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Agriculture Committee
February 19, 2008

[LB999 LB1171 LB1172]

The Committee on Agriculture met at 1:30 p.m. on Tuesday, February 19, 2008, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB999, LB1171, and LB1172. Senators present: Philip Erdman, Chairperson; Annette Dubas, Vice Chairperson; Ernie Chambers; Merton "Cap" Dierks; Russ Karpisek; Vickie McDonald; Don Preister; and Norman Wallman. Senators absent: None. [LB1171]

SENATOR ERDMAN: Good afternoon. Welcome to the Ag Committee. We're going to get started this afternoon. We have three bills to hear. We will take them in the order that is posted outside the hearing and if you didn't see that, it will be LB1171, followed by LB999, followed by LB1172. I'll introduce the members of the committee and those talented individuals that are here to assist us as well, and then we will commence with the festivities. To my far left is Senator Norm Wallman, he's from Cortland, Nebraska; next to him is Senator Vickie McDonald, she's from St. Paul; next to Senator McDonald would be Senator Russ Karpisek from Wilber; and next to Senator Karpisek will be Senator Dubas, whose the Vice Chair and is from Fullerton; Melissa Lunsford is our committee clerk. She's responsible for making sure that you go down in history correctly so when you come up and testify, please have your sign-in sheet filled out ahead of time. You can place it in the testified box but before you begin your testimony, state and spell your name. That way we have it correctly in the transcription of this hearing. I'm Phil Erdman. I've been fortunate enough to be elected to be chair of the A Committee. To my right is Rick Leonard. Rick's a research analyst for the committee, does all the hard work that most of us don't want to do. Next to him will be Senator Cap Dirks who is at the testified stand, Cap's from Ewing, Nebraska; next to Cap's seat on the committee is Senator Don Preister from Omaha and next to Senator Preister, Senator Ernie Chambers from Omaha. As you can imagine, just as Senator Dierks and others will be introducing bills before our committee, some of our members may be introducing bills before other committees so they'll be coming and going and don't view their absence as lack of interest. It's just a reality of our process. When you do come to testify, prior to doing that again, have your sign-in sheet filled out but we also have a couple pages that would be happy to distribute your information for you if you have it. We have Kristen Erthum. Kristen is from Ainsworth. She's a political science and international study's major at Doane and we have Tim Freburg. Tim's from Holdrege, Nebraska. He's a political science major at the University of Nebraska-Lincoln. We do have three bills today and we plan to work through them very effectively and efficiently. We would ask that if you plan to testify, that you be prepared to do that when the bill is being introduced so that way we can move through the agenda appropriately. Now, it took me three minutes to say what it should have taken me ten minutes to say but that's okay. Now we can let Senator Dierks tells us what we need to know. [LB1171]

SENATOR DIERKS: You're on a time saver deal today, is that it? [LB1171]

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SENATOR ERDMAN: Well, Senator Dierks, I was designated as Chairman of the Retirement Committee over lunch because the chairman had the bills so I went from presiding over that to presiding over this in about a minute so, evidently I'm in the mood so let's get after it. [LB1171]

SENATOR DIERKS: (Exhibit 1) Thank you. Thank you, Senator Erdman and members of the committee on agriculture. My name is Cap Dierks, C-a-p D-i-e-r-k-s, and I represent District 40. I'm here today to introduce LB1171 to the committee. I was approached in November, 2006, with a concern about the production and market availability of ethanol in the state of Nebraska. Specifically, the following question was asked of me. Why can't local farmers buy ethanol at prices similar to large petroleum companies? And I didn't have an answer to that question and introduced LR187 last year to study the issue. Now I'm passing out a copy of LR187 that might refresh you a little bit. An informal hearing was held last year and this bill was the result of that hearing. This bill is a different idea for the Agriculture Committee to consider. Rural economic development has always been an important issue to me during my legislative career. It's very important to the survival and success of rural Nebraska for our producers to grow commodities at the lowest rate possible. Markets in Nebraska should be open to local residents at a fair price. After the hearing last week in the Ag Committee, I want to assure the committee that I am very aware of commerce clause issues. There is no intent with LB1171 to violate commerce regarding the marketing of agricultural commodities. Nebraska's top five grain commodities for cash receipts include corn, soybeans and wheat. In fact during 2006, Nebraska ranked third in ethanol production capacity with twelve operating plants with production capacity of 678,000,000 gallons. Nearly 20 percent of the state's corn crop was utilized in ethanol production. And some figures I got just before I came over here, is that we now have 20 operating plants in Nebraska with eight more under construction. We are the third largest ethanol state, soon to be the second. We're the largest one west of the Missouri River. I have an interesting map here I might just circulate that around for you to take a look at it. It gives you a little picture of the plants in the state that are functioning and some that are under construction. And we know these new markets will develop and continue to develop as far as farmers respond to environmental and global concerns. This bill is an attempt to us, for us to ensure that local markets have the same access to the goods produced in this state as national markets. There are several speakers here today to tell you more about this bill. I'll end my testimony and try to answer questions for the committee. Thank you. [LB1171]

SENATOR ERDMAN: Thank you, Senator Dierks. Any questions for Senator Dierks about LB1171? I don't see any. Thanks, sir. Could I see a show of hands of those who wish to testify in support of LB1171? I've got two. Anyone in opposition? I've got three, four. Anyone neutral. Okay. Proponents, you're up. [LB1171]

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KEVIN KENNEY: (Exhibits 2, 3 and 4) Chairman Erdman, my name is Kevin Kenney, K-e-n-n-e-y. I've got some handouts I'd like to get disseminated. There's a...I'll try to move right along because I understand there's a lot of time constraints. [LB1171]

SENATOR ERDMAN: Take your time. You're all right. It's the people following you that will be under constraint. [LB1171]

KEVIN KENNEY: So what I'd like to do today is to go through a short presentation of what we're leaving on the table in the ethanol industry and I'd like to go through it systematic that basically peels the onion on what the value chain is and where the money is actually going. Now just to bring you up to speed, I had first met with Loran Schmit which is a natural in this state. He was the first person to mix ethanol with gas that I'm aware of, and propose legislation. So I want to start with thanking Mr. Schmit, Cap Dierks, Senator Cap Dierks for sponsoring the bill, and where I come from is a small town northeast Nebraska, Plainview, Nebraska. I went to school at the University, got an engineering degree, and the last 25 years I've been in fertilizer ag chemical and petroleum distribution on the wholesale and retail level and I am just completely incapable of separating the two as ag commodity inputs. I bought diesel fuel in 1999 for 50 cents a gallon. Today it's \$3.00. I received loan rate for my corn. If we go back to loan rate, the 5,000 gallons of fuel per center pivot marked up 600 percent adds up to \$2.50 a gallon. If you're coming from a farmer who pays 7/8 of a cent ethanol tax to support LB536, I find it highly offensive that I can't buy ethanol from a local ethanol plant direct and receive the first handoff of the time, the chance to get the 51 cent blenders credit. There's a 200 million gallon market of diesel fuel that is at risk of being taken over by ethanol, if we could just get a chance to do it. I have heard one ethanol plant after another tell me behind the scenes, how they thought this was a good idea. They came me sound bytes of how this could work, of what we could do as an industry with infrastructure already in place to use direct market access and to create circular dollars within the community. And so that's my bias. I have a lot of inefficiencies when it comes to separating ag commodities, petroleum, I'm sorry, ethanol, corn and soybeans. The federal government considers them a commodity. So does the Chicago Board of Trade. And so I would like to see some sanctioning and some help by the state to address the equal access issues that we've been working so hard to present to you. The first handout I have here is in table 1, and as we go through this, please refer to the flow chart and I'll try to stick to my script here because it's pretty self explanatory. We start out with the local ethanol plant that I thought, and if I heard right, was sold on the merits of being local owned. A farmer owned ethanol plant, local business owned ethanol plant within these communities. The exodus of ownership and control on the local level is reminiscent of what I witnessed as a Farmland industry petroleum sales rep throughout the late '80s and early '90s. When you lose local control, you lose local economy. You lose identity and you lose investment in the small communities. Now maybe that's necessary in some industries, and maybe that's necessary to a point but not when you don't have to add any value to ethanol to use it direct. That is my final bias. I simply

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can't believe that you have to mix ethanol with a, which is a carbohydrate, with petroleum, that's a hydrocarbon. That's poisonous. That causes cancer and increases the risk of explosion and fire. The advantages that we have, if we have equal access, is the crack spread on no lead gas and diesel is around 40 cents a gallon. Now I may be getting into a little terminology but this all adds up. And petroleum and energy costs are second largest input to farm right now, next to rent, the rent check. It surpassed seed corn as far as, and soybean seed, as far as an input to go farm. This is significant. It's gone up 650 percent, the number two diesel fuel to the farm cost since 1999 and what we can do directly to affect that is by, just letting the playing field operate equal. Now I'm outgunned probably and people will testify against this but my bill wouldn't cost a single dime. Immediately, with equal access to ethanol, you could take off the local price on ethanol from ethanol plant, \$4,000 per semi load heading out the door. I think we've been duped and in 2005 I heard the murmurs and in 2006 the giggles and last year the flat out laugh coming from up north. And what we have given up and not only margin per day per gallon of ethanol, but for local ownerships. This travesty that happened in Albion, Ord and Central City, where they started out to community block grant development funds, TIF, Tax Increment Financing, LB536 money, the taxpayers had to put \$20 million out of the General Fund to cover that. This isn't going now to the local communities it was sold to. Now, I'm sure there's logical approaches to argue this but that's the numbers. That's what happened and now, March, you've got a corporation that shows up and they're going to walk in the door and there's no disclosure and they're going to be just like ADM and Cargill. They're going to give you a good price for corn and you're not going to find out what is going on other than they got a price about equal to the rack price. If we look at this flow chart, if you notice on this summary sheet, there's not even an offering to the retail customer for E-100. If we could just fill in that blank with a no cost bill, if we could do what Brazil did where they have four million cars running on hydrous ethanol, which is even cheaper to make than anhydrous, if we could fill that in, we automatically qualify for production tax credit, or a blender credit, I'm sorry, but you can claim straight alcohol fuel credit. This form here, I introduced to a guy that put three ethanol plants together just last week. He looked at me like he'd just seen a ghost. That is \$150,000 a day that could be claimed on local level just on his ethanol plant. And I wished there was a way to sugar coat this but I see there is no way of making headway. I sense it, unless I can not only get your cooperation but to gain your collaborative crusading effort to come out of the Ag Committee, where I think there's a responsibility that resembles where California sat in 2001 when they outlawed MTBE. And by the way, that bold move by California Legislature is why we have an ethanol industry today. They buy 90 percent of our ethanol and we didn't invent ethanol. We're selling into that market. It could be gone in a heartbeat. In Congress this week they're arguing for 64 cents a gallon credit to the production side of ethanol, for sales ethanol. Which I believe in, by the way. But there's no local ownership left, how good is that going to do us. If these local plants can't make the margin, I've been called and the problem I have is that I can't give up these names. I've been called recently in the last week by individual employees, by managers of ethanol plants, mostly stockholders, that

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they can't get any equity out of their investment now. That \$5.00 corn and the average take off contract which I can document, if I'd ever get back on script, right now is around \$1.50. That's a death sentence for an ethanol plant. The corporations polled just last week are averaging around \$2.40. They're getting around rack price. They're not stuck with these marketing contracts, I'm sure everybody here behind me is going to try to defend. Now I used to sell 70 million gallons of fuel a year in Nebraska for the largest supplier of diesel fuel in the state, it was Farmland Industries. I loved that company because we spent out time educating on safety and application of use markets and I'd see no investment in this community from these outsiders. If we don't do something to stop it, we're not going to have an industry that we can have anything to invest in besides stock and Wall Street with another company that comes in here and buys the ethanol. If you look at the retail prices of E-85, just E-85, and that might be easier to break down if you go through the flow chart, but the cost by the time you add the 43 cents ratio per gallon on blended credit versus the 44 cents highway tax for state and fed, that's about a wash, they're marking it up a tremendous amount of money because the local net cost to the industry for ethanol in this, that is sold by the farmer owned, local owned ethanol plants that are still left, is around \$1.00 a gallon. We can realize those benefits immediately if we're given the chance to use these claim forms. This is the biggest wow in the driver in the industry right now. Straight alcohol fuel claim form. If we're given that chance, we can fill the market that can compete and for a rainy day, we'll need it. If we have a Katrina two, if we have worse yet, pipeline terrorist attack, we can be a can-do state who could supply food to the nation but we need this infrastructure to get started. Sweden runs their diesel engines on straight ethanol. They have a Cetane improver. Loran Schmit told me there's 60,000 irrigation wells in the state of Nebraska and half of those are diesel. Over night we can put the fuel additives necessary to run all our diesel engines whether it's tractors, irrigation wells, whatever, on straight ethanol. Believe me, I'm more pro ethanol than you'll ever know but I'm in the sales and market development site and I'm pro Nebraska and I think that we need to have a chance to look at the hard numbers. Look at the claim form, check the numbers, you know, question the answers. I have tried for years to get a confidence build up in an ethanol supply stream. I have worked with ethanol marketing groups. I've been thwarted in trying to build relationships with ethanol plants. I can see there's people back here, they're going to say they told me they could sell me ethanol. Well, I can flat guarantee you, that's baloney. I have people that have sworn testimony that we have, get sent to Linda Plummer. Jobbers in the area, northeast Nebraska, they're saying, just last week they were not only refused to buy ethanol which is 2 percent of the plant's capacity for a day and less than 1 percent of their inventory to the local market. It cost that jobber \$1,600 more for one semi load. The small communities have to eat that. It's not something that we can just make overnight. We have a lot at risk. I would like to open it up for questions but I have Dr. John Eastin follow me up and he's probably a little less emotional about this. And he's looked at this from a business entrepreneurial standpoint and he can, maybe clearly, explain to you how much we could save with the number one input commodity in agriculture right now which is energy and the use technologies

