

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Thursday, February 02, 2017

TIME: 8:00 A.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Senators Patrick, Bayer, Guthrie, Johnson, Thayn, Foreman, and Jordan

ABSENT/ EXCUSED: Vice Chairman Den Hartog

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 of the Senate Agricultural Affairs Committee (Committee) to order at 8:01 a.m.

DOCKET NO.

46-0101-1603 **Rules of the State of Idaho Board of Veterinary Medicine (BOVM). Jodie Ellis**, Executive Director, said this rule imposes a process and fee for Certified Veterinarian Technicians (CVT): 1) move their certification from active to inactive status and then back to active; 2) establishes a renewal fee for an inactive certificate; and 3) certification verification fee of \$20 per request. The BOVM wishes to withdraw the fee for the certification verification fee by the passage of **RS 25103** below.

MOTION: **Senator Jordan** moved to approve **Docket No. 46-0101-1603** with the exception of the \$20 CVT certificate verification fee. Seconded by **Senator Bayer**. The motion carried by **voice vote**.

RS 25103 **Rejecting a Certain Rule of the Board of Veterinary Medicine Relating to Rules.** **Chairman Rice**, stated this concurrent resolution rejects Section 014, subsection 2. f. which is the \$20 CVT certificate verification fee.

MOTION: **Senator Thayn** moved to print **RS 25102**. Seconded by **Senator Guthrie**. The motion carried by **voice vote**.

PRESENTATION: **Idaho Wine Commission (IWC). Moya Dolsby**, Executive Director, stated the IWC focuses on events, education, legislation, agricultural promotions, and community partnerships to increase market awareness of Idaho wines. IWC is a very small industry with revenues of \$500,000 per year with which to promote and educate the public concerning Idaho wines. The market share for Idaho wines was three percent in 2007 and has increased to twelve percent through IWC's marketing efforts. To increase the market share, more grapes need to be planted in the State because wineries are having to ship in grapes to produce these wines.

In 2013 IWC completed an economic impact study revealing that the Idaho wine industry generates a \$170 million impact which is very impressive for a small industry. The Idaho grape and wine industry is growing at a fast rate with 52 wineries and over 1,300 vineyard acres planted.

In 2002 there were 11 wineries in the State; 2008 there were 32. The Snake River American Viticulture Area (AVA) encompasses 8,000 square miles and houses 34 wineries. The Eagle Hills AVA was approved in 2015 encompassing 50,000 acres with one winery. In April of 2016, Idaho gained its third AVA: the Lewis-Clark Valley AVA is 480 square miles with four wineries. The quality of wine coming out of the Lewis-Clark Valley AVA is superb.

Much of IWC's marketing efforts are paired with the Idaho Division of Tourism and Idaho Preferred. **Ms. Dolsby** highlighted one of IWC's marketing successes this summer were two media tours catering to journalists touring Idaho's wineries to encourage them to write about the region and the wines. Savor Idaho is the biggest annual event that IWC hosts at the Idaho Botanical Gardens to educate the public about the Idaho wineries; because this event was so successful they added a second event in Coeur d' Alene where they rented a boat for a promotion tour.

Ms. Dolsby discussed the IWC's financial status disclosing that the total revenue for Idaho Grape Growers and Wine Producers Commission for fiscal year 2015/2016 was \$429,675 with expenditures of \$443,127.

Senator Patrick asked if the Twin Falls winery is in an AVA. **Ms. Dolsby** explained the Twin Falls winery is not encompassed by an AVA. The labeling for the Twin Falls winery would say "Idaho" versus one of the Lewiston wineries, included in an AVA, listing "AVA" on the label.

Senator Bayer asked what is the magnitude of importation of grapes for wine making in Idaho. **Ms. Dolsby** answered that approximately 25 percent of the grapes to make Idaho wines are imported into the State. The wineries are becoming successful and, because they do not have the acres of grapes planted, the wineries must import grapes to stay in production.

Chairman Rice asked what makes a wine taste bad, and if it is a factor of the soil, climate, drainage or growing season. **Ms. Dolsby** replied that good and bad grapes can be grown anywhere. The IWC spends time and money educating the wine growers of the State on how to grow good grapes. Many times the reason a wine tastes bad is the winery might not be clean and bacteria grows. Quality of wine can improve because a winery becomes educated on how to produce a better wine.

PRESENTATION: Economics of Idaho Agriculture, Dr. Garth Taylor, University of Idaho, reported on the financial condition of Idaho agriculture. He pointed out this is a very interesting year for agriculture due to Idaho being on the cusp point in terms of where the industry is heading. Idaho is coming off the golden years in agriculture so the economics for the industry will be different for Idaho and the U.S.

Dr. Taylor disclosed why agriculture is important to Idaho giving a definition for Ag Business. Idaho's Ag Business is a chain which links supplier to the farmers, the farmer produces a product and then it moves to the processing plant. The wealth that comes into an economy is due to exports outside of Idaho; the new money drives prosperity in the economy. Idaho's Ag Business is the largest industry in the State, with one out of every \$5 of sales linked directly or indirectly to agriculture, generating 14 percent of jobs and 16 percent of Gross Domestic Product (GDP) for the State.

