

MINUTES  
**SENATE AGRICULTURAL AFFAIRS COMMITTEE**

**DATE:** Tuesday, February 25, 2014

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

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Bair, Vice Chairman Guthrie, Senators Brackett, Tippets, Rice, Nonini, Patrick, Buckner-Webb and Ward-Engelking

**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.

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

**MINUTES:** The Minutes from February 6, 2014 were introduced to the Committee.

**MOTION:** **Senator Buckner-Webb** mad a motion to approve the Minutes from February 6, 2014. **Senator Patrick** seconded the motion. The motion carried by **voice vote**.

**RS 22962** The proposed legislation in **RS 22962** relates to the Dairy Environmental Control Act and was written to more clearly define the Department of Agriculture's authority to regulate dairy farms in order to protect the State's water resources.

**Chairman Bair** said **RS 22962** is a revision to the previously printed bill **S 1299**. It was drafted with the assistance of the DEQ. When the bill comes back to the Committee for a hearing, they will be here to testify in support of the bill. **Senator Ward-Engleking** asked if this is the bill that was found to have two subject matters. **Chairman Bair** said yes, it has been revised and split into two bills now. Its companion bill is **S 1338** which is ready to be heard. Once **RS 22962** is printed, both bills can be heard together in Committee.

**UNANIMOUS CONSENT:** **Chairman Bair** asked the Committee for unanimous consent to send **RS 22962** to the Judiciary and Rules Committee to print. There were no objections.

**PRESENTATION:** **Chairman Bair** introduced **Blaine Jacobson**, Executive Director of the Idaho Wheat Commission (IWC), who thanked those that were able to join on the legislative tour to Portland last summer. He began by saying that the world supply and demand of wheat has seen continued record highs in the past six years and is a very robust business globally, in the U.S., and in Idaho. The ending supply stock has a direct bearing on the price of wheat, with 185 million metric tons currently in stock. This is up over last year. He said wheat is a profitable crop for the grower.

He explained that each of the classes of wheat have a different price, but Hard Red Winter is the one used as the main index and prices fluctuate relative to the supply. The increase in inventory is coming from the rest of the world, primarily China, who keeps very large stocks of wheat in storage. The other areas that account for large amounts of the stock include: Canada, who had a record year in production; the Black Sea area is up over last year; and Australia, who also had a record production.

Among the top ten customers for U.S. wheat are China, Mexico, Japan, Philippines, Korea, Taiwan and Indonesia. Fifty percent of Idaho's wheat is exported and departs through the Port of Portland, Oregon. This year, **Mr. Jacobson** said, China and Brazil merit special mention, because historically neither country has purchased much wheat from the U.S. Brazil typically gets their crop from Argentina, who had some production problems. He thinks this is a temporary situation. He expects China to continue to be a top customer.

China likes to be about 90 percent self-sufficient on wheat and when they have production problems in their country, it has a big impact on the world market. He said there is debate that China may shift their wheat production over into fruits and vegetables or into other higher value crops, and over the long term will be importing more wheat. In 2013 they were up to 900 million metric tons, which is up from 130 million metric tons just 4 years ago.

Idaho wheat is the second largest crop, and is grown in 42 out of the 45 counties. It has some of the highest yields per acre of any state in the U.S., and Idaho ranks second in the U.S. in yield per acre. It has record sales of \$732 million in 2013, down from last year's record of \$790 million. **Mr. Jacobson** said that over 50 percent of Idaho wheat is exported and is used by other countries in the production of many of their foods.

The remaining 50 percent goes to domestic customers, some of which have donated the products that he gave to the Committee. Borella pasta is the number one pasta brand in the world and the largest brand in the U.S., and uses the wheat from Minidoka and Cassia counties. It is shipped to Ames, Iowa, where it is milled into semolina flour. Lehi Roller Mills pancake mix uses the wheat that comes out of Power and Bingham counties and then is shipped to the mill in Utah. Idaho wheat is in demand by a number of very large food companies in the U.S., but the list is kept fairly confidential because of the competitive market.

**Mr. Jacobson** said Idaho is the largest Hard White Wheat grower in the U.S. and is the class best suited for Idaho and accounts for 10 percent of the harvest. It has been successfully grown in the southern and eastern parts of the State and just this past year, they were successful in growing it in northern Idaho and harvested more than 500,000 bushels. In 2014 they expect to grow close to 1 million bushels. Some of the national companies that like this class of wheat include General Mills, Sara Lee, Bay State and ConAgra. This year they hope to launch a new winter variety. The other types of wheat that are grown in Idaho include Soft White, Hard Red Spring, Hard Red Winter, Hard White, and Durham. There is also a Soft Red, but it is not grown here.

The budget was \$3.130 million in revenue, funded by a \$.035 per bushel wheat tax. Expenses were \$3.137 million. The reserves were \$3.263 million. Fifty-three percent was spent on research, and in 2015, the IWC expects to increase their research dollars to 56 percent. As the industry continues to change, the growers recognized the need for research. Since there were cuts in public funding, they saw the need to increase their own funding, and much of it will go to add a new wheat geneticist at the Moscow facility. A total of 23 percent was spent on information and education, 20 percent on market development, and the remaining amounts for capital outlay and office operations.