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are a no-brainer. They're here. We have to look at what Europe is doing, what Brazil has done, what India has done and what Sweden has done and especially here in Nebraska, where we're going to be the biofuel Saudi Arabia of the Midwest. This is the capital. We've got the water, we've got the natural resources and within this Ag Committee, we can stand up like California did and do what's right, not only for the environment but for especially our economy. Because today's \$5 corn could be done in short notice. Especially with the huge potential sales of ethanol and we don't hold near the monopoly on that potential as what we do in corn ethanol. So as far as I'm concerned, I would like to ask if there's any questions. You know, I want to spend one more minute here, real quickly. Somebody might need an excuse or an explanation. There's two types of ethanol that you can make and every gallon of 200 proof anhydrous is 190 proof hydrous ethanol. That's Brazil's preferred choice for straight neat ethanol use. The same as Europe, India, Sweden, and a lot of other people that get involved in the game. I've worked, and I'll be traveling to Washington, D. C., tonight to visit with an Alcohol, Tobacco and Firearms Trade and Tax Bureau to get new formulations of ethanol that are more suited for local use, more suited for neat ethanol applications. They have helped me out a tremendous amount and there are a lot of people that believe in this concept. It needs some legislative help. Otherwise it will never get off the ground. The VTEC, and there's a very, very important document that I hope you all take into consideration, maybe even more so than anything I could possibly convince you of, is the University of Nebraska Ag Economics Department, Professor David Peters. He's very concerned. He quoted me, he said he put a PDF out there on the Internet and he quoted the 2006 average ethanol price to a farmer owned 100 million gallon ethanol plant is \$2.58 a gallon. I showed him contracts that were called take-off contracts. He missed it by \$100 million on one plant. He sat there white as a ghost. He couldn't believe it. This isn't a joke, folks. This is really important and I wished that I was more caviare about how to go about telling you this but we have lost a lot of stock ownership. We have got the flagship of ethanol plants. It's around a 200 million gallon plant in Fairmont. It hasn't even made a gallon of ethanol and it had people walk off the job. There's no funding to keep it going. I've heard all kinds of rumors. They're calling me. I don't know. I'm asking you people to find out. Be crusaders in this because this is a huge investment that's going to go out the window. They went around, and I went to their prospectus deal where they wanted money from the local community to help get that started. There's a lot of local assets invested in these stainless steel towers that are going to be there 50 to 100 years. That was kaput, from what I heard. There's others in the state at risk of being bought out like the ADM model in Columbus on 10 cents on the dollar. The Minnesota Corn Processors coined the term E-85. They followed Loran Schmit when he coined the term E-10. The Minnesota Corn Processors had that trademark. They no longer exist. They went under and I don't know what happened there. Don't get me wrong but they're gone and this model happened and it's going to happen again because of the high price of corn and the gap. To me, being a wholesale marketing rep with the Farmland Industries, the largest supplier of number two diesel fuel in the state of Nebraska in the '90s, now they're Cenex, they're a

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different organization but it's a co-op system that farmers started. They have a lot of disclosure to educate us a whole lot on what's going on. I think the chairman used to work for Farmland, if I remember. So you're familiar with...I probably just ruined your reputation. I'm just kidding. [LB1171]

SENATOR ERDMAN: You didn't ruin my reputation, Kevin. I was proud of it as you are. (Laughter) [LB1171]

KEVIN KENNEY: I'm damn proud of it, you know, and we went to the academy. We learned safety and how to help the farmer in his community, okay. And so I'm looking at this like, here's Loran Schmit, E-10, early '70s. That guy was going. We should have on that a long time, harder and sooner but Loran hung in there. And, you know, I know Loran doesn't like what I'm doing and that's why this is America, we can come out and say what we want. E-85, I think that's a pretty good deal, you know. Brazil, they like straight ethanol and there's a need for cleaner denaturants and that's what I've worked on and when you look at who I am and what I am, I'm a salesman. But I've got to make something saleable first. I've got to have a product that can run the farm and I guarantee there isn't a salesman in the state of Nebraska that could save more money than me if I could get at these take-off contract averages. And you can't tell me when the federal government mandates usage of ethanol, 15 billion gallons, that these oil companies need somebody to help them buy the ethanol from the farmer-owned ethanol plants. And you can do something about it. As a body, as an Ag Committee, you can stand up just like California did. And Ben Nelson said that federal legislation follows state, especially in biofuel and environmental and the line in the sand is drawn. This is an ag commodity or this is petroleum product. And I can't go on. I'm going to stop. So you guys, look my stuff over. I want to introduce Dr. John Eastin, if there's no questions. [LB1171]

SENATOR ERDMAN: Hold on there, Kevin. Let's see if there are any questions for Mr. Kenney. Senator Dubas. [LB1171]

SENATOR DUBAS: Thank you, Senator Erdman. Thank you, Kevin, for being here today. For someone who does not understand all the technical things that you have brought forward to us today, could you tell me in laymen's terms, what the benefit of this legislation is to actual ethanol industry and what the benefits of this legislation would be to the communities where those ethanol industries are located. [LB1171]

KEVIN KENNEY: To the ethanol industry. There needs to be a clarification on what that exactly means because my view of that's different than many others. [LB1171]

SENATOR DUBAS: Okay, let's talk about the specific ethanol plants in the communities where they're located. [LB1171]

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KEVIN KENNEY: Okay. Then the farmer owned slash started, possibly business owned within the community, it would mean a whole bunch if they could go and get rack price. See in my hometown, the petroleum industries worked for years on rack pricing as a wholesale model. And daily, our whole mature industry worked on pennies, single pennies per gallon on a transport load of profits or loss. It was that tight. They're take off averages that have been given to me that you can find on the security exchange web site, they're no big secret, are sometimes over a dollar per gallon off and they have never been over that I've ever watched. This is significant. On an ethanol plant that makes 200,000 gallons a day? Oh, yeah, what's the school budget for the school district? We'll just start there. And I understand, you know, there's a lot of money that needs to be invested but you see, the farmer owned ethanol plant still carry the rail leases for the rail cars. And, you know, they're carrying all the risks. The contracts read, well, we're going to charge 2 cents a gallon. Well, you know, okay. They're probably worth it. They were sold to the community as 2 cents a gallon. To the local consumer, you can't use ethanol in your car legally but on the West O Street, there's a place called Speedway Motors and really nothing they have is approved by the EPA. And they do pretty well. I think hot-rodding is a national birthright. I think farmers could automatically use the laws in place to transport ethanol from jobbers, from local ethanol plants or wherever back to their farm. The use technologies can be as simple as pulling the choke half way back on your manual tractor choke. You got to choke the air off. Ethanol works better than diesel and gas. It's a cleaner fuel. It doesn't cause cancer. It's not near as apt to explode as gas. So when you asked what it could mean to an industry? I think it could be the number one business providing revenue to that town and the model right now, it's going to be the number one eyesore, very shortly. [LB1171]

SENATOR DUBAS: Thank you. [LB1171]

SENATOR ERDMAN: Thank you, Senator Dubas. Kevin, I have a couple of questions for you. You mentioned the form that, that 6478 form, that I'm trying to find here that you distributed to the committee. Why aren't people aware of the form? I mean, you mentioned that... [LB1171]

KEVIN KENNEY: I have no idea but I went through a very rigorous investigation of what every possible benefit that a neat ethanol program, a Brazil model, could bring to the Midwest, and I ran into this. And it was the equivalent of finding the Holy Grail. People that were...I have not yet met anybody in the petroleum industry, 20, 30 years standing, that knew anything about this. I found it actually buried within the 2005 Energy Policy Act I was reading one day. All it requires is the first chance to buy ethanol from a producer. It doesn't matter if the guy's got a steel out back approved by the AFT or not. Your qualifications are, you have to have a \$200 claim and you have to apply no more than once a week and they'll write you a check. And on that form you'll note, they'll even give you credit for 190 proof. The government gives you money for water. That's the first and only form you're ever going to find. Okay. And the bio-diesel claim form is similar.

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The industry uses an 8849 schedule 3 or something else. That's called the blenders credit and that's what we've all been taught is our way of getting our credit back. But not necessarily, because there's two sides of government. Well, I'm going to really get in trouble here. There's always two sides of everything but if you look hard enough and long enough, you're going to find some potential. And so with that said, I would just like to let that one sink in before we do any quick thought on what we're doing. We're going to be a one billion gallon producing state here shortly and we're heading towards 1.5 billion in Nebraska. The local agricultural use market, I can say the cooperative system was around 200 million gallons back in the '90s. You know, and your flex towards tri-fuel technologies is where I want to go with this. I want to say to the farmer, look, propane, natural gas, diesel or ethanol. Let's just play the game. Let's give you at least cost to option. It's not the case anymore. We're not given those options. We're told what we're going to get and I think now it's time to stand up and look at the technologies and look at the possibilities. [LB1171]

SENATOR ERDMAN: Kevin, why don't they...I mean, you've given us a lot of information, schematics, how it works, practically speaking, why isn't it, why isn't, why don't ethanol plants sell directly in Nebraska? [LB1171]

KEVIN KENNEY: Some do but the ones that do are usually corporate owned, it's been my estimation. They have what's called a, and lack of a better term, the term they use is 100 percent take off contract. Some of the contracts are now written with a clause that says they can sell 10 percent locally themselves. We're very interested in that. But we want to make sure that they're not discriminated against by the rest of the industry if they go out at average take off and just start cleaning up and helping jobbers. And my infrastructure model is a cooperatives and the rural communities exist in petroleum facilities and if you replace a gallon of diesel fuel, it gives these people another 1.1 to 1.2 gallons to haul back out to the country. They're going to like it and they have flat told me, and we have letters from a jobber, the University of Nebraska Economics Department. I've received nothing but slaps on the back, go get them, roshambaugh, stand up, do what's right. And I can tell you, they're hands are tied. And see, our forefathers put the brick and mortar in this state to where, you know, and they also had some regulation that said, you know, an ag commodity had to be treated pretty decent as far as how we're going to deal with it. So we're not basically stuck with what Cargill wants to pay for example or some large grain company. We have always tried to open markets and I can't lecture the people here in the Ag Committee on how our history and agriculture has transpired in the state but nothing has come close to this that I can see. And I think if we could even the playing field and let the jobbers buy at the same prices as the take off guys, then we would have no issue here. And then getting the access, not only the price break but getting the first chance to buy the gallon gives you the 51 cent per gallon blending credit or straight alcohol fuel credit. See neither one of those you can take advantage of. That in itself is twice as much money than when I paid per gallon for diesel fuel in 1999. That's the dilemma that we're in in energy and we have a

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lot of self-relying capability right now as a state to look at these issues and to do it right. And this is the number one issue, I think, facing our future as an agricultural economy, keeping jobs in the rural communities, keeping people in the small towns, keeping the revenue streams growing. I'm convinced of that and I've sold Senator Cap Dierks on it, at least sponsoring the bill and listening to me. And he's taken time of out his schedule to do that and I want to thank him. [LB1171]

SENATOR ERDMAN: (Exhibits 5, 6 and 7) Thank you, Kevin. Any other questions for Mr. Kenney? I don't see any. Thanks, sir. I believe there's one more proponent. Is there anymore proponents in the room before we get to the good Doctor? I have a letter in support from Robert Byrnes from Nebraska Renewable Energy Systems as well as a letter in support from Gerald Dendinger from Jerry's Service, Inc. in Hartington, Nebraska. We'll add those to the record as an exhibit. I have a letter from the University of Nebraska in a neutral position on LB1171 from David Peters. You are welcome to share your thoughts with us. State and spell your name for us and then you may proceed. [LB1171]

JOHN EASTIN: (Exhibit 8) My name is John Eastin, E-a-s-t-i-n. Thank you for your time here this afternoon, Mr. Chairman and committee. My background, I guess I need to start with that so that you understand a little bit about where I'm coming from. Farm kid that grew up in Madrid, went off and got too much school and ended up as a faculty person at the University of Wisconsin, then into physiological genetics in industry and research, and then I didn't know any better than to go off on my own and be a crazy inventor. And so we come up at it from a perspective of technology making products out of proprietary technology. Our focus as a company has been on crop production input delivery systems. We've looked at this from the standpoint of, don't compete with the big guys, make their stuff better. And we got into the biofuels arena about two and a half years ago when we were looking at by-products for a new project with doing with a spraying system. And that system is now in the process of patents and it allows us to atomize liquids without using pressure against an orifice and because of that, it allows us to atomize fuels in a completely flexible way and feed them at very defined rates, and so that got us into the ethanol arena. The other thing we're working with intensively of formulations is glycerin so our exposure to the biofuels thing is because of product development. And as a person who has to pay attention to the bottom line as a small company, you look pretty close at the sustainability of a...the things that surround a technology before you tread down that path too much. And so Kevin came to work for us about a year ago and he's not passionate about biofuels or anything as you can tell, (laughter) but he...we've gotten further into it and we're looking in our...the spraying system as a key element and we're looking at both heating systems. The ag products lab at the university is cooperating with us and as well as an engine technology. And in the folder, I've given you an outline here about some of the things that I've been exposed to as I've tried to listen to people in the industry, both from a technical and from a standpoint of being in the industry, promoters, producers all the way around. And so I

