MINUTES

HOUSE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Monday, January 28, 2013

TIME: 1:30 P.M.

PLACE: Room EW42

MEMBERS: Chairman Andrus, Vice Chairman Boyle, Representatives Bolz, McMillan, Batt, Bell, Agidius, Dayley, Miller, Romrell, Stevenson, VanOrden, Pence, Erpelding

ABSENT/ EXCUSED: None.

GUESTS: Garth Taylor, Paul Patterson, Cathy Roheim, John Foltz, Rich Garber, University of Idaho; Brian Marschman, USDA; Lloyd Knight, ISDA; Wyatt Prescott, ICA; Sean Ellis, Capital Press; Kent Lauer, Idaho Farm Bureau; Patrick Kole, Idaho Potato Commission; Bob Naerebout, Idaho Dairymen's Association.

Chairman Andrus called the meeting to order at 1:30 p.m.

MOTION: **Rep. VanOrden** made a motion to approve the minutes of the January 22 and 24, 2013 meetings. **Motion carried by voice vote.**

Rich Garber, Director of Industry and Government Relations, University of Idaho, introduced **Dr. John Foltz**, who will act as the Interim Dean for the University's College of Agriculture and Life Sciences until a permanent replacement is found.

Paul Patterson, Agricultural Economist, U of I, excused **Ben Eborn**, U of I Extension in Eastern Idaho, who could not attend the Committee meeting due to snow. **Mr. Patterson** outlined three parts to the presentation on "The Impact of Agriculture on Idaho's Economy": the financial condition of Idaho agriculture, outlook for 2013 and beyond, and the macro perspective for Idaho agriculture. The financial condition is based on a calendar year instead of a crop year. Values are discussed in terms of cash receipts and net farm income, which were a record high in 2012. Idaho's cash receipts came mainly from milk, then beef and other livestock, grain, potatoes, sugar beets, onions, beans, hay, and nursery crops. The dairy industry contended with higher feed costs, but reported increased productivity per head. Mr. Patterson attributed this increased productivity to important research findings, which also applies to potatoes and livestock (producing more beef with less animals). Overall, major commodities in Idaho have experienced a fairly steady increase over the last 33 years. Somewhat lower prices have recently benefitted consumers. Government payments have declined with the economy, with more money being put into conservation payments and less direct agriculture payments to producers. The safety net for farmers at this point is through crop insurance. Net farm income is up for the third consecutive year, which is a rare phenomenon. Also, farm revenue and expenses were at their highest peak this last year. Volatility for net farm income has been extreme in the last ten years and may continue to be unpredictable, due to weather changes, varying crop yields, uncertainty in the markets, and shipping issues with other countries. Corn conversion to ethanol has greatly affected commodity markets. Bankers may tighten their lending requirements, making it more difficult for farmers to secure loans. Taxes are also a variable. When possible, spending money locally on products to raise crops helps local communities. Farmers are feeling the cost-price squeeze with less equity gain and land values fluctuating, but on average they carry less debt than 50 years ago. Farm profitability has improved with a better rate of return on assets in the last three to four years. The dairy industry is more leveraged, however, with the price to feed cost ratio declining to historic lows. It is hoped that herd size will rise and that milk and cheese markets will remain strong for the upcoming year.

Mr. Patterson next presented the "Outlook for 2013 and Beyond" in Idaho. He projects that the effects of the drought in the Midwest will continue this year. For the next year, crop cash receipts are expected to go down 5-8%, livestock cash receipts may be up 2-3%, overall expenses may be up 2-4%, and net farm income is expected to be down 10-15%.

Garth Taylor, Agricultural Economist, University of Idaho, focused on Idaho's "Macro perspective", how agriculture fits in with the state's economy. Farm unemployment remains stable and has become increasingly labor efficient. Farming is a growing portion of Idaho's gross state product and agricultural exports are up as well, with dairy and potatoes going to Canada, Mexico and China. Mr. Taylor indicated that farms are linked to suppliers and processors, creating "Ag Business". The contribution of this business is measured by accounting and base economy. He also explained how multipliers work. Mr. Taylor mentioned that 11% of Idaho jobs are Ag related, although other sectors of the economy are larger for employment. Agricultural business leads the state in sales, followed by government transfers, services, social security dividends, and high tech manufacturing. Agriculture in Idaho ranks high among other states in the western U.S. Also, Idaho Agriculture's Net Value Added continues to climb. **Mr. Patterson** stated that the U of I College of Agriculture is working on supplemental information to broaden understanding of key sectors, including a "SWAT" analysis of Strengths, Weaknesses and Threats. He noted that the Simplot plant in Heyburn had closed a decade ago and built another plant in Manitoba. The best investment Idaho can make is to keep the jobs it already has, instead of outsourcing.

