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Agriculture Committee
November 03, 2011

[CONFIRMATION]

The Committee on Agriculture met at 2:15 p.m. on Thursday, November 3, 2011, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments. Senators present: Tom Carlson, Chairperson; Norm Wallman, Vice Chairperson; Dave Bloomfield; Lydia Brasch; Burke Harr; Russ Karpisek; Tyson Larson; and Steve Lathrop. Senators absent: None.

SENATOR CARLSON: Okay. Well, welcome to the November 3 Agriculture Committee hearing, confirmations. And we'll get started. I'm Tom Carlson from Holdrege, District 38, Chair of the committee. Our research analyst is Rick Leonard. And our committee clerk is Barb DeRiese, over here to my left. We have Senator Tyson Larson, to my left here, from O'Neill. We have Senator Russ Karpisek from Wilber; Senator Norm Wallman from Cortland; Senator Lydia Brasch from Bancroft. And so we appreciate those of you being here today. And we're speaking on the telephone with Dr. Brad Lubben who is up for initial appointment to the board. And so, Dr. Lubben, why don't you just tell us a little bit about yourself. [CONFIRMATION]

BRADLEY LUBBEN: Well, Mr. Chairman, thank you very much. And thank you for the opportunity to discuss my background here briefly with the committee. When I was asked to stand for nomination to the Beginning Farmer Board, appreciated the opportunity to fill that role of a university representative on the board. I've been a 20-year extension ag economist, grew up here in Nebraska. And after my schooling here at the University of Nebraska-Lincoln, with a bachelor's and master's degree in ag economics, have spent almost 20 years now, time at the University of Illinois, time at Kansas State University, and now most recently 6 years back here at the University of Nebraska of Lincoln as an extension ag economist. My focus is on ag policy and risk management, the understanding of policy changes and impacts on producer decision-making and risk management strategies. So my focus has been and really through my entire 20 years my focus has been very much on commercial agriculture and the policy environment that producers operate within and the risk management decisions, the management strategies that producers need to adopt to address those things. So I hope that my academic background and my professional background here in extension ag economics brings some important attributes and representation to the board. But you have a copy, I believe, of my vita. And maybe as important or more important than the pages of academic output should be the initial intro and material on my background. I mentioned I did my schooling here at Nebraska but I grew up here in southeast Nebraska, grew up here on a farm near the small town of Burr. So I come from one of those small farms and ranches that we hope to propel and support here in the state. I'm one of three sons that grew up on the farm. And my career path happened after college to wind its way into the extension (inaudible). But I have a younger brother who was one of those beginning farmers and ranchers now 20 years ago, and he continues to run the operation there. So I'm quite proud and quite still attached to that

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operation when I can be. One of the other things in my background of note is not a beginning farmer experience, but more sort of a beginning agribusiness experience. My older brother and I, during our high school days and my college days, also operated a small agribusiness from our operation, a seed cleaning business. Now the role of seed cleaning is substantially reduced today perhaps than what it was 20 years ago. But we pursued and operated a small business in our region during those years to help put us through college and probably kept us busy and out of trouble in high school. But my background is strong in Nebraska agriculture. My profession and focus at the university is very much on horticultural agriculture. And I hope that that gives me some of the skills and foresight to assist here with the beginning farmer. [CONFIRMATION]

SENATOR CARLSON: Okay. Well, thank you for that. And Dr. Lubben is to fill a position on the board that is an individual of the academic community with extensive knowledge and insight into the analysis of agricultural economic issues. And from what we have seen, we certainly believe that you fill that capability. Since we started here, Senator Dave Bloomfield has joined us from Hoskins. And would any of the members of the committee have any questions for Dr. Lubben? As you are on the board and have some experience with it, the next time it comes up for reelection we'll probably grill you a little bit harder on what you've been doing. [CONFIRMATION]

BRADLEY LUBBEN: (Laugh) Okay. [CONFIRMATION]

SENATOR CARLSON: But really, with that, we don't have any questions at this point. We appreciate your calling in. And thank you for doing that. So we'll look forward to seeing you in person. [CONFIRMATION]

BRADLEY LUBBEN: All right. Chairman, thank you very much, I appreciate the opportunity and look forward to the service. [CONFIRMATION]

SENATOR CARLSON: Okay. [CONFIRMATION]