Idaho ranks third in the western states in GDP; Idaho's GDP ranks Idaho fourth largest agriculture state in the nation. The theme of net farm income shows how large agriculture is in the State and reflects the State's economy pivots on agriculture. The main driver is livestock revenues, cattle/calves which were over 50 percent of the net farm income receipts. Add in the revenue for hay, corn silage, beet pulp, and waste from potatoes reveals 80 percent of the States agriculture cash receipts are tied to livestock. Cash receipts for 2016 were \$7.2 billion down 4 percent from last years agricultural production. In 2001 Idaho switched from a crop based State to a livestock State.

Dr. Taylor recounted the ups and downs in cash receipts for last year pointing out that livestock was down 5 percent and milk only down 1%. The only bright spot in the receipts were sugar beets and barley were the only portion of the industry that flourished in fiscal year 2016 (see attachment 1).

Dr. Taylor discussed where the growth in cash receipts has come from in real dollars. Idaho's livestock receipts is what is behind the growth in cash receipts for the State of Idaho and it is principally dairy. Livestock cash receipts have grown by 115 percent since 1980. The comparison chart of Idaho and U.S. cash receipts shows that Idaho's dairy boom, beginning in 2000, increased those receipts by 44 percent where the U.S. represents only 16 percent. The value of cash receipts in dairy has gone up 134 percent, since 1980. That growth is due to: 1) milk per cow; 2) number of cows; and 3) prices for milk products. In real dollar terms, prices have dropped by 50 percent since 1980. Milk per cow has increased by 65 percent and the number of cows increased by 125 percent. The increase in milk per cow is due to research at the University of Idaho, but do not overlook the fact that the drop in prices is a return to the consumers. Today we have lower prices for nutritious food in the U.S. than at any time in the history of mankind. Potatoes cash receipts have not increased the value of production; they have been at zero since 1980 the price has dropped 50 percent. But the potato yield has been increasing by 50 percent, which translates into 4 or 5 sacks of potatoes per year.

Dr. Taylor pointed out that Idaho net farm income is down 13 percent. Historically, net farm income is much more volatile than gross cash receipts. Idaho has experienced double-digit increases and decreases since early 2000 in the net farm income and these swings will continue. **Chairman Rice** asked if the increase in the volatility of net farm income since 2000 is a result of the rapid growth in dairy.

Dr. Taylor explained that the volatility has been caused by the growth of the dairy business along with the price supports for the industry. Idaho real net farm income has grown twice as fast as the nation. Tracking from 1997, Idaho has outperformed the U.S. by almost double with the U.S. net farm income of 140 percent and Idaho net farm income of 233 percent. Idaho's agriculture is on a far different track than the U.S.; Idaho's agricultural production is dominated by dairy and beef.

Dr. Taylor highlighted that the first quarter of 2016 Idaho GDP was 3 percent, and for the second quarter GDP was 2.8 percent, this was the third highest in the United States and the leader was agriculture. Farm credit is approaching the 1980 level, which is being driven by expensive land prices with an average price in Ada County of \$7,000 an acre. As the farmers face the lowered incomes and higher land prices, they will be taking this dilemma on with clean balance sheets.

Dr. Taylor concluded with Idaho exports and revenue. Idaho has declined 40 percent in the last two years in foreign exports. Idaho is facing a headwind as far as foreign exports which are being driven by: 1) a strong dollar; 2) record production in the world; and 3) huge stocks and overproduction. The University of Idaho's outlook for crop prices for 2017 are as follows: 1) futures \$18 on Class III milk; 2) grains down and terrible prices for next several years; 3) continued low prices for hay; 4) beef prices declining; 5) milk revenues above break even; and 6) sugar beets will remain high for world prices.

Senator Foreman questioned how Dr. Taylor's statement that the U.S. has the lowest food prices in history is measured. **Dr. Taylor** answered that Americans are spending eight percent of their income on food.

Senator Guthrie observed that with the paydown of the national debt, many of the farm subsidies will be capped or eliminated. **Dr. Taylor** reminded the Committee that Idaho farmers do not farm the government. He does not see the conservation or disaster payments going away, which accounts for 70 percent of the government direct payments. **Senator Guthrie** asked how much federal money comes into Idaho every year for agriculture. **Dr. Taylor** indicated that \$70 million comes to Idaho and 70 percent of this money is from the Conservation Reserve Program .

Senator Thayne asked if there is some new agricultural industry that might allow some growth in the future. **Dr. Taylor** indicated that there are some bright spots in the Treasure Valley with speciality crops, hops, and seed crops.

Chairman Rice asked if the U.S. faces higher tariffs on dairy exports than other countries. **Dr. Taylor** advised that tariff rates facing exporting countries imposed by the Trans-Pacific Partnership (TPP) countries would be a 3 percent tariff on various industries, but the TPP would impose a 30 percent tariff for agricultural products.

ADJOURNED: There being no further business, **Chairman Rice** adjourned the meeting at 9:11 a.m.

Senator Rice
Chair

Carol Deis
Secretary