

MINUTES  
**SENATE AGRICULTURAL AFFAIRS COMMITTEE**

**DATE:** Thursday, March 07, 2013

**TIME:** 8:00 A.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Bair, Vice Chairman Guthrie, Senators Brackett, Tippetts, Rice, Nonini, Patrick, Durst, Buckner-Webb

**ABSENT/  
EXCUSED:**

**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.

**CONVENED:** **Chairman Bair** called the meeting to order at 8:01 a.m.

**PRESENTATION:** **Chairman Bair** introduced **Blain Jacobson**, Executive Director, Idaho Wheat Commission, who presented the annual report for the commission. The Idaho Wheat Commission is a self-governing state agency created in 1959 and it is funded by a 3.5 cent per bushel assessment. These funds are spent in market development, research and grower education. A study out of Cornell University showed that each dollar spent on agriculture research returns about \$10 of economic benefit to the economy.

Wheat is the second largest crop in Idaho and the commission expects the size of the wheat industry to grow again in 2013. The budget for 2013 is set at \$3.1 million. In 2012, the wheat industry in Idaho was up 4 percent, to \$796 million with 98 million bushels harvested. Prices for wheat were up 8 percent to \$7.50 a bushel. Idaho is one of the leaders in bushels per acre due in part to irrigation and the varieties that are used. Idaho is number one in hard white wheat, which made up 10 percent of the state harvest last year. Idaho is bit constrained right now, because 80 to 90 percent of the spring crop in eastern and southern Idaho is hard white. There is a need for a winter variety to capture more of the market, and the commission hopes to have those varieties released soon.

Idaho provides hard white wheat to national companies that include General Mills, the largest customer; Con-Agra; Sarah Lee; Horizon Milling; and a number of customers in California. The Goldfish Cracker brand uses Idaho's soft white wheat. More than 5 percent of the state's annual harvest is used and they are working to double the size of that line by mid 2014. Wheaties and Wheat Chex both take about 10 percent of the annual harvest.

With a number of changes in the wheat industry last year, the commission saw the need to ramp up research. Acreage trends indicate in supermarkets and restaurants, that more and more of the food is coming from corn. Wheat is at a disadvantage as it does not take genetically modified (GM) traits and therefore, producers cannot expand their acreage. There are very few states anymore where wheat has a larger share of the acreage than corn. With drought tolerant and disease resistant traits being put into corn and soybeans, they continue to pick up market share at the expense of wheat. More than 70 percent of the food products in the supermarket have corn ingredient. More than 90 percent of the corn grown has GM traits. The same trends are happening with soybeans with the introduction through animal feed. **Mr. Jacobson** said judging by the current trends, "Wheaties may go away."

The commission established an endowment last year and provided additional funding to keep the wheat industry in Idaho healthy, focusing their spending in the following areas:

- Two endowments with the University of Idaho of 1 million each were created.
- Reinvesting in infrastructure and providing operating capital to University of Idaho's College of Agriculture and Life Sciences by increasing the wheat assessment
- Created public/private partnerships with Lemagrain and continue to pursue other public/private partnerships with other private wheat industry companies
- The commissioners are working on more study opportunities
- Support and encourage the restoration of the public funds. The state of Idaho funding for the University of Idaho agricultural and research extension programs have been cut significantly and they are hopeful there will be a little restoration this year.

**Mr. Jacobson** stood for questions.

**Chairman Bair** asked about the three-year budget and what the capital outlay of \$128,500 was for. **Mr. Jacobson** said it was set aside for the improvement of the building, but it is now a reserve. Only \$10,000 was spent on the roof and interior carpet replacement and painting and they anticipate about \$20,000 total will be spent this year. **Chairman Bair** asked about the \$358,000 decline in the fund balance for year-end June 2012. **Mr. Jacobson** responded that the reason for the drop was due to the initial funding of the two endowments with University of Idaho. The commissioners have discussed the decline in the reserve. They have adopted a resolution to have a target of six months worth of spending in reserve, and are planning to work the reserve down more over the next couple of years. He said that the growers money should not be sitting there and not be productive, and if there is a use to keep the wheat industry healthy, they will spend it. If not, they will adjust the assessment rate in order to keep the reserve at a reasonable level. **Chairman Bair** asked about the \$500,000 on the 2013 budget slated for equipment and infrastructure and what this will be used for. **Mr. Jacobson** said this is a reserve number created as grant offerings to provide funding to research stations, labs and various entities that are struggling. Out of the \$500,000 only about half has been spent.