BRADLEY LUBBEN: So have a good day there in Lincoln. [CONFIRMATION]

SENATOR CARLSON: Thank you very much. Okay. Now normally we ask for anyone that wants to testify as a proponent. And is there anyone testifying as an opponent of this confirmation? Or anybody in a neutral position? And seeing none, that ends the confirmation hearing for Dr. Lubben. Don, do you want to come up next? And tell us who you are and spell your name. And that makes it no problem at all on the record. And then we'll ask you to tell us a little bit about yourself. [CONFIRMATION]

DON ANTHONY: Okay. I am Don Anthony, D-o-n A-n-t-h-o-n-y. I am a farmer from Lexington, Nebraska. I have a bachelor's degree, University of Nebraska, ag economics. We grow corn and soybeans at the present time. I say I'm a recovering

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cattleman. (Laugh) Was in the cattle business for many years but rearranged the farm and exited that. I serve as Chair of the All Points Cooperative at Gothenburg, which is about a \$200 million gross revenue cooperative. And I sit on the board of the CHS cooperative and which is headquartered, which is in Minneapolis, which is a national farmer-owned cooperative that actually operates in about 65 countries. So that's my other job. [CONFIRMATION]

SENATOR CARLSON: All right. And you're up as a reappointment. [CONFIRMATION]

DON ANTHONY: Reappointment, yes, sir. [CONFIRMATION]

SENATOR CARLSON: How long have you served? [CONFIRMATION]

DON ANTHONY: I think seven years. I'm not...you'd have to...I didn't...I apologize. I got notice for this Monday morning as I was or Friday night I guess it was. And I talked to Rick on my way to Minneapolis Monday morning. And I haven't made it home yet. (Laugh) [CONFIRMATION]

SENATOR CARLSON: Well, this came about quickly for us because we're incorporating this with our special session. So do we have any questions of Don, Mr. Anthony? Well, I'm going to ask you to tell us a little bit about what the board does and anything else you want to comment on the beginning farmer program. [CONFIRMATION]

DON ANTHONY: Okay. Well, we are charged with administering the Beginning Farmer Act. And basically what we do is review the applications of beginning farmers to see if they qualify or not, approve whether they fit within the guidelines of the law. And also for the landlords that are renting to the beginning farmers that they fall within the guidelines of the law. Then we also do promotion of the act. Somebody has got to get out and tell people it exists before anyone is going to apply for it. So in a nutshell that's what we do. [CONFIRMATION]

SENATOR CARLSON: What do you think...what are the advantages to the beginning farmer? [CONFIRMATION]

DON ANTHONY: Senator, the big thing to be a farmer is you have to have land or resources, it can also be equipment and machinery. And for a beginning farmer the capital needs are just mind-boggling how much it takes today to do that. And one of the things that has gone on, historically, is farmer retires, they look at their friend that's been operating for X number of years that's a little bit younger and they just go over and rent to him or the biggest farmer around, they know him. And they don't go out and seek the young man that's maybe working for dad or he's working at the John Deere shop or the co-op or something like this that wants to get started. And so this is an incentive. It started out as just an incentive for landlords to seek out these other young farmers with

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other very small net worth and to help them get the start. And it incents the landlord to take the risk of a beginning farmer that's not established. And then a few years ago you also put in the incentive for the young farmer to apply through the property tax credit, which it really opened the program up. So that's kind of the history and that's kind of the purposes I see of what we're trying to do. You know we've all seen the population of much of the agriculture area of the state. And, you know, when you get down to a certain size you don't have rotary clubs, you don't have day care, you don't have churches. It's a tough, tough situation. And if we can get young people to come back into agriculture, at least stabilize it, not reverse that trend would be the hope.
[CONFIRMATION]

SENATOR CARLSON: Okay, good. Are there any other questions or comments? Yes, Senator Karpisek. [CONFIRMATION]

SENATOR KARPISEK: Thank you, Senator Carlson. Thank you for being here. So all that said, I've been on here five years and I think we've gone round and round on it a little bit. Is it working? Is it helping? [CONFIRMATION]

DON ANTHONY: Yes. We get a number...we need to do a survey and go back and see where we...how many are still continuing. You know, anecdotally, when Marian runs her booth at the State Fair and other places she sees past participants and they're still going and they're getting started. You know, it's certainly not 100 percent. We wouldn't expect 100 percent. But it is getting some...getting them going. [CONFIRMATION]