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thought it would be worth sharing kind of a summary of the feedback I have and the questions I've been asking. And so I've listed those here, one, two, three, four, etcetera, and the first one that was interesting was, clients of people that are working industry had been on them and their board members saying that they don't want to be told what to do by LB1171. And I guess it's my perception, that's not what it does. I think it opens an opportunity for those that are really looking to be in that local economy. The second one was, there was a, the comment was, well, we need to focus on creating demand for getting further into the ethanol blending. Well, the ethanol blending doesn't stimulate the local economy to the extent that it could if we dealt with the use of the ethanol locally. And so my perception is, I looked at that as that LB1171 could facilitate local use of ethanol and that could really stimulate demand. The third one, there's concern about the potential for purchasers requesting small amounts of fuel that could not be accommodated practically. And I think that's not the intent of the bill but I think that could be very easily handled with an amendment, and I think it makes sense that you would require truckload type quantities. That's the way an infrastructure could be developed. You can't have the individuals running around and still expect an infrastructure to be developed would be my bias on that. Another negative that came up was, well, clients are representing it's illegal to purchase 190 proof ethanol. That's because the clients are misinformed and don't understand the law and they don't understand that gasoline is not the only denaturant. And so I've made comments about this but there's...I think it's significant that as we speak, the ATF is, has organized a working group on new denaturants. They have sent us a letter out saying that, look, we know we don't have the right compositions. We know this needs to be, have attention and so Kevin Kenney is going to leave here and head to Washington tomorrow for meetings in a working group on new ethanol denaturants. And it's going to focus a lot on water soluble denaturants, not gasoline denaturants. And of course, that has a lot of technical advantages in vapor pressure, in use of hydrous ethanol, go right down the line on those things. And we're interested in that. We're actually doing research and development work because we can, with our system, provide mixtures of ethanol and other materials that enhance the capability of the fuels to burn. And so ethanol is a primary component in our efforts. Another one that I heard as I listened to people about what's going to happen, well, there's no demand locally. And well, that's true. There's no question about that but that's a function of the fuel distribution infrastructure perceptions on engine technology barriers, you go down the list. A lack of focus, focusing of resources on hydrous ethanol utilization. Hydrous ethanol is actually a better fuel than neat ethanol. And not only is hydrous ethanol a better fuel than neat ethanol, and there's lots of technical reasons we could provide you information on if you'd like, but if you produce hydrous ethanol, you have big production advantages. You do not have to have a mole sieve process at the end. You can actually go all the way down to 150 proof ethanol which eliminates distillation steps as well as makes a better fuel. And so, and there's lots of research on it and so I get into a bias in this particular point about what Nebraska should be doing. I get emotional like Kevin even (laugh). We need to really be focusing. We need to have activity in the state that really pushes local use of

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ethanol and we need to try and become the Brazil model of the United States, as far as I'm concerned. That's...and it's going to take...LB1171 does not do that, but it could be a small step enabling some of the first steps towards that. So I'm biased, I guess, about that. We really need to be moving. Now then, and there are a couple of abstracts in your folder that, I did not put the whole papers in, but you can look at them. These are studies that are done by EPA at the Michigan lab. The efficiencies that they're showing in the engine testing systems with hydrous ethanol, well, actually ethanol all the way from 10 to 100 percent and including hydrous ethanol, 40 percent efficiencies on brake horsepower. That's as good as diesel. Gasoline's 25, so there's a real, if we approach ethanol right, there's a real tremendous opportunity, is my bias. The number seven, the infrastructure, well, the one thing people were saying, well, engine technology for use of hydrous ethanol is not developed and, gee, Brazil doesn't know that it's not developed (laugh) and Sweden and well, lot's of places in Europe. It's not a question. Hydrous ethanol engine technology is very robust. We have just never got there here in this country and I think there are probably reasons having to do with corporate infrastructures and regulations. Obviously you can go down that path but that's beyond the scope of this discussion. The number seven I have here is, the infrastructure of the Nebraska ethanol industry has migrated from farmer owned to corporate and oil industry owned. And I think there's good evidence of that. I think that's not the right thing for us to happen if we're going to have a local economy. And Kevin was talking about the differences in farmer owned or an ethanol plant take-off contract price and I'd just like to emphasize that. The price that is achieved by a corporate owned plant that does its own marketing and those run from 80 cents to \$1 a gallon difference. And the people are required to substantially do their take-off contracts because the financial community is risk averse and they require those take-off contracts. And your approach to this would at least preclude that happening completely. Once those contracts run out and I think that would be a big boon for the state. The current ethanol industry infrastructure moves substantial value out of the state of Nebraska rather than captures the potential value locally. Tax credits are being reaped substantially by out-of-state interests. The spread between rack prices for ethanol and plant take-off contracts is not being captured locally. And how that's captured, some part of it's got to go, you know, you always look at value plies and they have to be, there's always more than one in the dance. And so how is that distributed but it should be staying locally more than it is, is my bias. And so...and you can see these comments, they come from all kinds of different perspectives because I've been trying to talk to the various kinds of parties that are involved in the industry and I'm convinced the industry will go. I'm convinced that we're going to push like crazy to spend more money and we hope we spend it wisely. But we're going to be doing it and I think the one that I have heard from everyone, very strong statement, better control of the market by the ethanol industry producers is needed. And I guess I would say, if you're in Nebraska, Amen. And so I've got a list here, conclusions that I derived out of that. Obviously I've highlighted the better control of markets, that's the big bully as far as I'm concerned. We need to focus on hydrous ethanol and we need to focus on local use of ethanol in Nebraska and we can build up a

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really robust economic stimulus in the state. And LB1171 doesn't do all of that, but it could be a step as far as I'm concerned. Engine technology is not a barrier for ethanol fuel. That's an old wives' tale. A big opportunity is in water soluble denaturants for ethanol fuel. They're safer. They expand the capability to make cheaper ethanol, increase production on a per plant basis, make a fuel that is extremely good for local utilization. This thing could start with the ag markets, the stationary engines. I think it would very rapidly spread if we put the right economic incentives into things, why, infrastructures develop and there's enough of a...from my stance from what I've learned about the infrastructure in Nebraska, is that could happen in a reasonable time frame. So LB1171, I think, could be a tool in facilitating some of this and so if there are questions, I'd be pleased to try and answer them. [LB1171]

SENATOR DUBAS: Thank you, very much, Mr. Eastin. Are there any questions?
Senator Wallman. [LB1171]

SENATOR WALLMAN: Thank you for being here. Thank you, (inaudible) Do you think this fuel efficiency will be here then if we (inaudible) like the E-85. I hear complaints about...I burn E-10... [LB1171]

JOHN EASTIN: Uh-huh. [LB1171]

SENATOR WALLMAN: ...in everything. [LB1171]

JOHN EASTIN: But there's plenty of studies now on the blends and stuff out of South Dakota, stuff out of Maryland, having to do with the stronger blends actually. And they're actually finding efficiencies in horsepower with some of the little more robust plans and that's primarily a matter of engine tuning. And the technology is available and the flex fuel vehicles are, they're going to be better but there's...after market technology that's very reasonable priced now to burn higher blends as well as ethanol. And we think there's going to be some, oh, of course, we have to be optimistic when we go off with crazy inventors but (laugh) they're things that are going to happen that...the 40 percent efficiencies that have been demonstrated in the EPA studies as well as other people's studies, they're real and they're going to come. And so that's going to make ethanol even more important. [LB1171]

SENATOR WALLMAN: Thank you. [LB1171]

SENATOR DUBAS: Other questions? I have one for you, Mr. Eastin. Point number six you talk about engine technology for hydrous ethanol as not developed. In your opinion, why is that we are not developing this in the United States? [LB1171]

JOHN EASTIN: Well, that was the negative I had. And the answer that I have, I got, and that's an old wives tale. Hydrous ethanol engine technology has been developed. It has

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been implemented in Brazil. It has been implemented in Europe and it has not been implemented here. [LB1171]

SENATOR DUBAS: Why, why isn't... [LB1171]

JOHN EASTIN: Partly because of EPA regulations on fuels partly because it wasn't in the self interest of the industry to do so. I think that's probably the biggest factor. I think grandma told me progress is routed in self-interest, Johnnie, (laugh) and I think this is a case of that. But I think it's going to change now and, you know, Sweden is using, they're basically are converting their whole municipal bus leagues. A couple of years ago they had over 400 big diesel buses that were converted, straight ethanol. And they're goal, I'm not sure what the last...I should have looked that up but their goal is to have everything that way and you know, they don't grow their ethanol. They buy it from Brazil so. [LB1171]

SENATOR DUBAS: Thank you. Other questions? Thank you, Mr. Eastin. [LB1171]

JOHN EASTIN: Thank you very much. [LB1171]

SENATOR DUBAS: Others in support of LB1171? Seeing none, those in opposition. [LB1171]

MIKE KINNEY: (Exhibit 9) Good afternoon, Mr. Chairman and committee members. My name is Mike Kinney, K-i-n-n-e-y. I'm the chairman of the board of Husker Ag in Plainview, Nebraska. Husker Ag originally constructed a nameplate 20 million gallon facility which began production in the first quarter of 2003. We just finished a nameplate 40 million gallon expansion at our current location for a total nameplate capacity of 60 million gallons. I'm testifying in opposition to LB1171. My concerns is with Section 2 (a) and (b). This section appears to require Husker Ag to sell any amount of ethanol regardless of the extra cost, labor, and equipment associated with the volume that is purchased. And how will it be decided what is unreasonable or unnecessary quantities as a condition of sale? Is Husker Ag going to have to fill everyone that comes in with a one gallon can? And also I have some concern with selling ethanol in the small quantities like that. You know, I can imagine quite a few farmers coming through with a 50 gallon barrel in the back of their pickup, and out on the highway they get go, you know. It's just kind of a safety concern to me. Another concern is restriction on the contracts in the last sentence in Section 2. Husker Ag currently sells in Nebraska terminal markets such as Omaha, Doniphan, and Norfolk, surrounding state terminals in Yankton and Sioux Falls, and national markets. We do have a marketer sell for us. We sell through one marketer who does resell to Nebraska terminal markets, South Dakota and various other areas. We do sell the product into...lately we've been going clear to Georgia. And wondered how Husker would, would we be in violation of this law since technically I only sell to one marketer? So that's the few comments that I have. I'd be

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open for questions. [LB1171]

SENATOR DUBAS: Thank you, Mr. Kinney. Any questions for Mr. Kinney? Seeing none, thank you very much. [LB1171]

MIKE KINNEY: Thank you. [LB1171]

DAVE JARECKE: (Exhibit 10) Thank you, Senator. David Jarecke, J-a-r-e-c-k-e, testifying on behalf of the Nebraska Cooperative Council. And I'll pass out a position statement. Admittedly, after listening to the proponents of the bill, I think the opposition by the Nebraska Cooperative Council was somewhat technical in nature in terms of the language of the bill as well as, frankly, unclear on the motive behind the bill. In closely listening to testimony has answered some of those questions, although, in follow up to the previous opponent, I think there are still technical concerns and questions within the bill but something that certainly might be able to be resolved with working with council for the committee, so happy to do that. Beyond that, I have no further comments. [LB1171]

SENATOR DUBAS: Do we have any questions for Mr. Jarecke? Seeing none, thank you. Others in opposition to LB1171? [LB1171]

LORAN SCHMIT: (Exhibits 11-14) Good afternoon, Madam Chairman, members of the Ag Committee. My name is Loran Schmit, L-o-r-a-n S-c-h-m-i-t. I appear here this afternoon in opposition to LB1171 and I, for the record, want to offer to the committee a letter from several other individuals that also oppose the bill. This letter is from Mr. Charles Wilson, the president of Trenton Agri Products plant at Trenton, Nebraska. This letter is from Mr. Chuck Woodside, the general manager of the ethanol plant at Minden, Nebraska, and a letter from Allen Sievertsen, the general manager of the Elkhorn Valley ethanol plant at Norfolk, Nebraska, and I have it also testimony here, copies for the members. First of all, I want to say that I'm a registered lobbyist for the Association of Nebraska Ethanol Producers and for a number of other ethanol producers in Nebraska. And I'm appearing here today in opposition to LB1171 and I do so reluctantly, fully aware that Senator Dierks has been a strong supporter of ethanol industry and appreciate everything you've done, Senator Dierks. And I think that this is probably the first time in more than 20 years that I've testified against one of your bills, and so you can excuse me if I'm a little bit apprehensive about doing so. But knowing that you're a gracious gentleman, and one not likely to be offended by my frank testimony, I do want to testify. I have to say that I also appreciate the efforts of Mr. Kenney. I've discussed this with him many times and only recently met the other gentleman, Mr. Eastin, but I appreciate their interest in what they're trying to do. I have to just say that, at this time, I cannot support those efforts and I think perhaps and maybe, Mr. Kenney testified more in regard to some of his personal ideas about how we ought to expand the ethanol market and make ethanol available to a broader section of persons and customers, than