When asked about a prediction for next year, **Mr. Patterson** answered that he anticipates average rainfall in Idaho. He also expects worldwide production to be less volatile in the grain markets from last year. He hopes that grain prices will be reasonable for the dairy industry to balance prices and that consumers will not substantially alter their eating habits due to market fluctuations. **Mr. Taylor** expects the dairy industry to get back on track and expand herd sizes to bring in more revenue. He is also optimistic for beef and hay prices. **Mr. Patterson** concurred about forecasting an increase in livestock. He stated that potato process growers should be protected by contract, but have been selling for less than it takes to grow. Sugar prices are declining, as well as dry beans; onions are an unpredictable crop.

Regarding a question about the proposed, reformed Farm Bill at the national level, **Mr. Taylor** advised that direct government program payments to farmers may go away, although he expects the Conservation Reserve Program to stay. He emphasized the importance of an insurance program, with subsidized premiums, and predicts reliance on the ACRE program (Average Crop Revenue Election), which is an alternative to the current price counter-cyclical program. **Mr. Patterson** agreed that payments to crops, livestock, and dairy will be significantly less than the past and that environmental or conservation programs will likely not experience those same deep cuts. As for disaster programs, they may be eliminated or put into insurance programs. Many agricultural commodity groups are designing programs to keep the American agriculture healthy for the future. Tax incentives have been used in the past, but supply and demand will dictate much of the production and also the level of aid to food programs in the upcoming Farm Bill.

Patrick Kole, Vice President of Legal and Government Affairs, Idaho Potato Commission, presented an update on the Pale Cyst Nematode (PCN). He remarked that the Idaho Potato Commission was created 75 years ago, is funded by the potato tax, and is charged with promoting and protecting Idaho's potatoes. These potatoes contribute over four billion dollars to the state's economy and 30,000 jobs. Consumers worldwide associate Idaho potatoes with quality, good taste, and freshness. Idaho ships many of its potatoes to Mexico, Asia and Central America. In 2006 when PCN was first detected in Idaho, the potato industry reported their findings to the U.S. Department of Agriculture and informed its customers. They worked cooperatively to sample and trace this PCN population. They found that the infestation covered less than a five mile radius in Bonneville and Bingham counties. It was a fairly new population and eradication seemed possible with an aggressive regulatory approach to prevent further spread. However, markets were greatly affected as potato exports were then closed. (Eventually all markets except Japan were reopened). These nematodes are microscopic worms that reside in the soil. Testing commenced on every potato field before potatoes were allowed to leave Idaho. This included over 475,000 samples taken to date, and regulating potato fields and equipment, releasing only those with consistent, clean findings. A five year review took place (which ended up taking seven years) and $52 million has been spent trying to eradicate this pest from Idaho. One portion of the eradication process is bioassay. Five of the original nine fields in Idaho have no viable PCN and one has cleared bioassay. Mr. Kole detailed an outbreak of the golden nematode in Long Island that was not contained after federal funding dried up, and subsequently spread to upstate New York. Over one million acres ended up being regulated there. It has been difficult to contain due to the nematodes being transmitted with the dirt on farm equipment, which crosses numerous fields. Methyl Bromide has been effective in Idaho against the PCN, which the U of I worked to develop. A trap crop can be planted or substances can be injected into the soil to cause the PCN to hatch and die if there is nothing to feed on, like potato roots. Another fungal material is available that attacks and kills PCN. Good protocol to date has kept the quarantine in check. Increasingly, growers have been allowed to certify themselves to do their own equipment sanitation. The main dilemma is that funding is running out to contain the PCN in Idaho, despite grants, and there is an urgent need to protect the progress made so far.

Brian Marschman, State Plant Health Director, USDA, also representing Animal and Plant Health Inspection Services (APHIS), and Plant Protection and Quarantine (PPQ), presented further information on the Pale Cyst Nematode. He detailed the PPQ's response to the 2006 detection of the PCN. There was concern for spread to Canada and the closing of foreign potato markets. U.S./Canada Guidelines were put into place. A technical working group of nematologists around the world convened to discuss and research the issue further. A similar problem was seen previously in Europe and an aggressive approach was determined for Idaho. Dialog was opened for state rule to mirror federal rule and to regulate a block of land around the infested fields. The Cooperative PCN Program objectives were: to prevent the spread of PCN, limit the infestation, eradicate PCN, restore lost foreign markets, and preserve current markets. 14,000 acres became regulated in Bingham and Bonneville counties. Millions of dollars of PCN funds were expended in Idaho. The eradication costs comprised 40-60% of their budget toward: Spring Methyl Bromide treatment, Fall Telone II application, Grower Agreements (handled through the ISDA), and before and after sampling, processing and testing of soil and equipment. It was determined that trap crops were not needed right away. Bio fumigants had some success, but there was complaint about the stench, which also attracted flies. After much negative feedback, this was halted. Further deliberation ensued and ISDA was called upon to enforce a quarantine to contain the risk within Idaho. Regulations were also needed concerning how to move farming equipment between fields. The intrastate rule was that equipment steaming is required when

