

MINUTES
HOUSE AGRICULTURAL AFFAIRS COMMITTEE

- DATE:** Tuesday, February 28, 2012
- TIME:** 1:30 PM or Upon Adjournment
- PLACE:** Room EW20
- MEMBERS:** Chairman Andrus, Vice Chairman Boyle, Representative(s) Lake, Stevenson, Trail, Bolz, Shirley, Patrick, McMillan, Batt, Pence, Lacey
- ABSENT/
EXCUSED:** Representative(s) Stevenson
- GUESTS:** Chris Nims, AgriBeef Co./Performix Nutrition; Lloyd Knight, Laura Johnson, ISDA; Paul Marsh, Scoular Co; Jay Stewart, John Cummings, Cargill; Doug Jones, Coalition; Wally Butler, IFBF; Steve Busby, JD Heiskell & Co.; Brent Olmstead, Milk Producers; Elizabeth Criner J.R. Simplot Co.; Kent Lauer, Idaho Farm Bureau; Wyatt Prescott, ICA; Bob Naerebout, Idaho Dairymen's
- Chairman Andrus** called the meeting to order at 2:33 p.m.
- MOTION:** **Rep. McMillan** made a motion to approve the minutes of Wednesday, February 22, 2012. **Motion carried by voice vote.**
- S 1236:** **Lloyd Knight**, Idaho Department of Agriculture, said this bill provides changes to the Idaho commercial feed law. He said feed companies are required to register feed products for distribution in the state, this includes a registration fee. He stated the registration includes submitting feed labels for review and approval. He said feed companies are also required to submit quarterly tonnage reports and inspection fees. Mr. Knight reviewed the Department's responsibilities, which include, processing the registrations, review of the labels, sampling and analysis and processing the tonnage reports. He said the program deals with nearly 900 feed companies at a time. He said they have looked at the structure of the program internally and reviewed the costs and instructions. He said they had group meetings and inquiries about concerns related to the feed program.
- Mr. Knight** reviewed the concerns identified through the meetings. He said the tonnage reporting was too invasive and too cumbersome. He said the cost to smaller distributors and manufactures was too much. He stated the agency was spending too much time on the tonnage program to focus on inspections and sampling. Mr. Knight identified the program's goals and objectives, to verify truth in labeling, ensure consumer and animal safety and to ensure a fair marketplace. Mr. Knight reviewed changes in the bill. He said this would change the process for registration and how labels are reviewed. He stated nothing else in the registration process changes.
- In response to Committee questions, **Mr. Knight** said the industry has changed since the fees were last changed, they are taking in more money than expending and from a fiscal stand point the program is sound. He said the change is a fund shift, not an increase. He said they expect a decrease in revenue but they are in a good position fiscally to deal with the change. In further response to Committee questions, Mr. Knight reviewed the process for tonnage reports. He also said he first heard of major opposition to the changes in mid December and tried to come to a resolution. He said not everyone will pay the same, some producers deal with high volumes of products and will be paying substantially more.

Chris Nims, Agri Beef Co./Performix Nutrition, said they have a manufacturing facility in Nampa. He spoke in support of the bill and of the Department beginning to make changes in the process. He appreciated the opportunity to provide input in this process and looks forward to working with the Department of Agriculture.

Paul Marsh, Scoular Co., said their company serves dairy and cattle feeders. He said they have paid large fees and through online records have looked at the amount of sampling that was done. He said the sampling was almost non-existent and they were not getting any services for the fees they were paying. He said these changes will save the dairy industry a tremendous amount of money.

Steve Busby, Operations Manager of J.D. Heiskell & Co., said much of the current feed law dates back to 1956 and is out of date. He said this legislation repeals the section that requires quarterly tonnage reports and inspection fees and eliminating these will help his company. He said these changes will also require the Department of Agriculture to provide notification of inspection. He said they support this bill.