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he did to the bill. And I don't disagree with his efforts to try to expand the market for ethanol. We all want to do that and recognizing that it's taken 37 years to get 10 percent of the market, I hope it doesn't take us another 37 years to expand that market to 20 or 30 percent. But in giving my testimony and directed towards the bill, I want to say that I believe that I, and the ethanol industry, have an obligation to explain to Senator Dierks, supporters of LB1171, and the members of the committee, why we believe that LB1171 is unnecessary and should not become law. And as I've said, I've known Mr. Kenney for several years, have had repeated discussions with him about his interest in developing a new market for ethanol based upon the utilization of 190 proof ethanol. I do not believe, as I read the bill, that LB1171 asks that plants provide 190 proof ethanol to any purchaser, so I'll not go into that any further. Under Subsection 2 of LB1171, the bill states that an ethanol producer shall not refuse to sell ethanol to any motor fuel manufacturer, distributor, marketer, or retailer. The bill does not define ethanol. If the bill refers to 200 proof ethanol, then Mr. Kenney has no problem if he is willing to purchase the product in at least tanker truckloads. Mr. Kenney who testified earlier, as a chairman of Husker Ag has testified, that they will sell ethanol in tanker truckloads to the purchasers. And, I think, in the past, because of Mr. Kenney's experimental report, his purchase on several occasions, small amounts of ethanol, 100 gallons or less, it's not easy nor economical for a plant like Husker or these other plants to market their products in that way, and I think you understand the problems. If in fact, a large number of customers wish to purchase minor amounts of ethanol in that manner, it would not only be an inconvenient but would be very disruptive to the operation of the plant. Mr. Kenney has discussed with me in the past, his desire to purchase 190 proof ethanol. The plants in Nebraska produce 200 proof ethanol denatured with gasoline. That is the only product they produce. State and federal statutes very strictly regulates the sale of alcohol as a motor fuel. We have discussed the possibility of expanding the percentage of ethanol from 10 percent to 20 percent. At the present time, that is not recognized as an acceptable motor fuel. And I wish that I had the engineering background of Mr. Kenney, and the educational background of Mr. Eastin, but I do not have that. I am a farmer and I can only tell you what I know from experience and what we have done in the industry thus far. And I think that we have had difficulty, of course, convincing the American public that a 10 percent blend is acceptable. And Mr. Kenney talks in terms of using the wood alcohol in engines and I know that there have been people who are concerned with filling up with alcohol that contains a percentage of water because of concerns with combustion in certain times of the year. I know that, I have been told that on one occasion a gasoline retailer in Nebraska was unable to obtain ethanol from a local plant near his retailer business. I spoke to that retailer and he told me that occurred last fall. And during that time this plant was changing their marketing system, and they may have been temporarily short of product and not able to sell the product at that time. It was also true at that time, that there were shortages of diesel fuel and we've had experiences in my area with shortages of diesel fuel, and so there's always that opportunity or that a problem might develop. But under Subsection 2, Section (a), the bill states that the producer shall not require any purchaser to pay any fees or charges,

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or difference in price, based on quantity purchased or utilization of the ethanol by the purchaser that does not apply to all purchasers. Volume discounts are frequently used in all kinds of businesses and the ethanol industry should not be prohibited from employing those business practices which they find are desirable and productive to their businesses. There is, Mr. Kenney expressed concerns about the plant's utilization of marketing. People who have expertise in the marketing. It has been determined by the industry that although a 60 million gallon ethanol plant seemed like a lot of ethanol, it is not a lot of ethanol when you try to market it to the major ethanol or major gasoline companies. The ethanol industry, as Mr. Kenney has properly outlined, is in the unenviable position of having to have our competition market our product. And so they're not interested in selling any more ethanol than they have to, and so to the extent that we have less ability to negotiate with those purchasers of our product, we weaken our ability to get a fair price for that product. And I know that, some of the ethanol marketers have marketed their product individually and did so successfully. That depends upon their own brand of expertise and their own degree of expertise. And perhaps, as the industry matures and grows, it will be able to do a better job of marketing but until that time, again as Mr. Kenney mentioned, the bankers who financed these plans want some kind of assurance that the product is going to be marketed profitably. And so for that reason, they insist, or not insist, but prefer that there be some kind of marketing arrangement. The Subsection 2 states that there shall not be any unreasonable or unnecessary quantities as a condition of the sale. And Mr. Eastin, I believe, pointed out that they do not intend to try to purchase multiple quantities of the product and so that problem has been resolved. And I spoke to former Senator Bob Dickey yesterday, and he pointed out that he recognized that he would probably have to amend the bill to make certain that there would not be a requirement to sell in small lots of 100 gallons or so. I also strongly object to lines 16 through 19 of the bill which states that it's against the public policy of this state for ethanol producers to enter into a single or multiple total production contract with products totally consumed by one market. Again, the definitions are lacking. We have not identified what is one market. We have not identified what would be a single or multiple contract, and I think that it would not be fair, and I don't think the state of Nebraska should adopt a policy which prevents a single industry ethanol from benefiting from marketing contracts, which may be necessary to preserve the financial integrity of the business. Under Section 3, if the bill should become law, the individual harmed, well, we hope it wouldn't happen, the individual harmed would have sufficient recourse, I believe, without asking for equitable relief or injunctive relief, as I understand those causes of damage. Mr. Chairman, Madam Chairman, members of the committee, I would ask, I do not believe the bill is necessary. I appreciate the discussion and I think that, as I said earlier, industry owes Senator Dierks and the proponents to the bill our reasons of why we do not support the bill and I would hope that the bill would be indefinitely postponed. I'll answer any questions. [LB1171]

SENATOR DUBAS: Thank you, Mr. Schmit. Any questions for Mr. Schmit? Senator

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Dierks. [LB1171]

SENATOR DIERKS: Thank you, Senator Dubas. Senator Schmit, you and I have discussed ethanol issues for so long we feel like we're first cousins, don't we? (Laughter) Why, one of the issues that we've talked about is some of the loss of control of the ethanol industry by our state's citizens and how we could have some method of recapturing some of the profits that go out of state. One of the reasons that I introduced legislation for Kevin Kenney was that, that reason. You know, I'm always interested in talking with people who have some idea of about how this could happen and if you have any answers to me, for me on that, at this point I'd sure be glad to hear them. [LB1171]

LORAN SCHMIT: Well, Senator, I've wore out automobiles and pickups and airplanes and helicopters and about everything else, every kind of transportation known to man, to travel across this state and this country trying to convince farmers to invest in these plants, part of the time with some help from Senator Chambers, from years ago. (Laughter) But in any case, I wasn't really successful and I met with a number of bankers here a while back who were, you know, limiting the fact that we didn't have enough farmers and local people that had invested in those plants. And I said, gentlemen, I hold you responsible. You would loan a farmer \$200,000 to invest in a combine or \$100,000 to invest in a tractor but you would not loan that farmer for the same resources, money to invest in ethanol plant. And now because we have seen investments by major firms, major investment companies, you're concerned that we don't have enough local control, and I don't know what we do about it. I don't know how you recapture that, Senator, once you've lost that. And Mr. Kenney talked about the plant at Columbus. It's in my back yard and it was owned by farmers at one time. Very frankly, there was some poor management there which resulting in ADM being able to buy that plant and so I think we've developed some expertise. We have several well managed, locally owned, plants and I've encouraged others to do so but I don't know what you do, Senator, to get back that percentage of the production today that has escaped us. Well, we were on the ground floor but we didn't, we missed the boat. [LB1171]

SENATOR DIERKS: Thank you. [LB1171]

LORAN SCHMIT: Any other questions, I'd be glad to try to answer them. [LB1171]

SENATOR DUBAS: Other questions for Mr. Schmit? [LB1171]

LORAN SCHMIT: No questions? Thank you. [LB1171]

SENATOR DUBAS: Seeing none, thank you. Other testifiers in opposition. Seeing none, neutral testimony. Seeing none, Senator Dierks, would you like to close? Senator Dierks waives closing so that will close the hearing on LB1171. And I think LB1172 is

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next. Okay. Well, since the Chairman is back... [LB1171]

SENATOR ERDMAN: Thank you. Senator Hansen's hopping along somewhere. I've seen him in the hallway a couple of time so we'll give him a few minutes to arrive. Can I see a show of hands of those that are testifying on LB999? Let me rephrase that. In favor of LB999? Three. Opposed? One, two. Neutral? Okay. Well, we'll sit and await Senator Hansen's arrival. Can I see on LB1172 how many wish to testify in support? Two, four, five. Opposed? Neutral? Okay. Senator Dierks, you know how to draw a crowd. [LB1171]

SENATOR DIERKS: We'd saying that, get in the right place at the right time sometimes. [LB1171]

SENATOR ERDMAN: Senator Hansen, we had a motion on the table to IPP your bill but we decided to hold off until you actually opened on it. (Laughter) We have, if you want to know, there are three proponents, two opponents and one neutral, I believe, on your bill so if that helps you at all but you're welcome to open on LB999. [LB999]

SENATOR HANSEN: Thank you, Senator Erdman and members of the Agriculture Committee. My name is Tom Hansen and I represent District 42. I'm here today to introduce LB999 and the reason I've introduced this bill is because what a bank in my area experienced. Someone tried to commit a fraud against the bank and succeeded, even though the bank was acting with due diligence. This person failed to notify the bank of a leased brand issue. When the bank customer defaulted on his debt to the bank, the bank attempted to recover possession of the livestock collateral. The bank was then subject to the burden of proving that the cattle were branded with the brand which had been leased to a third party that the cattle were actually owned by the bank customer. The representative from that lending institution is here to follow me and explain the details of what transpired, and a representative of the Nebraska brand committee will explain how changes of rules and regulations will correct the problem. Any questions? [LB999]

SENATOR ERDMAN: Thank you, Senator Hansen. Are there any questions for Senator Hansen? [LB999]

SENATOR HANSEN: I do have a handout. I'm not sure the, what the representative from the Nebraska Brand Committee has but I do have a copy of what the rules and regulations change would be. Do you have a copy of those? Okay. That's all. [LB999]

SENATOR ERDMAN: Okay. Thank you, sir. I believe we have three testifiers in support. You can choose how you'd like to come forward, whichever one wants to go first. And before you begin, make sure you state and spell your name for the record. [LB999]

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GREG WILKE: (Exhibit 15) My name is Greg Wilke, G-r-e-g W-i-l-k-e. I am senior vice president, senior lender at, excuse me, I'm going to start over. Chairman Erdman, and members of the Ag Committee, my name, as I said earlier, is Greg Wilke, senior vice president, senior loan officer at First National Bank, North Platte. And I appear before you today on behalf of the Nebraska Bankers Association in support of LB999. I do have a written summary here to distribute. As Senator Hansen led in, we operate a lending institution in western Nebraska that encompasses basically the western third of Nebraska, all of the brand territory. And as a normal course of business, our procedures would include your normal filings to reflect our security interests and then also other elements upon due diligence to follow up on the perfection of that interest. And one of those elements that we do on a customary course of business is, we do verify brand holdings as well as the brands of the cattle pledged as collateral. And in this particular instance, we entered into a business relationship with a customer who provided to us information that included a registered brand in the state of Nebraska and sometime during a relationship that issue changed and the brand was then leased to a third party. And what that did to the bank is, we continued to verify collateral in a visual manner as we always do, and the brand on the cattle that were represented to us was leased to another individual thereby helping the customer commit a fraud, represent collateral to the bank that was not owned any longer by him due to the transfer of the brand to that third party. You know, we feel that we did everything in our power under normal course of business to protect our interests. We properly perfected our security interest by filing a financing statement. We also filed an effective financing statement which would ensure our name would be listed on any payments made for the purchase of cattle owned by this customer. And we conducted a lien, or excuse me, we verified the brand being recorded in the customer's name and subsequently inspected cattle which served as collateral for this loan on a regular basis. Currently the brand statutes allow for the assignment of brand to be recorded without any consent from the lender or any notification to the lienholder regarding the assignment of the brand, which indeed placed us at risk and additional risk in which we used to verify the collateral as pledged for our loan. That concludes my verbal. Any questions? [LB999]

SENATOR ERDMAN: Thank you, Greg. Any questions for Mr. Wilke? Your First National Bank of North Platte is the same entity that has branches throughout the Panhandle, correct? [LB999]

GREG WILKE: Correct. [LB999]

SENATOR ERDMAN: Even though it's located in North Platte, it's also the other First Nationals. [LB999]

GREG WILKE: Scottsbluff, Gering, Alliance and Chadron. [LB999]

SENATOR ERDMAN: Okay. Just wanted to make sure I had that clear. Other questions

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for Greg? Don't see any at this time. Thanks, sir. Next testifier in support, please.
[LB999]

JERRY STILMOCK: Senators, good afternoon, my name is Jerry Stilmock, S-t-i-l-m-o-c-k, testifying on behalf of my client, the Nebraska Bankers Association. As Mr. Wilke has responded and testified, LB999 in its introduction, after we introduced it, the Nebraska Brand Committee has stepped forward. It's our belief that we're going to continue to work with the brand committee. It's our belief that they're going to try to resolve the issue at hand through its regulations. And based upon that, we'd ask the committee to please hold the bill, give us some time to work with the committee and, the brand committee, and try to resolve it through rules and regulation process. And that's the extent of my testimony, Senators. [LB999]

SENATOR ERDMAN: Are there any questions for Mr. Stilmock? Senator Wallman.
[LB999]