moving from infested fields, and equipment washing is required when moving from associated fields. 13,000 sanitation jobs have been completed since 2006 and 8,000 movement certificates were issued. The Movement Certification was also needed for transferring of potatoes, hay, and straw to another location. After one treatment of the Methyl Bromide or Telone, fields showed 95% viability reduction. After two treatments, 99% showed viability reduction. Staining assessments with zero viability were also completed in accordance with the Canada agreement. Of the original nine fields, five are in bioassay, and one has cleared bioassay. With three consecutive cycles of PCN-free crops, the field can go back into potato production. A survey was conducted with 475,000 samples collected and processed over the last seven years, for all but three potato producing counties. 36,381 acres have been released from regulation thus far, 4,000 acres are still being regulated, and 2,000 of those are still considered infested. These infected fields have higher safety requirements and are not allowed to grow potatoes. The eradication program is costly, between $4-9 million per year. The survey requirements and Canada Agreement have undergone some revisions. Mr. Marschman says that growers are frustrated that the rules keep changing. For now, anyone who wants to export must have their ground surveyed for infestation. This export survey, which the ISDA performed, was expensive and growers incurred costs to get the restrictions released. The Idaho Potato Commission funded this Export Survey with additional federal dollars, namely the Technical Assistance to Specialty Crop (TASC) funds. Discussions with Congress are ongoing. Unfortunately, growers are not reimbursed for the loss of their fields, but with improved transparency and communication, they have become more supportive of the PCN Program. Necessary budget reduction realities include discontinuing the Telone treatment, even though the Methyl Bromide is a harsh chemical process that the land may not be able to withstand indefinitely. Fumigation is no longer funded at the same rate. The survey protocol could change or be eliminated; also farmers can self-certify to sanitize their own equipment, which is quicker for them to do it themselves and more cost-effective than paying for the state to certify with each transfer. Also pertaining to budget reductions, there may be reduced numbers of grower agreements, and elimination of additional treatments on fields that have not yet cleared bioassay. The award-winning Cooperative PCN Program is doing its best to stay afloat and prioritize with limited resources. They say eradication is still possible if appropriate resources can be generated to continue the program.

Regarding the symptoms of PCN, **Mr. Marschman** answered that at high populations, they reduce crop yield. The dirt around the crop is the problem. Washing and application of sprout inhibitors does help.

Concerning mustard seeds planted in former potato fields, **Mr. Marschman** acknowledged that this is not related to the nematode problem, but mustard is a natural fumigant and cash crops may be favored that suppress other nematodes.

Upon questioning, **Mr. Marschman** indicated that both a dollar amount and time frame are difficult to project. Further fumigation is desired, which costs $3500 per acre, including contracting costs. This would mean millions of dollars. If Spring Methyl Bromide and Fall Telone treatments could be continued as recommended, a high degree of success would result in healthy fields. This could be another seven year window to achieve.

With reference to the origin of the PCN, **Mr. Marschman** clarified that this is largely unknown. Investigators had their theories, but may never know for sure. When a new infestation is detected, the owner/operator is notified and samples are obtained. Their field status may change to infested and then the State rule does not allow for growing potatoes. Another non-host crop may be planted for profit or treatments may be applied. Generally, the potato growers have put in as much money as they were able to, but cannot afford the necessary treatments toward eradication. Without federal funding, the PCN would spread as it did in Europe, across many countries and the entire combined market was gravely affected. This threat must be managed or farmers will go out of business trying to implement a five or seven year rotation. When considering how much potatoes produce for the State's general fund, the State and the potato industry cannot afford to languish. It would take a minimum of $500,000 toward export testing alone to sustain the progress that has been made thus far. Research is promising to provide other tools and techniques that are less harsh on the environment. One natural technique involves planting root structures into soil crevices below gravel layers that will stimulate hatching of the PCN, which will die. Crushed potato leaves and other plants and liquid injections are also being tested. So far, some industry and grower money has been put into developing these techniques. As far as the Legislature is concerned, only emergency monies have been requested to date, so the PCN Program is now asking for additional funding for these types of research to continue and protect Idaho's potato future.

Lloyd Knight, Administrator, Plant Industries Division, ISDA, delineated the State's authority to govern PCN issues. This includes the Idaho Plant Pest Act, found in Idaho Code. Also in code are the Rules Governing the Pale Cyst Nematode. The primary ISDA regulatory activities include the initial response, survey, lab set up and lab shut down. They also perform post regulatory monitoring and Mexico export surveys. Intrastate quarantine enforcement is ongoing, and the ISDA handles pass-through of federal funds to landowners for infested field treatment prep. For funding and infrastructure, a federal grant was obtained to cover lab testing costs. A deficiency warrant came from the general fund, and staffing for the PCN Program was provided by existing management and inspectors from the Department of Agriculture, plus temporary seasonal employees. In connection with questions about estimates for funding needed, Mr. Knight stated that would depend on federal funding, which is unknown, and the state funding is contingent upon the federal funding. If, for instance, sanitation or quarantine enforcement services were no longer provided, that would determine, to a degree, the amount of funding needed. If the PCN Program went away altogether, that would propose an even higher total required to maintain current efforts.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 3:40 p.m.

Representative Andrus	Kim Jensen-Porter
Chair	Secretary