SENATOR KARPISEK: Good. I think it's a great program because it is hard to get into. I was a child of the eighties, (laughter) and so I would have loved to farm. But the way things were, I was growing up in the eighties, but there was no way for me to stay. And my family got out of farming at the time. So I support it and I hope that it's working and that it is getting some of those younger guys to be able to start and, like you said, not one guy farming ten sections. [CONFIRMATION]

DON ANTHONY: Right. [CONFIRMATION]

SENATOR KARPISEK: So thank you for your work. Thank you, Senator Carlson.
[CONFIRMATION]

DON ANTHONY: You're welcome. [CONFIRMATION]

SENATOR CARLSON: All right. Thank you, Don, for your testimony today.
[CONFIRMATION]

DON ANTHONY: Thank you. [CONFIRMATION]

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SENATOR CARLSON: And I think we'll...let's go to Mark next. And I'll go through the spiel of proponents, opponents and neutral when we've heard from all four of you. [CONFIRMATION]

MARK GRAFF: Good afternoon. My name is Peter Mark Graff, P-e-t-e-r M-a-r-k G-r-a-f-f. I actually go by my middle name, Mark. I've been on the board now three years. I'm actually the lending representative. I'm the Chairman at McCook National Bank in southwest Nebraska. We have about \$180 million in loans, of which about 60 percent is direct ag-related. So our loan portfolio in ag, strictly ag is just about \$110 million. So for that area of the country that's a pretty good size. [CONFIRMATION]

SENATOR CARLSON: Okay. Any questions of Mark? Let me ask you, what do you see as the advantage for both the beginning farmer and the landlord, property owner? [CONFIRMATION]

MARK GRAFF: Well, the advantage obviously for the beginning farmer is access to the land and access to the assets to operate. I think the act has been, obviously the advantage to the owner is the tax credit. So, I mean, I think you joined both of those. Especially now I think in our area and neck of the area we're obviously an ag dominated economy. You know, I think it's...with what has gone on in ag the last couple of years, agriculture is starting to become an industry that is being watched by the younger generation. So I think it's a good time to have this program. And I think it will be utilized more, hopefully. And we see some applications where it's beginning farmers that are actually without any current landlord or current access to land are applying just to be able to use that as an incentive to approach landowners with and asset owners with. So I think obviously from that it's a program that young farmers or potential young farmers are looking at. [CONFIRMATION]

SENATOR CARLSON: In the last several years we changed the net worth and moved that up to \$200,000. Of course if you own a half a tractor you own probably \$200,000. It's where they could still be eligible and then not pay the personal property tax for three years. And the...and I like the plan that's supposed to work from the standpoint of the landowner, and that is that he or she becomes a mentor to this young farmer because they do get the 15 percent tax credit as a result of entering and allowing the young farmer to take the land, to rent the land. But hopefully they end up being a mentor in addition to mom or dad of the farmer. Do you see this working? [CONFIRMATION]

MARK GRAFF: Um-hum, yeah. And a couple of years ago, you know, when I started three years ago there was not...it wasn't available to immediate family members, in other words the immediate...the father, the grandfather, whatever couldn't utilize the credit with an immediate family member. And since they've changed that and required the succession planning, I think that's really helped too. I think that's...in my industry we see that a lot that we have producers that, you know, aren't proactive enough in

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succession planning. And I think maybe this kind of helps that in those cases where the producer is applying for credit. [CONFIRMATION]

SENATOR CARLSON: Okay. Any other...yes, Senator Bloomfield. [CONFIRMATION]

SENATOR BLOOMFIELD: Thank you. What are some of the key guidelines for the new farmer other than \$200,000 max? [CONFIRMATION]

MARK GRAFF: They can't be in farming so many years, and I don't know, Senator Bloomfield, the exact numbers, it's like they can't be in it two of the last five or something like that. I'm trying to think of what other qualifications there are. It has to be obviously a Nebraska asset. [CONFIRMATION]

SENATOR BLOOMFIELD: Okay. [CONFIRMATION]