SENATOR WALLMAN: Mr. Stilmock, is this quite common, this leasing these brands out in feedlots? [LB999]

JERRY STILMOCK: You know in the, I think the cattlemen and the brand committee they're going to come behind me. It sounds like it, you know, it is common that they do lease these out, much to the bank's surprise in this circumstance anyway, sir. [LB999]

SENATOR WALLMAN: Thank you. [LB999]

SENATOR ERDMAN: Thanks, Senator Wallman. Other questions? I don't see any. Thanks, Jerry. [LB999]

JERRY STILMOCK: Thank you, Senators. [LB999]

SENATOR ERDMAN: Next testifier in support, please. [LB999]

DAVID JARECKE: (Exhibit 16) Thank you, Mr. Chairman. David Jarecke, J-a-r-e-c-k-e, testifying in support of LB999 on behalf of the Nebraska Cooperative Council. Nothing of any significance I can offer other than stating that Nebraska Cooperative Council as a lienholder frequently, and as a seller of feed products to various livestock producers, could also potentially have this problem in being notified as such as a lienholder and supports this bill. Thank you. [LB999]

SENATOR ERDMAN: Okay. Do have any questions for Mr. Jarecke? David, have you been visiting with the representatives or the members of the co-op council, have they run into similar cases with leased... [LB999]

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DAVID JARECKE: I am not aware of any cases where we have lost money as a result of this lease of any brand, no. [LB999]

SENATOR ERDMAN: Okay. Very good. Thanks, sir. Anyone else in support of LB999? I see none. Those in opposition? It's a race to the front. [LB999]

PETE McClymont: Chairman Erdman, members of the committee, I'm Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I'm a registered lobbyist for the Nebraska Cattlemen and we are here in testifying in opposition of this bill. Obviously, banks need in lending institutions to have the ability to access all public documents to perfect their loans and so we don't want somebody that has abused the system to get off. Banks deserve to be first in line. On the other hand, it's our understanding, as Mr. Stilmock said, is that the rules and regs that the Nebraska Brand Committee has, will be able to satisfy, I think, the need of this instance and so for this bill, we would like to think that it can be handled that way. Also too, it's our understanding, one of my fellow staff members in our Alliance office has talked about where there can be some confusion on brand issues. That the Nebraska Brand Committee is going to develop a handbook for producers in and out of the brand area to understand all the rules that they need to comply. And so an issue like this where a lot of us, myself included, didn't realize the leasing of brands is not uncommon, if not popular. So people on all sides of the fence can understand that issue and we can deal with that and hopefully don't have to create a, in statute, something that can be developed and utilized in rules and regs. And so with that, we would conclude our testimony in opposition of LB999. [LB999]

SENATOR ERDMAN: Thanks, Pete. Any questions for Mr. McClymont. Senator McDonald. [LB999]

SENATOR McDONALD: I'm trying to understand this. So a farmer branded his cattle with that brand and then he decided to lease that out. He does that on his own, lease that brand to another rancher to use on their cattle? [LB999]

PETE McClymont: The brand committee will be better able to answer that but it's my... [LB999]

SENATOR McDONALD: Oh, they're following you? [LB999]

PETE McClymont: Yeah...and also too but I think, if for instance, I needed a brand and you had a brand and I wanted to have different identification and I'd use my brand on my cattle but I had a different set of cattle, I could go and lease your brand. And so with that, it's my understanding that that can be registered with the brand committee, the state brand committee, so that they know that there are different ownerships with that brand different than the original owner of the brand. [LB999]

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SENATOR McDONALD: So then, in this situation they're talking about, the bank thought the cattle by the third person was collateral for that bank or was it in default and they tried to recover those cattle? [LB999]

PETE McCLYMONT: I'm not familiar with the specific instance so I think the brand committee can better answer that, Senator. Sorry. [LB999]

SENATOR ERDMAN: Thank you, Senator McDonald. Other questions for Pete? I don't see any. Thank you. [LB999]

PETE McCLYMONT: Thanks. [LB999]

SENATOR ERDMAN: Next testifier in opposition, please. [LB999]

LINDA ANDERSEN: (Exhibit 17) Good afternoon, Senator Erdman, members of the committee. My name is Linda Andersen, last name spelled A-n-d-e-r-s-e-n. I'm here today on behalf of the Nebraska Brand Committee to speak in opposition of LB999. And I would like to point out that the handout is just a first draft of new rules and regulations that we're proposing, certainly not a finished draft. The Nebraska Brand Committee fully realizes the gravity of the issues that have been brought to light through the introduction of this bill. However, we feel that this matter can be better dealt with through our brand committee's rules and regulation making process. This process would allow all parties to come together in a cooperative effort to establish a well thought-out strategy that will best serve the cattle industry over all. Members of the Nebraska Brand Committee are committed to working closely with all the associations that have an interest in this matter. We urge that you indefinitely table this LB999. [LB999]

SENATOR ERDMAN: Thank you, Linda. Any questions for Ms. Andersen? Senator Dierks. [LB999]

SENATOR DIERKS: Ms. Andersen, I have four registered brands and I use two of them. Do you suppose I can find someone to lease the other two? [LB999]

LINDA ANDERSEN: You probably could. (Laugh) [LB999]

SENATOR DIERKS: That would be possible? [LB999]

LINDA ANDERSEN: What's that? [LB999]

SENATOR DIERKS: That would be possible? [LB999]

LINDA ANDERSEN: Yes. [LB999]

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SENATOR DIERKS: Okay. Thank you. [LB999]

SENATOR ERDMAN: Thank you, Senator Dierks. Linda, how common is the practice of leasing brands? I mean, is it more common than we realize and common practice? What's the process now? Was the situation that came up simply a reality that the rules and regulations of the law didn't provide for the proper safeguards or were there things along the way that could happen in a case that still may cause problems under that practice? [LB999]

LINDA ANDERSEN: You...there are not very many brand leases in a year. I think Steve looked that up and we have five or six per year. And usually, when this is used is by feedlots. They may own several brands. They get a group of out-of-state cattle in. They lease a brand to that out-of-state producer, put the brand on that set of cattle. And then when they are shipped, it simplifies things in case those cattle are carrying several out-of-state brands. It just makes it a cleaner setup for our brand inspectors at the time the cattle are sold. And it's not very common, you know, in cattle producers and I suspect that this situation we're talking about, the person probably knew he was in trouble. And you know, I think, there was obviously a purpose for this lease. And it's very unfortunate. I think in our proposed rules and regulations we could put in some safeguards for the lending institutions that would cover problems such as this. [LB999]

SENATOR ERDMAN: Let me ask you briefly about your rules and regulations that you've distributed, not that this is your public hearing because you'll have to do that as I understand it. The language refers to lending institutions both in the first line of the purpose statement as well as in the first bullet point. We've heard testimony today from the coop council. Technically, if they're financing the inputs may be considered a lending institution indirectly but realistically they're more of a lienholder or supplier. Is it the intent of the rule to allow for the lienholders to be given written notice or to provide written notice to the brand committee that they have an interest or is it narrowly tailored to just lending institutions? [LB999]

LINDA ANDERSEN: It's my understanding that it would be anyone with a lien against the cattle, not specifically lending institutions. [LB999]

SENATOR ERDMAN: Okay. And so one of the things, just an observation, is maybe where it says lending institutions, lienholder or some similar term that refers to the position that that individual, that entity has as opposed to the type of business that they do. Maybe clarify it and I'm sure the folks from the coop council or some similar entities would like to make sure that it's clear that even if they aren't a "lending institution" that they would still have access and I think generally that's what that does but it might be just a technical thing. [LB999]

LINDA ANDERSEN: Yes. [LB999]

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SENATOR ERDMAN: Other questions for Linda? We, as a committee, appreciated the time that you and other members of the brand committee spent with us in Scottsbluff and look forward to continuing to work with you as you plan and strategize about the future of the committee in trying to determine how to best serve the needs of the state. But appreciate your willingness to meet with us, share your opinions and we recognize your willingness to resolve those issues and continue to work together with the producers and all in the state to benefit the industry so, appreciate it. [LB999]

LINDA ANDERSEN: Thank you. [LB999]

SENATOR ERDMAN: Good luck, and if we can be of assistance, please let us know. [LB999]

LINDA ANDERSEN: Very good. [LB999]

SENATOR ERDMAN: Others wishing to testify in opposition of LB999? I see none. Neutral? I see none. Senator Hansen, you're recognized to close. [LB999]

SENATOR HANSEN: Thank you, Chairman Erdman. Senator Dierks, I think if you have four brands and you want to lease those two out, all we would ask that you tell the brand committee that you have leased those two brands out so when that gentleman, the third party, goes and borrows money from the bank, that you, in your ornery days, go up there and round those cattle up and sell them under your name so. (Laughter) That's kind of the reason for this bill, is the ornery ones. [LB999]

SENATOR DIERKS: Oh, I see. I'll try to quit that ornery business. [LB999]

SENATOR HANSEN: Nebraska brand registry has been around since 1940. Registering brands is important to the western part of the state where we brand our cattle. We want to be sure everything is adhered to, to protect our property and to protect the banks that we borrow from. The Nebraska Brand Committee appears to have addressed the loophole, rather the ability to commit fraud, by making changes to the rules and regulations. I want to thank the Nebraska Bankers Association, Nebraska Cattlemen's brand committee along with the Nebraska Brand Committee for their diligence in working on a solution that ensures fraudulent acts like this will not happen again. Thank you, Chairman Erdman. [LB999]

SENATOR ERDMAN: Thank you, Tom. Any questions? Tom, just one that I had and you obviously have experience in your previous life as a representative on such committee. Is it common to have leasing of brands in other states as well or is this somewhat of a phenomenon here in Nebraska or are there other similar practices, whether it's brands or... [LB999]

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SENATOR HANSEN: That I don't know about other states. I wasn't aware that it was that common in Nebraska. The Nebraska Brand Committee told my office this morning that there's six, seven, maybe eight brands leased every year. I think it's probably more common than that. [LB999]

SENATOR ERDMAN: Right. [LB999]

SENATOR HANSEN: But it's between honest people and when you get someone that's bound and determined to prevent, or to do fraud, those are the ones that get by and it was a loophole that we didn't know about. So it was a learning experience and I think the loophole will, hopefully, has been closed. The Nebraska Brand Committee will have a public hearing in the brand area on these new rules and regulations concerning leased brands. [LB999]

SENATOR ERDMAN: Okay. Senator Dierks. [LB999]

SENATOR DIERKS: Well, Senator Hansen, I just...my thought was when I asked Linda about that, if there were, if I could lease those two brands, I thought if the dollar amount was good enough I'm interested you see, and maybe she could send someone to me. (Laughter) [LB999]

SENATOR ERDMAN: You're looking for a clearinghouse, huh? You're looking for a willing partner. [LB999]

SENATOR DIERKS: I want it to be legal. (Laughter) [LB999]

SENATOR ERDMAN: Understood. Thank you, sir. [LB999]

SENATOR HANSEN: Thank you. [LB999]

SENATOR ERDMAN: Appreciate your testimony today and all those who testified on LB999. That will close the hearing. We will now proceed to LB1172. Senator Dierks, you're recognized to open. [LB1172]

SENATOR DIERKS: (Exhibits 18-22) Thank you, Senator Erdman and members of the Ag Committee. My name is Senator Cap Dierks, spelled C-a-p D-i-e-r-k-s, and I represent District 40. I'm here today to introduce LB1172 to the committee. As a veterinarian, I've had many concerns about the declining number of food supply veterinarians locating in rural Nebraska over the years. According to the American Veterinary Medical Association the supply of veterinarians working in food safety will decline by 4 to 5 percent annually through 2016. After the attacks on September 11, it became obvious that our nation is vulnerable to terrorist attacks. Our airlines were

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targeted on that terrible day in 2001 but other areas, including our food supply, are in danger of attack as well. Unfortunately, bioterrorism is a reality and we must have trained professionals in place to handle such a threat. This bill, LB1172, proactively enhances homeland security in Nebraska by encouraging food supply veterinarians to locate in the underserved areas of our state. There are other threats to our food supply system in addition to bioterrorism. These threats include the following diseases, BSE, better known as mad cow disease; foot and mouth disease; avian influenza; West Nile virus; tuberculosis and brucellosis. These diseases are called zoonosis which means they are transmissible to humans and could devastate the livestock industry in Nebraska as well. According to the February, 2007, Nebraska Agricultural Fact Card, Nebraska ranked number one in commercial red meat production in 2006. Second in all cattle and calves, sixth in hogs and pigs on farms, and seventh in net farm income. We must have enough food supply veterinarians in our state to make sure agriculture in Nebraska continues to thrive. During the interim, I organized a group of veterinarians and representatives from the various ag groups to sit down with me and discuss ideas for a bill to attract food supply veterinarians to Nebraska. LB1172 is result of those meetings. Let me give you a quick summary of the bill. LB1172 will be administered through the Nebraska Department of Agriculture. Each year the department will select four veterinarians to participate in the program. Selected veterinarians will be eligible to receive up to \$80,000 under this program as an incentive to move to and practice in rural Nebraska. After year one, the payment to the veterinarian will be \$15,000. After year two, \$15,000. After year three, \$25,000. And after year four, the veterinarian will receive \$25,000. The program is purposely weighted more heavily at the end to encourage the veterinarian to complete all four years. There are eligibility requirements such as being a graduate of an approved veterinarian medical school and licensed to practice veterinarian medicine in Nebraska. There are also provisions to release a veterinarian from this state contract without penalty if certain conditions are met. This program is funded through general funds. I am passing out several handouts to the committee members. Art Hovey wrote an excellent story about this bill, which is one of the items you are receiving. Also there's a map and a specific breakdown of Nebraska counties as found on the AVMA web site. This information as of September, 2007, details the county by county number of total food animals, total food animal veterinarians, animals per veterinarians and the number of counties without veterinarians. In Nebraska, there are thirteen counties without veterinarians, Banner, Deuel, Dixon, Fillmore, Greeley, Harlan, Hitchcock, Logan, Loup, McPherson, Perkins, Sioux and Wheeler. I would also point out, Cherry County, which has two veterinarians who are responsible for 291,561 food animals in that county, that breaks down to 145,781 animals for veterinarian in Cherry County, Nebraska. In 2003 the federal government passed the National Veterinarian Medical Services Act as response to the shortage of veterinarians who protect our food supply. Unfortunately, the USDA has not implemented this program and various states have individually responded to this crisis. The latest statistics from the AVMA shows that as of April, 2007, Kansas, Ohio, Louisiana, Maine, Pennsylvania, Missouri, and North Dakota and Vermont have passed