Their strategic focus will be to: maintain what has already been built, bring the best new wheat technology to Idaho growers, build on Idaho's strategic advantages with Hard White wheat, work on developing Soft White as a potential replacement, continue to maintain relationship with China and work on the transgenic wheat to increase acres. Once they can get approvals to bring transgenic traits into wheat, they expect to reverse those trends. He stood for questions.

**Senator Patrick** asked if the trends are as unpredictable as it seems since the charts show down trend in prices and up trend in demand, especially from China. **Mr. Jacobson** responded that it is almost impossible to gauge where the wheat prices will go. It used to be driven primarily by supply and demand. Now corn tends to drive the commodity prices, and in many cases the price of wheat is linked directly to the price of corn. Some classes of wheat, such as the Hard White variety, are independent of corn. He said, in the last couple of months, there has been a downward trend on wheat prices, but they are coming back up. China is expected to continue to order very large quantities, with a large part coming from the Pacific Northwest. He said they are very optimistic about the prospects for wheat.

**Senator Brackett** asked about the possibilities of having more processing plants here in Idaho. **Mr. Jacobson** said there are tremendous opportunities here in Idaho. He said the Pendleton Flour Mills in Blackfoot, are running 24/7. They can handle about 10 percent of Idaho's crop, or about 10 million bushels a year, and just recently, Mr. Jacobson was told they have increased their purchases to 12 million. They definitely recognize the need to expand. He said Ogden, Utah has become increasingly urbanized and would be more economical if it was closer to the crops in Idaho.

**Chairman Bair** thanked Mr. Jacobson and complimented the IWC for the wheat and barley tour they went on last spring.

**PRESENTATION:** **Chairman Bair** introduced Lacey Menasco, Administrator for the Idaho Bean Commission (IBC), who gave her annual update. She gave a bean cupcake to each of the Committee members. **Ms. Menasco** said they had been made by a local baker using local ingredients who used local pinto beans as an ingredient.

**Ms. Menasco** said the mission of the IBC is to support the growers and promote Idaho's reputation of producing a top quality bean seed and commercial bean product. The top objectives of the IBC include:

- Promoting Idaho beans (edibles and seed).
- Supporting research on disease, pest, cultural practices, and breeding.
- Grower and consumer education.
- Monitoring policies and regulations.

Highlights for 2013 Include:

- \$1 million endowment to the University of Idaho (U of I) to fund bean research. They have been working on creating a MOU and specific direction of the research based on industry input.
- Initiated a discussion on a new Multi-State Bean Research Program. This is a regional effort and collaboration which would more efficiently use resources. States include Nebraska, Colorado, and Wyoming.

**Ms. Menasco** said the IBC is working with the U of I and other private companies on various research and development projects. They exhibit at fairs to promote beans to the consumers. They have been conducting bean schools to educate the growers. Currently, the IBC has two board members in the Dominican Republic who are exploring opportunities for the cranberry bean seed, a dry bean that is very similar to the pinto bean. They also exhibit at the Nebraska Bean Day and domestic shows to promote Idaho seed in other bean growing regions of the U.S.

They recently conducted a grower survey and found that their number one concern has been nightshade. In response to this, the IBC has been diligently working with the U of I to address this issue. She said that they are developing a plan to address this and will use funds either through the endowment or with grant funding.

Budget Summary for 2013:

- Revenue, including 2013 reserve was \$629,268, and is down this year due to less bean acres planted, however, she expects them to be up again in 2014.
- Total expenditures were \$178,809.
- Grant expenditures were \$98,734 which are the Specialty Crop Block Grants.
- Estimated reserve for 2014 is \$450,459. They would like to use most of this to start the endowment. Their goal is to have 12-18 months in reserves.

**Ms. Menasco** said they have decreased the industry partnerships in 2014 because they withdrew from the U.S. Dry Bean Council (dues were over \$25,000/year). They will now use this money towards research and promotion.

**Ms. Menasco** briefly talked about the Specialty Crop Block Grants that include:

- 2011 Specialty Crop Block Grant for \$121,925. This was used to develop a yellow bean variety with better disease resistance for Mexico and U.S. markets. It has become very popular in Idaho and can be used in place of any other bean. It cooks quicker, has a soft skin, and a sweeter flavor. This is not a transgenic bean and developed using traditional methods.
- 2012 Specialty Crop Block Grant for \$28,180 was used on trials of pinto beans and black beans in Mexico and had mixed results.
- 2013 Specialty Crop Block Grants will include fertilizer trials, something the growers have been seeking help with.