Brent Olmstead, Executive Director, Milk Producers of Idaho, thanked the Department for including them in this process. He said the Department used Zero based budgeting to come up with these changes. He said the changes present a more efficient program at a lesser cost. Mr. Olmstead reviewed what the legislation does and said it levels the playing field. He said they see the legislation as a cost savings for the industry and any savings is beneficial to the industry. He said they like and need the program. He said the rule would provide flexibility in what the fee would be and the change of a one-time registration fee would not be appropriate. He said they support the bill as written.

Bob Naerebout, Executive Director, Idaho Dairymen's Assoc., spoke in support of the legislation. He said **Mr. Knight** tried to get everyone involved that needed to be involved. He complimented Mr. Knight and the Department on the way they changed this program.

Jay Stewart, Cargill, said they represent one of the largest animal feed companies in the US. He said the company will be a beneficiary of the bill, but they believe funding will be a problem. He said the Department is shifting the burden from one part of the industry to the bag feed part of the industry. He said the bag feed part of the industry will pay the majority of the burden.

In response to Committee questions, **Mr. Stewart** said he was involved in negotiations that brought this legislation. He said he thought the fee should be changed to tonnage based only, which is what 23 other states are doing.

John Cummings, Cargill, said from the manufacturing standpoint they will benefit. He said if they change to the registration only it will impact Cargill significantly. He said some blend of registration and tonnage would be a better solution.

Doug Jones, representing a coalition of feed manufacturers and trade associations, gave a history of the participation of this group. He said they did have input in the process and expressed their thoughts on what the state of Idaho should do. He said at the end of public input they had an impression of where the legislation would go. He said they didn't hear anything more until the draft legislation came out. He said the group strongly opposes changing the commercial feed law to fund the commercial feed program solely with product registrations. He stated this is a fee shift and they oppose the bill as it is. He said they have suggested amendments to the bill and they would support the changes suggested. Mr. Jones said this is putting all the burden on those that register product labels. He said there has been federal legislation signed by the President that would make a major change in food registration which will also require major changes for the companies and states. He suggested a hold on this legislation for a year. He reviewed the suggested changes to the bill.

In response to Committee questions, **Lloyd Knight** said they have a blended process today and have had for many years. He said this legislation helps the Department get more from the fees and they can focus on their higher priorities. He said there are positive benefits for those that have tonnage issues. He said they want to make sure people aren't paying on products twice. He said with the fee shift there would be more fairness and the Department would have more productivity. He said every state does it different. He also said efficiency won't be realized if they keep the blended program. The work that needs to be done with labeling won't get done. He said they are trying to free up their resources and do a better job in their activities with this change. He said many departments have caps that are higher and the actual fee would be set by rule. The rule making process will keep the Department honest because it will involve all parties and will also be reviewed by the Legislature.

Elisabeth Criner, J.R. Simplot Co., said they register a lot of products and have some products with a lot of tonnage. She said she appreciated the work of **Mr. Knight** and the Department. She thought the program was good and there are savings for those involved. She said through rule making there will be a fee that is appropriate and they are comfortable with the cap that is in the legislation.

MOTION: **Rep. Trail** made a motion to **HOLD S 1236** in Committee.

SUBSTITUTE MOTION: **Rep. Batt** made a motion to send **S 1236** to the floor with a **DO PASS** recommendation. **Substitute motion carried by voice vote** with **Rep. Trail** voting **NAY**. **Representative Lacey** will sponsor the bill on the floor.

SCR 117: **Stan Boyd**, Idaho Elk Breeders Assoc., said the industry decided to have this rule put in place. He said there is now a problem because the treatment was a direct conflict with testing for brucellosis. He said the elk have to be gathered twice for testing before they are brought into the state. He said the industry realized this and decided to take this rule out.

In response to questions from the Committee, **Mr. Boyd** said the rule would no longer be in place, but the industry would still treat elk because it is part of their regular health management program.

MOTION: **Rep. Lake** made a motion to concur with the Senate resolution rejecting the rule. **Motion carried by voice vote**. **Rep. McMillan** will sponsor the bill on the floor.

Chairman Andrus said the presentation by **Wally Butler** will be rescheduled.

ADJOURN: There being no further business to come before the Committee the meeting adjourned at 4:39 p.m.

Representative Andrus
Chairman

Susan Werlinger
Secretary