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legislation using the form of loan forgiveness programs to attract veterinarians to their states. The AVMA statistics also show that most young veterinarians complete their education with a loan debt of \$106,000. LB1172 would help our state attract young veterinarians to practice in rural Nebraska and also to attract veterinarians who may not have loan debt but need assistance in setting up a practice. We do not want to exclude any qualified veterinarian from moving to Nebraska and participating in this program which is why LB1172 is an incentive program, not specifically a loan repayment program. LB1172 will also help to protect and enhance agriculture, the most important industry in our state and nation. Thank you for your time and attention. I'll try to answer any questions you might have. [LB1172]

SENATOR ERDMAN: Thank you, Senator Dierks. Questions from the committee? Senator Dubas. [LB1172]

SENATOR DUBAS: Thank you, Senator Erdman. Thank you, Senator Dierks, for this bill but in looking at the information that you passed out to us today and just knowing about this issue firsthand, is this enough for us? Is this bill enough for us to get large animal veterinarians out into the areas where we really need them? [LB1172]

SENATOR DIERKS: I think it is. It surely would have had an effect on me when I started practice. I think that if we limited it to four veterinarians per year, so that you could have as many as 16 veterinarians over a period of four years, and that would make a tremendous difference for us in Nebraska. I've been concerned with, and I talked to, just at noon before coming over here, with Senator John Melcher, he's the United States Senator, the former United States Senator from Montana, who is also a veterinarian. And he had written to me or called me several years ago and wanted me to write a letter to then Secretary Johanns concerning that bill I talked about a little bit ago. The funding has been put in place by USDA but it has to be accessed by the Department of Agriculture. They asked me to come to D.C. last September and visit with Secretary Johanns about this issue and he assured us that he would access those dollars. And then he resigned about a week later to take a run for the United States Senate from Nebraska, so I asked Senator Melcher at noon today if that fund had been accessed yet and he said it had not. And so I intend to do a little more writing and see if we can't get them to access those dollars. Actually they do somewhat the same thing as we do with our bill but it hasn't been happening and so we really need to have something like this. I'm not sure if people really realize what the fallout would be if we would have an anthrax accident out there. That would be absolutely horrible because you can't treat...well, I guess you can, if you get an anthrax animal before they show any signs, you can treat them with penicillin but you don't see them before they have signs. I went to an anthrax outbreak in South Dakota one time. The owner of the cattle had 600 cows up there and 60 of them were dead and they were just like black dots on those brown hills. But the thing that happened was, the anthrax spore lives in those lakes, they're water holes. That particular summer those water holes all dried up. They had to haul

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water from town to water the cows so these cows had been walking through these spongy places in the water holes and that's where that spore lives, and they hadn't been vaccinated. And so we were up there vaccinating cows. A terrifically deadly thing and the only thing you can do with them is bury them and burn them or burn then and bury them. That's the only...I don't think you can take them to rendering plants. It's a...they had, there's a disease among people called woolsorters' disease and this was something that happened when people in the slaughterhouses were slaughtering lambs and they picked this anthrax spore up in the wool of the sheep and get it on their hands, and it was fatal. So I mean it's just something we really need to take care of and this isn't the simple way but it's the best way I know of to do that. It's difficult to get, when you take into consideration that the number of graduates from veterinarian school today across the nation approximately nearly 80 percent of the graduates are women graduates. That will leave like 20 percent would be males. Most of the ladies don't get into large animal practice. Some do and those that do are very good. I know several of them out in the country that do so if we're looking for men to come out there and there's only 20 percent of the graduates are men, you have to also be able to entice their wives to come out there. And you also have to consider that some of those men are going to go into research, some are going to go into companion animal veterinarian medicine, some will be going in to work with the government so I mean, it really limits the number of people that are available for us. So I think that what we've asked to do here, I think, is very important for our state and for our nation. [LB1172]

SENATOR DUBAS: I don't disagree that this is important. I guess I just have some concerns with knowing what the demands are on large animal vets and the shortage that we have out in the rural areas and, you know, it's not just the money it's, you know, the amount of time that they're on call. In fact, they're on call all the time and that's, you know, that's a huge issue. So I see this as something that's important to help them, you know, take care of their loan obligations but as my first question stated, is this enough to get them to be willing to make the sacrifices that they have to make to come into the rural areas and be a large animal vet? [LB1172]

SENATOR DIERKS: Well, the total amount that they would receive over four years is \$80,000, I believe. And we feel like that should take care of most of the problems that they have with loan repayment from school loans. Maybe not be enough. I don't know but we have to also be a little bit concerned about the budget process in Nebraska and hopefully, we will be able to accommodate even this much. [LB1172]

SENATOR DUBAS: Well, I know in our area we had a young vet who was an outstanding large animal vet but just because of demands on his time, there was just him and the other vet in our area, so had very little time off. Was on call most of the time and he was able to go, he still stayed in large animal practice but he was able to go to an area where there were more vets so he was assured of more time off not having to be on call as much. So I see that as a challenge for us especially in the areas where we

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don't have as many veterinarians to, just the demands on their time. [LB1172]

SENATOR DIERKS: Yeah, well, I understand that. I was there. I did a solo practice for '61 to '73, for 12 years and then got into a partnership. And it was amazing the difference it made to have a partner to help take care of the weekends and the calls at night and it was just...it made a lot of difference in my practice. [LB1172]

SENATOR DUBAS: Thank you, Senator Dierks. [LB1172]

SENATOR DIERKS: You bet. [LB1172]

SENATOR ERDMAN: Thank you, Senator Dubas. Senator Dierks, talk to me about the USDA nonprogram, I guess, we'll call it. As reading through the AVMA's press release dated February 8, 2008, talks about the USDA administering a loan repayment program and Congressman Kingston of Georgia referring to it, \$1.9 million appropriations for that program. Can you give me some more details if you know about what program looks like? And the article also talks about, maybe, some of the complications of the USDA have actually, administering the program but that's targeting a loan repayment for the actual medical or the veterinary school. [LB1172]

SENATOR DIERKS: If they're veterinarians who go to underserved areas and those...I don't think they show you on that map but there's a map of the United States that the federal government publishes as underserved areas and it's not hard to find out where they are. There's a strip of ground between Canada and Mexico that covers the western part of Nebraska and South Dakota and North Dakota, Kansas, Oklahoma and Texas. And in the other side of the valley and, you know, Colorado, Wyoming and Montana, that just has a dickens of a time finding food animal practitioners. So that's the thing that they're targeting, I think, is those underserved areas for the same reason that we are this bill for food safety from a biosecurity standpoint. And I don't know for sure what the amount of payment that they get at the federal plan but we discussed that. We discussed that at one of our gatherings last summer with the people that we're trying to get this bill put together and it was unanimous decision by them that we really need to go ahead with this because you never know for sure that others going to happen, you know. [LB1172]

SENATOR ERDMAN: How did you arrive...I think you mentioned that it cost about \$100,000 for an individual to complete the medical school or the veterinary medical school for training. How did you arrive at the \$80,000 and how did you arrive at \$15,000 for the first two year and \$25,000 for the next two? [LB1172]

SENATOR DIERKS: Well, that was just a matter of negotiations. We worked and worked and we'd make one...we've have a discussion that one way would work and somebody else would say let's try something else and this is what we ended up with,

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with the round table discussion we had with people. [LB1172]

SENATOR ERDMAN: And the decision was made to make it a direct payment to the practitioner as opposed to the loan forgiveness... [LB1172]

SENATOR DIERKS: Yep, yep. [LB1172]

SENATOR ERDMAN: ...is that, was that, obviously done intentionally. Was there a rationale to do it that way versus trying to help them with the forgiveness of their loans? [LB1172]

SENATOR DIERKS: See, I'm not sure we even considered it any other way. I mean, I think, that this is the way the programs works across the nation, other states, and that's how we did it that way. [LB1172]

SENATOR ERDMAN: Okay. One last question. Both the federal, well, not both, but the federal program refers to underserved areas. In the event that we would have applicants apply for this program, should it become law, would you think it would be appropriate to include language of giving preference to those underserved areas? We have the map, I think, that you've given us about the different counties in the state and who has the veterinarians for food animals currently. Is that something that we should also be considering so that way if there's an ability to target, you know, maybe it's the Cherry County example where there's 150,000, 145,000 head of animals per veterinarian versus a similar county that has maybe half of that. Is there some, should we be targeting it more or should we hope that our friends in the USDA can get their program on line to target those underserved areas instead? [LB1172]

SENATOR DIERKS: You know, I thought that we did target it to the underserved area. I didn't...I don't see that in my opening here but I think we did target it to underserved areas in Nebraska as well. [LB1172]

SENATOR ERDMAN: And I'll reread it just to make sure I didn't miss it but I was just double-checking that that was what we were shooting for. Other questions for Senator Dierks? Page 3, lines 13 through 18, refers to designated shortage areas. I'm not sure if we maybe need to provide some clarity as far as preference in the event that somebody may fall outside of that but we can work on that. I see no other questions, Senator Dierks. [LB1172]

SENATOR DIERKS: Thank you. [LB1172]

SENATOR ERDMAN: Thank you, sir. Show of hands of those in support of LB1172. You're multiplying. We've got one, two, three, four, five, six. Opposed? Neutral? All right. First up, whoever it wants to be. [LB1172]

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LARRY WILLIAMS: (Exhibit 23) Good afternoon, Senator Erdman, and members of the committee. My name is Larry Williams, W-i-l-l-i-a-m-s. I'm a veterinarian, retired, and reside in Lincoln, Nebraska. I'm currently chair of the Nebraska Veterinary Medical Association's Legislative Committee and it's on their behalf that I'm offering testimony in support of LB1172. And you'll have to excuse my typo on there. My secretary, which is me, made a mistake on that number. (Laugh) I think I got it corrected on the copies so. LB1172 is in accord with the American Veterinary Medical Association statements and press releases and Dr. Dierks had mentioned some of those, and I have a fistful of those here that I'll give to the page after I finish. I didn't make copies for everyone. The veterinary profession is in short supply and it's not only Nebraska's sparsely populated rural areas that are being affected by this deficit. It's a national concern and, as many of these documents will explain. There are numerous testimonials regarding the declining source of the nation's food supply veterinarians and some of them I referenced in, and again some of this is going to be a little bit repetitious. Dr. Ron DeHaven, who is the past administrator for USDA and currently the executive vice president of AVMA, testified in January of this year before the House Energy and Commerce Subcommittee. He highlighted how a national shortage of veterinarians is putting our food supply at risk and could hinder our ability to prevent the spread of disease from animals to humans. The AVMA press release quoted several others who supported his observations. And more recently, Gregory Hammer, the AVMA president, testified before the House committee on livestock, dairy and poultry, that USDA's delay in implementing the National Veterinary Medical Services Act puts the U. S. economy and food safety at risk. He urged the USDA to implement the long-standing but dormant program that would help address a critical shortage in the number of veterinarians who protect the country's supply. And one of the documents I have is Dr. Hammer's testimony, and actually, I think, that was kind of a heated testimony in front of USDA chastising them for not getting this program moving. A study in 2004 commissioned by a coalition of veterinary organizations, which was conducted by Kansas State University, concluded that there would be a major shortfall of veterinary practitioners in the country by 2016. That same study identified 12 counties in Nebraska with concentrations of over 25,000 animals that did not have a veterinarian residing in that county. Even though we believe a veterinarian incentive program is essential to bringing veterinarians to sparsely populated areas, we understand that money is not the only criteria by which veterinarians will select a practice location. A recent article in a DVM magazine reported in September, gave national recognition to Nebraska's program when they reported how the officials at Iowa State University and the University of Nebraska-Lincoln have formed an agreement to allow Nebraska veterinarian students to begin a veterinary degree in their home state and finish at ISU. This cooperative program will address the region's increasing need for food animal veterinarians. And although not a part of this legislation, we believe communities which voluntarily assist veterinarians to come to their community should be given priority over those who don't. And we think a cost-share program would be beneficial not only to the community but to this program.