**Senator Nonini** asked for an explanation regarding the differences in the assessment amounts. The report says the commission is financed by a 2 cents per bushel tax, but the presentation says 3.5 cents. **Mr. Jacobson** said both amounts are correct. An increase was taken on July 1. This report is for fiscal year end June 30. Growers were in favor of the increase and investing.

**Senator Tippets** asked why wheat is unable to take on GM traits, and if this is a short-term issue, or is it a unique feature of wheat. **Mr. Jacobson** said they are moving forward with the research and a drought tolerant trait will probably be the first one that is introduced that would be able to be grown in extremely dry conditions. It is unlikely the first GM wheat will be launched in the U.S.; Pakistan and China are very close to putting one out there. **Mr. Jacobson** said he guessed in another seven to eight years it would happen here.

**Senator Bracket** asked the ethanol mandate and usage had anything to do with corn replacing wheat in cereals. **Mr. Jacobson** said the shift to more corn in the diet correlates with more corn acreage. Corn is easy to fractionate and can create many different products, food and feed for animals. **Senator Bracket** asked if there is potential that wheat will become more of a feed grain in the future due to the rapid increase in price of corn. **Mr. Jacobson** said the floor on wheat is pretty close to the ceiling on corn. When the price becomes economical to feed wheat, it will happen.

**Senator Durst** if the price of corn were to be reduced to levels similar to that of wheat, could this increase the market share as a cereal crop. **Mr. Jacobson** said that until the growers can compete on profitability per acre and get some drought tolerant traits, it seems unlikely. The ethanol subsidy is boosting corn production, if that were to go away, it may moderate those trends, but not reverse them.

**Chairman Bair** thanked Mr. Jacobson for the tortillas.

The supporting report and documents related to Mr. Jacobson's presentation have been archived and can be accessed in the office of the Committee Secretary. (See attachment 28).

**PRESENTATION:** **Chairman Bair** introduced Wally Butler, Range and livestock specialist from the Idaho Farm Bureau, who presented his report. **Mr. Butler** works during the session at the capitol as a lobbyist and the balance of the year he works around the state with ranches, on an as needed basis, setting up monitoring programs (700 photo sites around the state). Some of the programs document the before grazing and after grazing of range lands, monitor how the ranchers are taking care of the land or how their rotation systems are working. He also works closely with the Forest Service, Bureau of Land Management (BLM) the Department of Lands. He has a deep vested interest in proper natural resource management, and supports the rural fire protection district, the sage grouse issue as well as the Rangeland Center.

**Mr. Butler** was just elected president to the International Society of Range Management state chapter in Idaho. They cannot lobby in Washington, D.C., but they do provide the science, and will go to D.C. and meet with various agency heads, as they work toward having budgets for monitoring and for "boots on the ground." He has been working with the Public Lands Council about the wild horses and feral hogs in the Bruneau area in Owyhee County. One big issue that is going on in Idaho as a result of litigation is regarding the Owyhee 68 permit renewals on the allotments. Four of the sixty-eight have been released, and by December, BLM must have the balance of them completed. Some have not even had an assessment done. **Mr. Butler** stood for questions.

**Chairman Bair** asked what the Owyhee sixty-eight issue is. **Mr. Butler** answered that as the result of litigation between the Western Watershed Project and BLM regarding the permit renewal process, the judge ordered BLM to complete by December 2013, the sixty-eight permit renewals that they were behind on. This decision was made in 2008. The fear is that there is going to be more litigation. The first four were just released at the end of January, and there are issues with these. There are a lot of questions about the monitoring, the data collection that they have or have not done, and the decision making process. The permittees are going to appeal and likely there will be lawsuits from the producer side as well. BLM is very limited in manpower and budgets most likely due to the direct result of the litigation and defending themselves.

**ADJOURNED:** **Chairman Bair** adjourned the meeting at 8:58 a.m.

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Senator Bair  
Chairman

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Denise McNeil  
Secretary