Idaho, Vice President; Ms. **Billie Brown**, St. Maries, Idaho, Secretary; **Steve Becker**, Genesee, Idaho, Treasurer; **Rick Rodgers**, Castleford, Idaho, Director; **Art Beal**, Sweet, Idaho, Interim Director; and, **Nancy Weatherstone**, Boise, Idaho, Executive Assistant. He then played a three minute video for the Committee, demonstrating their increased effort for education and awareness through social media.

Senator Corder thanked **Mr. Rumbeck** and gave him an "atta-boy" for his efforts because he has been hearing good things expressed in the community about the function of the Association as a whole. **Chairman Siddoway** added his compliment to **Mr. Rumbeck** and **Teri Murrison** for doing a good job keeping the Association and the Commission working well together. The video **Mr. Rumbeck** showed can be seen at <http://www.youtube.com/watch?v=6rdXvjMUYYs>

Chairman Siddoway opened the discussion for SCR117, relating to the importation of animals, specifically domestic cervidae. He began by declaring his conflict of interest, as required by rule 39H, as he operates an elk ranch and derives part of his income from that ranch.

Chairman Siddoway shared the background that led to the introduction of this resolution to reject the rule IDAPA 02.04.21, Section 600, Subsection 02 only. This rule relates to the requirement to treat domestic cervidae with a parasiticide prior to being imported into Idaho. This requirement recently has caused a time line difficulty with producers because of another requirement to test for brucellosis, which when done together creates a window of only one day to do both procedures.

Chairman Siddoway described the discussion that was had with the Department of Agriculture on a way to resolve this issue, and it was decided that the simplest way would be to delete that section of the rule.

Senator Schmidt said his concern has been that since industry asked for this rule to require a parasiticide, if now removing the rule is consistent with desires of the industry, the Department of Agriculture, the Department of Fish and Game and all interested parties. **Chairman Siddoway** said there are only two people signed up to testify.

Chairman Siddoway invited **David Miller** from Miller Elk Farm, LLC from Twin Falls, Idaho to the podium. **Mr. Miller** stated this rule was put in place by producers as a protection measure. It's not just the hunting operation that this affects. He said he's looking now at breeding stock from Canada, and it will affect that too. He says every time they have to work the animals, it puts a lot of stress on the animals, so the less they have to work the animals, the better.

Mr. Miller stated it is really an animal husbandry issue. The animals will be quarantined when they are brought in, and they will be vaccinated. This is just something producers do to care for their animals. The other issue he has is with the time line. He said if he purchases a load of cows and he wants to slaughter them, they're in a withdrawal period and he has to wait. That creates an extra week or two that he has to feed and care for these animals and keep them separate so that he can slaughter them and receive his profit.

Senator Corder asked if **Mr. Miller** normally uses a flukicide anyway. **Mr. Miller** replied that yes, he does, and every year he rotates a different parasiticide. That way the worms and liver flukes won't build an immunity to any individual thing he uses on them. With this rule, there's no guarantee that whomever he buys animals from has used a rotation, so yes, they may be treated but it might not do any good.

Senator Corder asked if **Mr. Miller** was in the elk business when the industry brought this rule request in the first place. **Mr. Miller** replied that he was still doing research to see if he was willing to invest his life in the industry. **Chairman Siddoway** thanked **Mr. Miller** for his efforts to come to the Committee today.

Chairman Siddoway invited **Jeff Gould**, Chief of Wildlife, Idaho Department of Fish and Game to the podium. **Mr. Gould** stated the Committee has the Department's testimony in writing and he and Idaho Department of Fish and Game Wildlife Veterinarian, **Dr. Mark Drew**, are available to answer questions. **Dr. Drew** is the Department's expert on disease and parasites.

Supporting documents relating to this testimony have been archived and can be accessed in the office of the Committee Secretary. (See Attachment #2)

Senator Corder said he read the technical report and noted the less than dramatic conclusion that the importation potentially puts native ungulates at risk. **Senator Corder** asked if this really isn't a position statement for or against rejecting the rule.

Dr. Drew replied that the Department does not take a position on influencing the rule. He said they don't have good documentation of fluke in wild elk. They know the parasite has been here and around the world, so the risk of introducing it into the state is of concern. If the time frame of trying to deal with this parasite and prevent its introduction into the state conflicts with other treatment, then perhaps the dates could slide around as opposed to not treating for fluke and risking wild elk.

Senator Corder said if some of these animals are migratory anyway, wild elk might find their way here. He asked if it would be **Dr. Drew's** recommendation that should this rule be rejected, the ISDA would promulgate another rule to offer the protection for wild elk. **Dr. Drew** answered yes.

Senator Vick asked about continuing treatment with rotating flukicides to prevent parasites becoming immune. **Dr. Drew** replied that there are two things: First, there are a number of parasites that have to be dealt with, not just liver flukes, but nematodes and tape worm. The compounds that veterinarians have to treat wild and agricultural animals are different. The drugs that are available to treat flukes will not treat nematodes and vice-versa. The problem faced with resistance is primarily with nematodes, and there are a few compounds that treat flukes but don't treat nematodes.

Senator Schmidt asked if there is a concern about not treating because by removing this rule, there will not be a requirement to treat. He asked if a game management plan would be in effect to help this situation. **Chairman Siddoway** asked **Dr. Bill Barton**, State Veterinarian, Idaho State Department of Wildlife, to approach the podium to answer **Senator Schmidt's** question.

Dr. Barton said the use of any parasiticide in domestic cervidae is not required on an annual basis for herds under the current rule. The only requirement is for those animals who are imported into the state. So the decision to utilize a parasiticide or a vaccine or any management modality is up to the individual producer to determine. His recommendation as an accredited veterinarian is for the producers to determine what is best for their needs.

Senator Corder said it doesn't sound like there is a lot of concern, as there does not appear to be a large contingent of people here to oppose rejecting this rule. He asked if this rule is rejected, is it **Dr. Barton's** intent to go back and promulgate a new rule that addresses the time frames so the safety issue can be addressed. **Dr. Barton** replied that if the committee were to recommend rejecting this portion of this rule, the Department would not take any action unless there was a request for rulemaking to proceed.

Chairman Siddoway invited **Stan Boyd**, Idaho Cattlemen's Association, to approach the podium. **Mr. Boyd** says the livestock industry has not taken a stand on this issue. **Mr. Boyd** said he also represents Velvet Ranch, both a breeding and hunting ranch for domestic cervidae. He said he called the owner, **Mike Ferguson**, and **Mr. Ferguson** said it is just good animal husbandry to take care of their livestock. When a producer has livestock on an irrigated pasture, he just drenches his animals with treatment, because it will cost them money if they don't.

Mr. Boyd described that they visited with **Dr. Barton** and **Brian Oakey**, Deputy Director, ISDA, at the beginning of the session and asked them how to handle this situation. They said that this rule exists because of the industry, and now that the industry sees the conflict, the industry now says go ahead and take the parasiticide rule out, because it's just good animal husbandry anyway. **Mr. Boyd** said if the industry would like, he could sit down with **Dr. Barton** and request rulemaking and find a rule in which the time sequence works.

MOTION:

Vice Chairman Smyser moved, seconded by **Senator Nuxoll**, to send SCR117 to the floor without recommendation. Motion carried by **voice vote**.

ADJOURNED: Chairman Siddoway called the meeting adjourned at 9:16 a.m.

Senator Siddoway
Chairman

Christy Stansell
Secretary