**Ms. Menasco** finished by saying that the future activities of the IBC will include:

- Support the development of the Regional Bean Research Consortium.
- Continue to pursue grant funding that includes the Specialty Crop Block Grants for nightshade control, and the Emerging Market Program Grant - depending on the Dominican Republic trade missions.
- Establish an endowment with the U of I, guided by a new Committee made up of the IBC and the U of I faculty. She said in order to fund the endowment they will be asking for an increase in their assessment of up to \$.24 per hundredweight. It is currently \$.12 per hundredweight, so they would like to raise it for a short time to fund the endowment and then drop it back down to \$.16 or \$.18. The assessment has not been raised since 1992. To gain the purchasing power they had back then, they would ideally need to raise it to \$.20. They will conduct another grower survey prior to the increase in order to ensure they have industry support.

She stood for questions.

**PRESENTATION:** **Chairman Bair** introduced **Traci Bracco**, Executive Director of the Idaho Beef Council (Council), who stated that it is the mission of the Council to build the consumer demand for beef and increase the opportunity for producer profitability. FY 2013 was an exciting year, because they educated, informed and excited more consumers than ever before about beef. She said their budget and programs are overseen by the eight-member board of directors, who are nominated by their respective organizations, and appointed by the Governor for a three-year term. The Council is audited annually to insure all the checkoff dollars are not misused and that their financials are in order and are also audited every three years by the Cattlemen's Beef Board.

**Ms. Bracco** said that Idaho is one of ten states that has an enhanced beef checkoff. The beef checkoff is \$1.50 per head; the first dollar collected per transaction is done under the Beef Promotion Act and Order, which is part of the 1985 Farm Bill. The additional \$.50 collected is per the state code that went into effect on July 2009. This additional \$.50 has made a big difference in their ability to run their programs and activities. The FY 2013 revenue collected was \$2.3 million, up about 5 percent from the previous year. She said that FY 2014 is trending to be "flat" and expected to be in the \$2.2 to \$2.3 million range.

Checkoff Dollars are used for:

- Promotion
- Research
- Consumer Information
- Industry Information
- Foreign Marketing
- Producer Communication Activities

By law, checkoff dollars can not be used for government policy or lobbying.

She said there are many factors that go into the programs and activities needed to increase demand and producer profit. She said "it is much like a jigsaw puzzle" with numerous pieces that need to come together. They include:

- Raise awareness;
- Compel consumers to choose beef;
- Advocate beef to thought leaders and influencers;
- Protect and defend the image;
- Build the scientific foundation to promote a healthy diet;
- Stimulate trial and consumption;
- Champion beef's value and versatility on restaurant menus;
- Conduct research to improve the safety and quality of beef; and
- Develop new products.

She said there are many audiences to reach: consumers, health professionals, media, educators, chefs, retail and food service partners. In order to reach their audiences, they have developed a strategic market plan with multiple touch points, which she said, is an effective use of the checkoff dollars. Some of the highlights of this plan include:

- Advertising and Media. They reached 700,000 Idahoans using radio and TV ads, outdoor billboards, online, social media, and print. They also do monthly pushes to the print and TV media with recipes and pitch ideas.
- Promotions and Events. Checkoff dollars helped bring the great taste of beef and information about the beef industry to over 209,000 Idahoans via consumer events and funded programs. There are currently more than 50 events put on annually.
- The Council ran 14 retail and food service programs that were successful in increasing growth.
- Educated 23,000 future beef shoppers through the "Beef in the Classroom" reimbursement program and the "Cattle are Amazing" drawing program.
- They promoted beef's nutritional value to close to 25,000 health professionals. They are present at the medical conferences, place advertorials about the latest beef research into medical magazines and publications, and provide nationally recognized keynote speakers at medical conventions and at the local hospital seminars.

Of the \$1.50 collected, \$.76 is kept in the State. By law, \$.50 is sent to the Cattlemen's Beef Board for investment in national level programs, and if they choose, they can voluntarily invest more dollars on a national and international level. They invest funding by marketing outside the State in:

- National Program Investment. \$64,000 was spent on the National Cattlemen's Beef Association to secure 3 board seats and \$178,000 went towards national level advertising, retail programs, research and crisis management.
- Federation Fund. \$50,000 was spent on marketing specifically for high population states. This can have a profound impact on beef sales.
- U.S. Meat Export Federation. \$130,000 was invested to increase the amount of beef overseas. \$25,000 was used, along with the Oregon and Washington Beef Councils, to leverage the checkoff funds to promote beef in Japan. The age limit increase to under 30 months meant that 95 percent of the cattle in the Pacific Northwest would qualify. Their combined total was leveraged and matched by Japanese retailers to do a promotion and introduce U.S. beef to Japan.

She finished by saying they have another busy year planned. There are some challenges they will be facing with rising beef prices and shrinking herds. Right now, they have the smallest herd size since the 1950s, so demand and supply is an issue. Their greatest concern is that beef does not become a "luxury" item with the continuing price increases. They are developing new strategic marketing by geo-targeting consumers through social media sites and by using digital media. She stood for questions.

**ADJOURNED:** **Chairman Bair** adjourned the meeting at 9:06 a.m.

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Senator Bair  
Chair

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Denise McNeil  
Secretary