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In addition, we believe that there should be preferences given to new graduates, not to exclude older graduates but first preference should be those that have graduated within a period of time from their vet college. Understandably, funding will be an issue which must be addressed by the Legislature. We believe the fiscal note should be considered an investment to support the animal health industry of the state, which not only administers to the health of animals but protects public health as well. We appreciate Senator Dierks conducting the interim study to bring interested parties together to discuss this issue, which is of great importance not only to our profession but more importantly, to the food animal production agriculture, the major industry in our state. Thank you, Senator Dierks, for introducing LB1172. We urge the committee to move the bill forward for discussion before the body and again, thank you for the opportunity to present the testimony on behalf of the veterinary association. If you have questions, I'd be happy to respond. [LB1172]

SENATOR ERDMAN: Thank you, Larry. Any questions for Dr. Williams? Larry, let me ask you about the process now that we have in place but before I do that, you mentioned in your testimony about, we believe communities which voluntarily assist new veterinarians to come to their community should be given priority over those who don't. Explain to me kind of what you think that looks like or what type of assistance that they could provide that would...is it the cost-sharing idea where the community would be willing to put up a match? [LB1172]

LARRY WILLIAMS: Well, I don't know if it would be a match. They might provide, you know, a facility or space or something, some sort of monetary or in kind. [LB1172]

SENATOR ERDMAN: So, so for a community to have a better chance of getting... [LB1172]

LARRY WILLIAMS: From my understanding, the regulations, and I don't remember if the regulations are included in here, who will develop those, but the Department of Agriculture under the original draft was responsible for developing the regulations for allocating the funds and the...and so it could be in regulations if there were some stipulations. I don't think we need to stipulate that the community put up so many dollars or cost-share dollars but if they did, I think that would be an incentive, another incentive, for that person to go there. And maybe we don't even need to even mention it in regulations because it would be a natural for communities, for a veterinary that's looking for a rural area to go to, to go to that one that is providing the best opportunity so. [LB1172]

SENATOR ERDMAN: Okay. The process now, student wants to go to vets school. It's different than it was when a lot of my friends in college ended up at Kansas State. They start off two years at the University of Nebraska, animal science, other similar degrees. The last...then they would go into the program at Iowa State and complete their training.

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Are there a limited number of spots that are available to Nebraskans? How does that process currently work? [LB1172]

LARRY WILLIAMS: Dr. Hardin is here from the University and he could speak to that better than I can. He's the authority. [LB1172]

SENATOR ERDMAN: Okay. Fair enough. It's good to know we have a few in the room. Other questions? [LB1172]

LARRY WILLIAMS: And again, these are a handful of the documents that we talked a little bit about and I think you have some of those but I'm not sure how you want to handle those. If you want to make copies or just hand them out. [LB1172]

SENATOR ERDMAN: Okay. Other questions for Dr. Williams? Hold on, we've got Senator Dierks. [LB1172]

SENATOR DIERKS: No, I just wanted to ask you, though that I think Dr. Williams is testifying in support of the legislation. [LB1172]

SENATOR ERDMAN: Correct. [LB1172]

SENATOR DIERKS: I thought you called for neutral. [LB1172]

SENATOR ERDMAN: Did I say that? No, I'm sorry. It wouldn't be the first mistake I made today but we'll correct it. [LB1172]

SENATOR DIERKS: Maybe I wasn't hearing well. [LB1172]

SENATOR ERDMAN: No, I probably said it wrong. You probably heard it right so Dr. Williams is in support as is everyone else in the room that I've been able to count so we'll make sure that that's clear. [LB1172]

LARRY WILLIAMS: Thank you. [LB1172]

SENATOR ERDMAN: Thank you, sir. Others testifying in support? [LB1172]

DAVID HARDIN: David Hardin, H-a-r-d-i-n, and I thank you, Senator Erdman, and the committee for this opportunity to testify in support of LB1172. I serve as the associate dean for the new professional program of veterinarian medicine at the University of Nebraska, and really have three points I'd like to make. And first and foremost, I think, that there's probably little disagreement that veterinarian medicine is really a critical component of the rural economy of Nebraska as it is the nation. The second is, there was two studies. One's been mentioned, the Kansas State study. There's also a study

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done here in Nebraska three or four years ago that looked at some of the factors that affect students selection of where they go in practice. And one of the key components of both of those studies identified that the odds are much better if a student comes from a rural area, that they're more apt to return to that rural area. And if you think about that, it just kind of makes common sense. So we really feel like that one of the incentives of this bill is to provide some of that financial support because I worry about those young people from rural areas, and that's a shrinking demographic that we're recruiting in our applicant pool. I worry about them and their ability as they look at this large debt load that our very nice students face, and that they may make alternative career choices. And we need those young people applying to veterinary school so that we have a good robust population of rural young adults that are applying to the profession because that will increase our chances of returning those. And so we really feel like that this effort is a really positive move along with many others that we're attempting here with the new professional programs. I thank the committee. I thank Senator Dierks for sponsoring this legislation, and would take any questions you'd have. [LB1172]

SENATOR ERDMAN: Thank you, David. Any questions for, I'm assuming it's Dr. Hardin, right? [LB1172]

DAVID HARDIN: Yes. [LB1172]

SENATOR ERDMAN: There we go. Senator Dierks. [LB1172]

SENATOR DIERKS: Dr. Hardin, in the recent past, someone has talked to me about the RHOP program. Have you had any involvement with that as far as veterinary medicine is concerned? [LB1172]

DAVID HARDIN: We have, we've discussed that extensively with both some of the officials working the RHOP program and look very favorably on that as a means to the...I guess, one of the key components, as I understand it, is that Wayne State and Chadron State really give some, well, they defer tuition waivers at the undergraduate level for those students. And then they move on in a medical school or nursing or dentistry. And obviously, it's been a very successful program if you look at the data on that. Again, what they're doing is they're reaching out, you know, at that high school level and enticing them to pick that career option in their undergraduate so. A similar measure, we think, this bill will have some impact as those young people in high school when they're choosing career options and they look at a means to where they can finance this education if their family is not, you know, inclined to have that kind of financial support or not willing to take out those student loans. [LB1172]

SENATOR DIERKS: Thank you. [LB1172]

SENATOR ERDMAN: Thank you, Senator Dierks. Senator Chambers. [LB1172]

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SENATOR CHAMBERS: This really doesn't have that much to do with homeland security though does it? It's really trying to get people to become veterinarians and move into the rural areas to operate? [LB1172]

DAVID HARDIN: It does from an agriculture perspective if you think about the risk that...just take our feedlot industry, you know. Many of us feel like that our best line of defense is out there in our communities, you know. And I would give you an example. We worry a little bit about our migrate bird population, and as many of you know in the room. We monitor avian influenza, for example, you know. If those were to come into the state, it's most likely that a rural practitioner may be the first one that will see those diseases. [LB1172]

SENATOR CHAMBERS: But it wouldn't have anything to do with terrorism? It could just be careless handling of the meat or... [LB1172]

DAVID HARDIN: Well, it could, yep. Well, yes and no. I suppose a terrorist could slip over the border. I mean... [LB1172]

SENATOR CHAMBERS: From which border? From Canada? (Laughter) [LB1172]

SENATOR ERDMAN: Could hijack a bird. (Laughter) [LB1172]

DAVID HARDIN: Probably from the...I spent several years in Mississippi and some time in Texas and in those states you worry a lot about fighting roosters. [LB1172]

SENATOR CHAMBERS: About what? [LB1172]

DAVID HARDIN: Fighting cocks. [LB1172]

SENATOR CHAMBERS: Fighting costs? [LB1172]

SENATOR ERDMAN: Roosters. Chickens. [LB1172]

DAVID HARDIN: No, roosters. Chickens. [LB1172]

SENATOR CHAMBERS: Oh, okay, okay. [LB1172]

DAVID HARDIN: Because they trade them, you know. [LB1172]

SENATOR CHAMBERS: But that's not terrorism. (Laughter) [LB1172]

DAVID HARDIN: Well, no, but it could...I mean if they can move those animals across

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our borders, the terrorists could do the same thing, you see. [LB1172]

SENATOR CHAMBERS: So everything then is terrorism. That's why people are so afraid now and making more work for psychiatrists, psychiatrist colleges, (laughter) and the drug industry because everybody is worried a terrorist is behind every corner, around every corner, behind every tree. [LB1172]

DAVID HARDIN: I get your point. (Laughter) [LB1172]

SENATOR CHAMBERS: And some times I look at this microphone because some people are very, very thin and cunning and one might be hiding right behind that microphone spotting me right now, shooting sleepy dust on me. (Laughter) But here's what I've noticed, and I think it is good to try and encourage people to become veterinarians and work in the rural areas but when everything is tied to homeland security and terrorism, pretty soon that loses all of its punch and it seems like the program suddenly does not have validity, so you play on the fear and the paranoia that seems to be spread deliberately by politicians so that any program can somehow be attached to it. Now if I were a terrorist, why would I try to come to the center of the country, Nebraska, instead of hitting some of the coastal areas. If I'm going to contaminate food, would I come to Nebraska to do it or would I start it someplace else and maybe it would work itself into the country or into the food supply? I'm sure you saw where over a million, was it pounds of meat or tons, pounds... [LB1172]

DAVID HARDIN: Uh-huh. Pounds, yeah. [LB1172]

SENATOR CHAMBERS: ...and that wasn't from outside terrorists. That was the way meat was being handled by a homegrown domestic company. So this program would probably have merit on its own without hooking it up to... [LB1172]

DAVID HARDIN: Oh, sure. Absolutely. [LB1172]

SENATOR CHAMBERS: And here's what I'm saying that, then I'll stop. Programs that are not political in and of themselves become political when they're cast in dislike, I think, and not all young people are enamored of what the present administration or politicians they know are doing, so if a program seems to be tied into those things that have turned some young people off, then the program suddenly marks an appeal for those who otherwise felt it. But those who support this, I know, are going to have to take the approach that they think they will work, that will work. Since I won't be in the Legislature, I won't be paying as much, as close attention to this as I would as a member of this committee but I'm going to try to keep up with it and see if the appeal to patriotism will work for maybe other things or won't. Now if they're going to give up to \$80,000 per person, are they going to decorate the money, red, white and blue? (Laughter) I'm just, I'm... it's coming. [LB1172]

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DAVID HARDIN: That would be your decision. [LB1172]

SENATOR CHAMBERS: Okay. It's coming. I'm lighthearted in a way but I'm really serious about what I'm saying about so many things being cast in this light. Not just in the rural area either but this is the first really strong push I've seen to try to hook a program to benefit the rural areas, which could stand on its own feet, into the homeland security type of...I won't call it fear paranoia but that syndrome. [LB1172]

DAVID HARDIN: Yeah. I guess the point I would make to that is there's kind of two approaches that kind of prevail. One of them is that you have lot's of...you know, we have our veterinaries are regulatory people, you know, and this is just, you know, my personal opinion that we really feel like that those private, that private sector out there, the private practitioner in that community is the, really has a handle on what's going on in those communities and really serves as our, you know, best means of protection, you know. [LB1172]

SENATOR CHAMBERS: I understand what you're saying. [LB1172]

DAVID HARDIN: They know, you know, whose doing the illegal things, maybe moving cattle across the state lines. As many in the community may know, we had a scare here in Nebraska last fall with pseudorabies. Some hogs were brought in... [LB1172]

SENATOR CHAMBERS: And there was a regent who gave some people a scare not too long ago moving cattle at night but I'll leave that alone. (Laughter) Thank you. You're very diligent. I appreciate it. (Laughter) [LB1172]

SENATOR ERDMAN: Senator Chambers, we're going to google those little devices and see if we can get a few of those. (Laughter) Dr. Hardin, talk to me about the availability for students under the new collaborative effort with Iowa State. Are we limited in the number of spots that are available to be able to send students to the Iowa State program? If so, have we turned down students that would have gone to the program? Kind of give me the background on that. [LB1172]

DAVID HARDIN: Okay. We historically, we have between 45 and 50 applications for 25 slots. This year we interviewed 42. We've offered 26 spots so, yes, we are somewhat limited, limited from, you know, our funding line because the way the new program is established they do their first two years here on the Lincoln campus of the professional program so. And since they...all of these students have a four-year degree coming from a variety of institutions. They have to be Nebraska residents, as defined by the registrar's office at UNL, but they do not have to have gone, done their undergraduate at UNL or even in the state of Nebraska, you know. So they, but they have to be Nebraska residents to qualify. So those are the 42 and then a selection committee selects those

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and we offer 26 slots. We are a new renovated facilities, we can accommodate probably 28, is the max that we can accommodate. So right now, that plus the tuition differential when they go to Iowa State, the state of Nebraska pays the differential between in-state and out-of-state tuition so that pot of dollars, it would become a rate limited at some point. [LB1172]

SENATOR ERDMAN: Are we limited...is the Iowa State side the limitation or is it our side as far as what we can afford to max the rate as well as our capacity? Which side of that... [LB1172]

DAVID HARDIN: Some of both in the sense that they currently take 120 students so with our 25 that's 145, and their classroom sizes begin also to play a role. So if we'd increased ours above our 25, they'd have to cut down on their 120. So we take a few extra because we do have a small attrition rate and that's a judgment call as to what that so...but when they actually get into that third and fourth year, we really need to keep it pretty close to 145. [LB1172]

SENATOR ERDMAN: Have we done the numbers to follow the students that have gone through the program so that when we had it with K State or now that we're going through Iowa State, what percent of those graduates actually come back to Nebraska or actually come back to maybe these rural areas as opposed to, saying, ending up in Kansas, Colorado, Iowa? [LB1172]