SENATOR CARLSON: Well, there's not an age. And Rick and I talked about this, this morning. There's not an age limit on it. I'm 45 years old and I've just started farming in the last couple of years, am I too old to qualify? Age is not a factor. Can I rent from an owner who is my relative? Yes. I kind of wonder about that. There's pros and cons to that. Needs to be handled carefully. The asset owner receives a tax credit. And how does it benefit the beginning farmer? Well, that goes back to it's a three-year program rather than one year. And beginning farmer will receive a tax credit to reimburse the cost of financial management up to \$500. But certainly if I own land, the way commodity prices are today, I want that land farmed well. So I think it makes sense that there is a tax benefit for the farm owner to be willing to take a chance on a young farmer. And that's where the desire to be a good mentor should come in because I want him to succeed. [CONFIRMATION]

MARK GRAFF: Um-hum. And the credit is higher for a crop-share lease arrangement as opposed to a cash arrangement. [CONFIRMATION]

SENATOR CARLSON: Yeah. [CONFIRMATION]

MARK GRAFF: So that's exactly... [CONFIRMATION]

SENATOR CARLSON: Ten percent or 15 percent. [CONFIRMATION]

MARK GRAFF: ...the case. Um-hum. [CONFIRMATION]

SENATOR CARLSON: Yeah, okay. Any other questions or comments? Okay, Mark, thank you for your testimony. [CONFIRMATION]

MARK GRAFF: Thank you. [CONFIRMATION]

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SENATOR CARLSON: Melvin. [CONFIRMATION]

MELVIN VALASEK: I'm Melvin Valasek from Bennington, Nebraska. M-e-l-v-i-n V-a-l-a-s-e-k. And I've already served one term on the board. This will be my second term. I've been involved in farming for the last...over 30 years. Unlike a lot of these other people, I grew up in Omaha. I had aunts and uncles that lived on farms. And when I was a kid I'd spend summers out there. And when I got married I bought an acreage out by Bennington, northwest of Omaha. Then I bought more ground next to me and just started out small with 20 acres, bought a tractor, a disk and started. Now I'm up to over 500 acres and I really enjoy it. But the board I think is a wonderful opportunity for the young people to get into farming that don't have the assets because everything is so expensive--seed, fertilizer, machinery. And I really enjoy being on the board.
[CONFIRMATION]

SENATOR CARLSON: Okay. Any questions or comments from the committee? So have you seen some real examples of where you can...I would think your satisfaction on that board is seeing some success stories. [CONFIRMATION]

MELVIN VALASEK: Actually, I have...nobody that I actually know in person, I haven't seen any...most of the people that we see applications from are from...a lot of them are south central Nebraska and western Nebraska. Eastern Nebraska, Douglas County is not really farm country anymore. I mean, there is a few farmers left, but they've been there for years and years and most of them are pretty good size farmers.
[CONFIRMATION]

SENATOR CARLSON: I may talk to Marian about this. But do you have any idea the number of applicants and those that are approved per year? [CONFIRMATION]

MELVIN VALASEK: We just had the numbers at our last meeting. I'm thinking it's over a couple hundred. And we approved, there are very few that don't get approved. And a lot of times it's...saw a problem with the way they fill out the application. Marian will talk to them and give them a chance to correct it if there is. About the only ones that get disapproved are the ones that have...their net worth is too high. That's usually the problem. Okay. Applications, last year was, through 2010 was 74; through 2009 was 73; before that was 19, 17, and 2 when the program started in '06. So total...
[CONFIRMATION]

SENATOR CARLSON: That's when we raised... [CONFIRMATION]

MELVIN VALASEK: ...applications is 252. [CONFIRMATION]

SENATOR CARLSON: So when we raised the net worth that made a difference?

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[CONFIRMATION]

MELVIN VALASEK: Actually, I don't...it helped a little because there's, you know, there's a lot of these younger guys don't even have...they have an older tractor that's maybe worth \$25,000, \$30,000 and they're using some of their dad's equipment. Most of them don't have a lot of equipment. I mean, if they have a truck or even combines, older combine. But there's a few of them I think that probably were successful, worked and had some money or else they married into some money or something. And maybe their wife, because it's a combined income with husband and wife if they're married, so that sometimes kicks it up. [CONFIRMATION]

SENATOR CARLSON: Okay. Now...and you...give those numbers again, the last couple of years, 200 and... [CONFIRMATION]

MELVIN VALASEK: Two hundred and fifty-two total, this is through June 30 of 2010. The last two years, '09 and '10 were 73 and 74, that's when the program actually got rolling. The first couple of years it was... [CONFIRMATION]

