

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Tuesday, March 17, 2015

TIME: 8:00 A.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Bayer, Senators Brackett, Patrick, Souza, Lee and Ward-Engelking

ABSENT/ EXCUSED: Senators Den Hartog and Burgoyne

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 Rice** called the meeting to order at 8:01 a.m.

PRESENTATION: **Idaho Wheat Commission (IWC), Blaine Jacobson**, Executive Director, began his presentation on the two weather conditions that impacted the 2015 Idaho wheat crop (see attachment 1). Idaho received extraordinary amounts of rain in southern and eastern Idaho in August. This was the most rain that southern Idaho had received since 1953. This moisture came just before the harvest of the wheat crop and substantially impacted its quality; estimated damage in lost revenue was \$210 million to the wheat and barley crops. More than half of the crop from Mountain Home east was damaged, and the bulk of the crop went to feed instead of commercial milling. The second weather condition that has impacted the wheat harvest is the drought in California. California has always been a large market for Idaho wheat. California is the largest milling state, and the drought has created an even larger market in 2015.

Wheat is the second largest crop grown in Idaho, with cash receipts last year of \$732 million; half of the wheat crop remains in the U.S. and half is exported. Idaho is the largest hard-white wheat grower in the U. S. Idaho has the most consistent crop of any wheat growing state in the U.S. because two-thirds of the crop is irrigated, and the rest of the crop comes from the Palouse, north of the Salmon River, which has the right amount of rain at the right time of the year.

Mr. Jacobson advised that IWC has identified five factors that will impact wheat markets in the next ten years:

1. Global economic growth and the rise of the middle class in developing countries. China's wheat consumption has doubled.
2. As the value of the dollar rises it will mean less wheat exportation.
3. Worldwide biofuels production, as corn prices rise so do the wheat prices.
4. More countries are shifting to trade agreements for market access. This is an import portion of Idaho's export market. Some other wheat exporting countries which affect sales are Ukraine, Kazakhstan, and Australia.
5. Biotech developments of wheat for the best new wheat technologies and implementing these for the benefit of Idaho wheat growers and industry. Biotech hunts will continue to grow including development of biotech traits in wheat. IWC expects that one of the foreign competitors will be the first to launch biotech wheat. IWC will be ready with their own trade when that happens to keep the growers competitive. Wheat has lost acreage because it does not have the biotech traits of corn and soybeans.

IWC's budget in 2015 was \$3.2 million; half of this money went into research, market development and grower education. The reserve account is \$3.7 million which they expect to pull down by \$500,000 due to the short crop. The IWC recently committed \$500,000 toward a new wheat geneticist position at the Moscow Wheat Breeding Station.

Chairman Rice stated that one third of Idaho's wheat is barged from Lewiston down the river to Portland. Will the wheat export be affected at the Portland docks by the dock strike slow down? **Mr. Jacobson** replied that about six months ago there was a strike at the Port of Portland and that did impact the wheat exports. In recent months the wheat exports have recovered because wheat is not shipped in containers but in bulk shipping.

PRESENTATION: Idaho Beef Council (IBC), Traci Bracco, Executive Director, directed the Committee's attention to their annual report for fiscal year (FY)15 explaining that this has been a very lucrative year for the beef industry (see attachment 2). The industry has seen their cattle selling at record prices. Americans are consuming all the beef that is being produced in the U.S. The demand for beef is growing all over the world; despite one of the smallest cow herds the industry has had on record since the 1950s. The producers are seeing skyrocketing input costs on their ranches, consumers are seeing higher prices on beef and the industry continues to be under attack from activists on how cattle are raised and the nutritional value of the product.

Since 1967 the IBC has served as the marketing arm for Idaho's cattle ranching families. IBC's mission is to build consumer demand for beef and the opportunity for producer profitability. The check-off dollars that they collect are invested into a number of program areas geared to raise awareness, stimulate trial and consumption, protect and defend their image against attacks from outside groups, build the scientific foundation for beef, advocate the nutritional value with physicians and dieticians, and develop beef safety research.

IBC initiated a comprehensive study with Dr. Harry Kaiser on the beef check-off. Dr. Kaiser's conclusion was that every dollar invested in the beef check-off program between 2006 and 2013 returned \$11.20 to the beef industry. The highlights of IBC's marketing program: 1) Wednesday radio ad at 4:30 commute: "what they are having for dinner"; 2) Television ad during the winter Olympics for the Idaho market; 3) Beef Its Whats For Dinner; 4) Beef is Worth the Price (consumers have remained steadfast in their willingness to pay more for beef and the demand is growing); 5) Using the internet such as Google, Facebook, YouTube to inspire new meal ideas and techniques.

Senator Souza asked what has caused the rapid increase in the price of beef in stores. **Ms. Bracco** explained that the price of beef has been increasing over the last couple of years. There are a number of factors that have driven the increase: 1) all input costs are up; and 2) the U.S. has the smallest cow herd since 1951 (supply and demand issue).

Senator Brackett asked if there is interest in raising the national check-off to \$2.00 per head. **Ms. Bracco** answered there is interest for that increase. It will have to go out to referendum and get support. As of yesterday, seven organizations have signed the memorandum of understanding: beef industry, dairy industry, Farm Bureau, National Livestock Producers Association, LPA, and Cattle Women. Overall there is good support for the increase which is evidenced by the fact that 13 states have pursued the check-off increase on their own.

Chairman Rice asked if there is a percentage of the choice cuts being purchased and what is the quality of the animals that are being raised in Idaho. **Ms. Bracco** replied that the cattle that the ranchers are raising are leaner now than ever before because the consumers want a leaner product. Consumer preference is driving the stores to carry choice cuts of beef because they are willing to pay more for the product. It also speaks to the industry labeling the products better than in the past.

**PAGE
GRADUATION:**

Farewell to Committee Page Tim Bush. **Chairman Rice** asked Tim Bush to tell the Committee about his experience as a page for the Committee and what his plans are for the future.

**MINUTE
APPROVAL:**

Senator Souza moved to approve the Minutes of March 3, 2015. **Senator Lee** seconded the motion. The motion carried by **voice vote**.

ADJOURNED:

There being no further business, **Chairman Rice** adjourned the meeting at 8:50 a.m.

Senator Rice
Chair

Carol Deis
Secretary