DAVID HARDIN: I do not know. You know, some of my colleagues that are going to testify next may know some of those. I do not know. [LB1172]

SENATOR ERDMAN: I'm glad you guys came prepared. (Laughter) I just keeping asking the question to get me to the next testifier. [LB1172]

DAVID HARDIN: I do not know. I do not...we, definitely we're going to track that from this point forward but I don't know that we really had good numbers on that in past years with the Kansas contract, you know. [LB1172]

SENATOR ERDMAN: Yeah, I know some of my friends that went to college with me that went on to the vet program at K State from Senator Dierks's area, they ended up in places like Aspen and other places to deal with horses because people wanted to have horses in Aspen when they fly in on their jet to do whatever they do. But they're looking to come back now, you know. But it's just a matter of...I know some folks that went through the program that didn't directly come back but it would be interesting to kind of see what some of the considerations were for those individuals. Is it simply a program like this that helps cover the cost? Are there other things? I know as a member of the Health Committee for the last eight years we've look at a lot of the RHOP type programs or programs that provided incentives for people to practice in rural areas and they range

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from loan forgiveness to, I think the RHOP program actually guarantees you a spot in med school. So in addition to any other financial benefit, you know going in that you're going to have a spot in med school when you get there. That also may be something to consider where you have a limited number of spots open to go to Iowa State if a person would go through and get their undergrad, that we would hold a spot for them to ensure that they have access under the theory that they could come back and practice in that rural area and also qualify. But I'm sure there's a lot of creative ways to try to build a better mouse trap. We just have to... [LB1172]

DAVID HARDIN: Do that, yeah. And that's been looked at very seriously how we can accommodate that, you know. [LB1172]

SENATOR ERDMAN: Okay. Very good. I don't see any other questions. [LB1172]

DAVID HARDIN: Thank you. [LB1172]

SENATOR ERDMAN: Thank you, sir. Next testifier in support of LB1172. Secretary Chertoff is not going to be here today, Senator Chambers, in case you wanted to...(Laughter) [LB1172]

KORBY GILBERTSON: Good afternoon, Chairman Erdman, members of the committee. For the record, my name is Korby Gilbertson, K-o-r-b-y G-i-l-b-e-r-t-s-o-n. I'm appearing today as a registered lobbyist on behalf of Tyson Foods in support of LB1172. Tyson Foods is in support of this legislation because they support protecting the food supply and think this is an important step especially when you look at the shortage of animal that's out in certain counties in Nebraska. I'd be happy to try to answer any questions. [LB1172]

SENATOR ERDMAN: Thank you, Korby. Any questions for Ms. Gilbertson? We may be having a historic moment here. Tyson and other members of the committee agree on something so that's a good sign. (Laughter) Senator Wallman. [LB1172]

SENATOR WALLMAN: Thank you, Korby. Would Tyson be interested in helping fund this program? (Laughter) [LB1172]

KORBY GILBERTSON: I'd certainly be happy to take that back to them and ask. (Laughter) [LB1172]

SENATOR WALLMAN: Thank you. [LB1172]

SENATOR ERDMAN: Why don't you do that? That would be a great conversation. (Laughter) Thank you. I don't see any other questions. [LB1172]

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KORBY GILBERTSON: Thank you. [LB1172]

SENATOR ERDMAN: Senator Chambers I can ask him to send a letter if you like though, I mean... [LB1172]

SENATOR CHAMBERS: Okay. [LB1172]

SENATOR ERDMAN: Next testifier in support. Can I see a show of hands of those that wish to testify in support that are still here? I've got two. Okay. [LB1172]

BRUCE BRODERSEN: My name is Bruce Brodersen. I'm representing the Nebraska Veterinary Medical Association. I'm a secretary-treasurer of that organization and I'm also a faculty member at the University of Nebraska. My name is spelled B-r-o-d-e-r-s-e-n, and I'm here in support of LB1172. Just a few phone calls to veterinarians out in the greater part of the state, north central Nebraska and western Nebraska, reveal to me that these veterinarians spend several years recruiting someone to come into their practice. As an example, a veterinary clinic in Hyannis. They were, have been working for six to seven years to find a veterinarian, who they finally hire. So just an example of what kind of shortages there are and how competitive it is for these clinics to find a new veterinarian. So that's basically about all I had to say is the data point that it takes several years for these clinics to find someone. [LB1172]

SENATOR ERDMAN: Thank you, Bruce. Any questions for Mr. Brodersen? The committee has a couple of bills on the beginning farmer program. We could create the beginning vet program and provide a credit to somebody to bring in a vet. [LB1172]

BRUCE BRODERSEN: Oh, one other thing too. I was on the task force at the University in 2003 and 2004 to look at reinstating the terminating, the contract that had been terminated with Kansas State University, and your question regarding the return rate of Nebraska residents to Nebraska, well, initially probably about a third of those students return after graduation. But in many cases there's veterinarians, those students go to practice in another state and ultimately return two to three years later. And so the bottom line is that maybe half to two-thirds of the Nebraska students ultimately come back to Nebraska to practice so. [LB1172]

SENATOR ERDMAN: Good to know. Thank you, sir. Next testifier in support, please. [LB1172]

PETE McClymont: Chairman Erdman, members of the committee, I'm Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I'm a registered lobbyist for Nebraska Cattlemen. We are here in support of Senator Dierks's bill. We are part of the meeting that he held in this room, August 29, and had a real good input that day. A couple of things I'd like to add. Not to be redundant with what others have said is that, obviously this is not just a

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Nebraska phenomenon. It's also a national phenomenon so from that standpoint we have other states that already have debt forgiveness programs in place, Missouri, Kansas, the Dakotas, and so we are already at somewhat of a disadvantage in trying to lure students back with what other states are doing so I don't think...that's just a small thought. I think that plays into our competitive disadvantage right now that we have to try to fill these positions so. And then you factor in the economy of the livestock industry in the state. It's over \$10 billion in direct sales and then you take that net effect on the economy, it's close to \$20 billion so I think for vets to come in on an annual basis would be an excellent start. Obviously, if you talk about funding with general funds being the source of \$320,000 at year four, obviously the Appropriations Committee is running a pretty tight checkbook this year as it appears with the economic forecast but I think for the investment and what it would bring to this state, my previous testifier said from food safety and just the needs of producers, I think it's a great start. So with that, I'll conclude my testimony and be happy to answer any questions. [LB1172]

SENATOR ERDMAN: Thank you, Pete. Any questions for Mr. McClymont? Senator Chambers. [LB1172]

SENATOR CHAMBERS: When you say food safety, do you mean in terms of the way food is grown, handled, processed and shipped or there's a fear of terrorist contaminating food supply? [LB1172]

PETE McCLYMONT: I would agree with the first part of your question, Senator. It's more of how they're handled and taken care of. We have a beef quality assurance program that we started as an association and we have over 30 states that have copied it, so it's a handling perspective and just being humane treatment for the animals. [LB1172]

SENATOR CHAMBERS: Well, now that you've heard the possibility of terrorists coming, does that trouble you a bit? [LB1172]

PETE McCLYMONT: Yes, we had, actually two years ago this coming May, our association in conjunction with APHIS, Homeland Security, USDA, we held kind of a mock study, if you will, of how it might affect if for instance, if you had a disease outbreak and it got imported by the shipment of, say, feeder cattle from North Carolina and how quickly that spread throughout the country so. [LB1172]

SENATOR CHAMBERS: Had you seen where the, at least one, maybe several of the national representatives from Nebraska were upset because Homeland Security money that had been going to Omaha was not going to come to Omaha and these national politicians thought that a threat could exist to Omaha from terrorism, therefore that money should not have been taken? Had you read anything about that? [LB1172]

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PETE McCLYMONT: No, I hadn't but I could understand the concern with the packing industry in Omaha how that could, you know... [LB1172]

SENATOR CHAMBERS: It wasn't just packing. It's just Homeland Security money. But my sources indicate to me that when that was presented to the Homeland Security people about the possible threat to Omaha and Nebraska, their response was, well, you've term limited him out of the Legislature so you don't need to worry. (Laughter) Just a little levity. That's all I had. (Laughter) [LB1172]

SENATOR ERDMAN: We'll let that one sink in. (Laughter) Other questions for Pete? Pete, I have just one. I think this was intentionally done but I wondered if it shouldn't be something we should consider. On page 4 it talks about the conditions in which an individual may be released from the program. I think most of them you can logically assume that there probably doesn't need to be a recapture provision or it maybe counterproductive. But if an individual is, if an individual has his license suspended or revoked, would we not want to consider some remedy in that case? I mean, all other cases if you can demonstrate extreme hardship or other good cause to justify release, I mean you have that opportunity under here. Do we want to be in a position that if a veterinarian candidly is not licensed or has been proven to not be competent to be licensed, shouldn't we, as a state, be interested in at least recovering what we have paid them in order for them to become incompetent? I mean, all the other examples of recapture I can see probably would be an inhibitor but if you're going to say, anybody get's their money no matter if they lose their license or not, doesn't the state have an interest in at least providing a recapture provision if somebody is not able to fulfill the duties of being a vet? [LB1172]

PETE McCLYMONT: I would agree. Obviously, if somebody is not fulfilling their requirement to maintain that license with the state, why would we want to allow them the financial benefit of this program. [LB1172]

SENATOR ERDMAN: Okay. Very good. Thank you, sir. [LB1172]

PETE McCLYMONT: Thank you. [LB1172]

SENATOR ERDMAN: Next testifier in support, please. Is there anyone else wishing to testify in support? Okay. [LB1172]

SUSAN LADENBURGER: Good afternoon, Senators, Senator Erdman, and the Ag Committee. I am Susan Ladenburger from Hitchcock County in southwest Stratton, Nebraska. I represent or I am a straight board member for Nebraska Farm Bureau. My husband and I farm there south of Stratton and we have cattle, dryland corn and wheat. I'm here to testify in support of LB1172. And as one of the 13 counties that have no resident veterinarian, that leaves our animals without veterinary care. And so it is with

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that, that I would have, recommend, support for, excuse me. I'm really nervous at this.
(Laughter) [LB1172]

SENATOR ERDMAN: You're doing great. Tell us what you think we need to know.
You're doing good. [LB1172]

SUSAN LADENBURGER: Okay. And again, I would like to say that Nebraska Farm
Bureau supports the proposed LB1172 with the veterinary issues in Nebraska. [LB1172]

SENATOR ERDMAN: Fantastic. You did great, Susan. Where do you go currently to
get your veterinary services if you have no... [LB1172]

SUSAN LADENBURGER: Okay. Currently, Hayes County which is the county directly
above us has two vets. They originally or they formerly had three. One was a woman
and she married a local farmer and chose motherhood to take precedence over the
veterinary care. That vet has a satellite office near Stratton and he comes down. We
also have veterinary care in Dundy County which is to the west. There is some
veterinaries in Red Willow County and also in Chase County. But just above Chase
County is Perkins County and they have no vets available and so there's a lot of cattle
out our way that, you know, need adequate care. [LB1172]

SENATOR ERDMAN: Do you have similar shortages on the other side, on the south of
you on the Kansas side that...are there vets available? [LB1172]

SUSAN LADENBURGER: I...there is, Rawlins County is directly south of us and I know
of, I think there are two for sure down that way. Of the other counties on either side of
Rawlins County, I'm not aware. I'm sure they have something. [LB1172]

SENATOR ERDMAN: Okay. Thanks, Susan. Senator Dubas. [LB1172]

SENATOR DUBAS: Thank you, Senator Erdman. Thank you, Susan, for being here. So
if you have an emergency with your animals, you know, cow needing some assistance
with a delivery or what have you, what are you looking for time wise for assistance?
[LB1172]

SUSAN LADENBURGER: If Rick is available, he, and can meet us at, in town or east of
town, excuse me. [LB1172]

SENATOR ERDMAN: Susan, who's Rick? [LB1172]

SUSAN LADENBURGER: Rick Brown. [LB1172]

SENATOR ERDMAN: Okay. [LB1172]

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SUSAN LADENBURGER: From Hayes Center, sorry. If he is available, we're looking at probably half an hour to 45 minutes. He's done a great teaching job so a lot of times we are able to take care of some of our own. However, there are at times, you know, when you just need that professional hand. [LB1172]

SENATOR DUBAS: So if you need the vet to actually come to your home... [LB1172]

SUSAN LADENBURGER: It's over an hour. [LB1172]

SENATOR DUBAS: Over an hour. Okay. [LB1172]

SUSAN LADENBURGER: And as you know, that's critical. [LB1172]

SENATOR DUBAS: Yes. Thank you very much. [LB1172]

SENATOR ERDMAN: Thank you, Senator Dubas. Other questions? I don't see any. You did great. Thanks for coming down. [LB1172]

SUSAN LADENBURGER: Thank you. [LB1172]

SENATOR ERDMAN: (Exhibit 24) One last call for proponents. I see none. Opponents? I see none. Neutral? I see none. Senator Dierks, you're recognized to close. It's nice to see you...oh, you're waiving closing. (laughter) Okay. We are now closing the hearing on LB1172 but before we do that I have a letter of support from Mike and Joni Cover in support of LB1172. Thank you for being here today. That will close our hearings and I would entertain a motion to go to Executive Session. []

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Disposition of Bills:

LB999 - Held in committee.

LB1171 - Held in committee.

LB1172 - Advanced to General File, as amended.

Chairperson

Committee Clerk