SENATOR CARLSON: Okay. [CONFIRMATION]

MELVIN VALASEK: ...and that's before I was on the board that it was, you know, very...nobody knew about it and they were just getting the word out. And they had very few applications. [CONFIRMATION]

SENATOR CARLSON: You people don't get paid a whole lot. [CONFIRMATION]

MELVIN VALASEK: We get a pretty good lunch most of the time. Marian takes care of that. (Laugh) [CONFIRMATION]

SENATOR CARLSON: Okay. But I think as these numbers have increased, it would be nice for the record and for ongoing legislation and for perhaps improvements in the program if there was a resume that every participant would fill out and file with you so that you had something to look at. You could share some success stories. And certainly we'd be interested in hearing some of those. So I'd...I would suggest that. Any other comments from the committee? Okay, thanks for your testimony. [CONFIRMATION]

MELVIN VALASEK: Thank you. [CONFIRMATION]

SENATOR CARLSON: Todd. Yeah, thank you. [CONFIRMATION]

TODD REED: (Exhibit 1) Mr. Chairman, my name is Todd Reed, T-o-d-d R-e-e-d. I live here in Lincoln with my wife Julia (phonetic). I have a bachelor's and master's degree from UNL. I currently, have been for the last 14 years, work with my relative in Waverly

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on the farm, corn, soybean operation, some irrigation, mostly dryland. I'm associate sales rep for Pioneer Seed. Some entrepreneurial things we do, we got one truck running over the road hauling Nebraska products into Colorado and Kansas. And I also do some precision ag consulting with writing prescriptions for a variable rate CD and fertilizing and things like that so. Been on the board, this will complete my first term. Been on it three years and it's been a very good experience so far. [CONFIRMATION]

SENATOR CARLSON: Okay. What do you see as the advantages and the good things about this program? [CONFIRMATION]

TODD REED: Well, I'm kind of in a unique position compared with the rest of the board. I'm 30 years old, so I'm in that beginning farmer category. I don't have any land of my own right now. I've been part of the operation for 15 years where I'm at, and I'm involved with every decision-making aspect of the farm. This has been said before. The biggest aspect, the biggest hurdle of getting involved in agriculture is the financial aspect of it. In southeast Nebraska here we are looking at putting some bids in on some dryland cash rents over \$200 an acre in this part of the country. So for someone like me with limited capital resources it's almost impossible to be able to be a competitor in the market with other more established farmers. So having this thing where you can come in and say, hey, you know, I may not be able to bid as much, but in terms of cash rent or even a shared rent and say, you know, I can come in and say, hey, I've got this tax credit we can apply for that will help get my bid up to where it would compete with others. Plus, you can help somebody young get started. Being on the board, I've seen a lot of my friends from college and other areas that I know people through have applied for the program. And when I've talked to them it's helped them to grow their operations larger and helped them to become more of success and getting their operation growing. So I know and we talk about the personal stories, from my personal correspondence I know people that have used the program and have, through it's intent, grown their operations. [CONFIRMATION]

SENATOR CARLSON: So they've benefited and they appreciated it?
[CONFIRMATION]

TODD REED: Yes, very much so. We've actually had a couple I know that have applied with numerous landowners. You can only apply once for one piece of ground, can only be in the program one time. But you can work with other landowners. If you rent from numerous landowners one year they'll apply and the next year they'll come back with two more landowners. And we're also seeing trends where it seems like once a banker gets ahold of a certain area, we see a lot of applicants from that area. And it just kind of starts to grow from there. We've seen a lot more applicants in the last two years. And I think once it kind of gets ahold in a certain area, then the word of mouth spreads and people get ahold of it. It seems like it's really taking off now. [CONFIRMATION]

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SENATOR CARLSON: Okay, all right. Thank you. Any questions from the committee? All right. Appreciate you coming in and giving your testimony. Now we've gone through Don Anthony, Mark Graff, Melvin Valasek and Todd Reed. Is there anyone wishing to testify as a proponent in favor of? Or anyone as an opponent, against the confirmation? Or anyone from a neutral position? Seeing none, then that concludes our confirmation hearing. Thank you for coming today. And now we'll ask you to leave. (Laughter) We'll go into Executive Session in a minute. Thank you for coming. [CONFIRMATION]