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Agriculture Committee  
February 12, 2013

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[LB423 LB550]

The Committee on Agriculture met at 1:30 p.m. on Tuesday, February 12, 2013, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB423 and LB550. Senators present: Ken Schilz, Chairperson; Norm Wallman, Vice Chairperson; Dave Bloomfield; Ernie Chambers; Tom Hansen; Burke Harr; and Jerry Johnson. Senators absent: Steve Lathrop.

SENATOR SCHILZ: I think we'll go ahead and get started today. It's a little after 1:30. Welcome to the Agriculture Committee hearing. I appreciate everybody coming in today. I'm Ken Schilz, the Chairman of the committee, from Ogallala. I'll introduce the senators that are here. To my right over here is Senator Jerry Johnson from Wahoo; Senator Dave Bloomfield from Hoskins; Senator Hansen, right there, coming across, trying to find out where his chair is, from North Platte; Senator Norm Wallman from Cortland; and then, of course, the seat here, who will be up here is Rick Leonard, our research analyst for the committee; and to my far left is Jamaica Erwin, the committee clerk. Thank you all for coming today. If you plan to testify, please fill out a testifier sheet. I know we're getting more copies made to the ones in the back there, so appreciate that. And if you're representing testimony on behalf of an organization, please indicate the organization you're representing. And if your testimony is for your own personal views, and you're not authorized to represent the views of other persons or other organizations, then you can leave that space blank under the "representing" or write in yourself. And when you come to the witness table, there is a box on the table where you may place your testifier sheets, just hand them to Jamaica, that will be fine. Please begin your testimony by stating your name and spelling it so that our transcribers can get your name correct. And then always make sure you let everybody know who you are testifying on behalf. If you have copies or exhibits to share with the committee, please indicate to our page and they will hand them out to you. Our page today, she is not in the room right now, is Cicely Batie from Lexington, and she has been with the committee all year so far. There is no time limit on testimony today, however I urge you to keep your comments succinct, to the point, and try to avoid previous testimony. At the conclusion of your testimony, I'll ask the members of the committee if they have any questions for you. I would ask that when one witness is coming to a conclusion, that the next person be prepared to come to the testifier's table. If you're not planning to testify but wish to indicate your position on a bill, there's a gold-colored sheet, or whatever colored sheet it is, back by the door where you may do so. These will be made part of the hearing record. However, only persons who verbally testify will be indicated on the committee statement. We ask that all persons respect and be courteous to witnesses. We do not allow displays or any verbalizing among the audience of approval or disapproval of the witness testimony. Please shut off or silence all your cell phones. And if you need to make or answer a phone call, please take it into the hallway. Likewise, if you need to converse on any other member of the audience, please take your conversation to the hallway as well. Now we have two bills today: LB423, which is an Ag Committee bill, which we'll get to in

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

just a second; and LB550. So with that, Rick, you're welcome to open on LB423.

RICK LEONARD: Thank you, Chairman Schilz and members of the committee. As Senator pointed out, I'm Rick Leonard. I'm the research analyst for the committee, that's R-i-c-k L-e-o-n-a-r-d. This bill was introduced as an Agriculture Committee and, as has been the tradition of the Chair, has asked staff to introduce the bill. LB423 arises from discussions initiated by LR575 that was assigned to the Agriculture Committee during the 2012 interim. The bill responds to a growing concern regarding potential liabilities and burdens of local governments in enforcing animal cruelty laws with respect to livestock, particularly if it involves responsibility for providing care and boarding of large numbers of livestock that might be present in a commercial livestock operation. Provisions of LB423 would insert the counterpart into the Livestock Animal Welfare Act to Section 29-818 inserted by LB712 in 2010. That same year, LB823 was also enacted removing livestock from animal cruelty provisions of Chapter 28, Article 10, and setting forth crimes against livestock animals within Chapter 54, Article 9. Due to the complexities and other considerations, such as diverse ownership and security interest that are often present in livestock, (Section) 29-818 was limited to apply to pets and horses with the expectation that disposition protocols for livestock animals involved in cruelty situations would be addressed distinctly with amendments to the Livestock Animal Welfare Act. LB423 is broken down into the following primary elements. First, it inserts a new section stating legislative findings recognizing state livestock health interest...a state livestock health interest in incidents of livestock neglect and mistreatment and assigning authority to the Department of Agriculture to provide certain services, including a commission of core veterinarians with training to be available to advise local law enforcement regarding condition and disposition of animals and to represent the State Veterinarian with respect to state livestock health interest and to make available such other appropriate assistance within department's authorities and capabilities. The fiscal note, there is a fairly substantial fiscal note and it's generated by this part, and I'll get back to that in a second. The bill also amends (Section) 54-906 by inserting express authority to euthanize animals found injured, disabled, or diseased beyond recovery for useful purpose. Also with provision for owner or custodian to have a personal veterinarian present authorizing cease...or animals to be kept on premises...seized or impounded animals to be kept on the premises of the violator authorizing a custody...sheriffs to enter custody agreement short of seizure. Excuse me, inserts...the bill also inserts a new section setting forth procedural steps for resolving disposition of impounded livestock animals. Upon seizure of livestock animals, the agency taking custody shall have seven days to petition for a hearing before the district court with the hearing scheduled for within 10 days of the petition, unless otherwise directed by the court. Notice of the hearing is to be provided to seized animal owners or custodians and to lien or security holders of record in the animals in question. Upon the finding of probable cause that a...or cruel mistreatment or cruel neglect has occurred, the court may order immediate forfeiture to the seizing agency; issue an order setting forth conditions to be met to restore original custody in the owner; or order bond or

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

security...financial security to secure seizing agency's cost of the care of animals. The bill also incorporates appeal procedures similar to those that are currently in (Section) 29-818. Previous Chairman, Senator Carlson, convened a meeting of a wide array of stakeholders in September. Enforcement of animal abuse violations can be extremely burdensome and a growing liability for local governments, particularly if it involves responsibility for providing care and boarding of large numbers of livestock. While current provisions of the Livestock Animal Welfare Act do provide potential for governments to recover such costs and does impose civil liability for the costs of care provided by seizing authorities or third parties, these remedies are uncertain and not typically available until completion of associated criminal proceedings. Recent incidents in both companion and livestock abuse/neglect have demonstrated a need to mitigate costs for both the county and the owner through expedited mechanisms for determining disposition of animals. In your...behind your tabs, you will see a letter; when we started the LR575 process, we sent an inquiry to the county sheriffs, and that letter is in your...behind your tabs, and I think it is a good reference to...that really gets to the issues that confront the sheriff and what confronted the committee as we went on this process. Disposition of livestock is complicated by factors not typically present in companion animal situations such as diverse ownership, lien and security, and other legal interests. Additionally, the need to maintain biosecurity and potential implication of animal health issues further complicates matters. Local officials are highly dependent on charitable assistance from rescue organizations and other private associations for both assessment and boarding of animals. A guiding principle that Senator Carlson gave us--of course he was in charge when this interim study was under way--the previous chairman gave us goal...the goal here was...the ultimate goal is to safeguard animal welfare by assuring owners and custodians fulfill their responsibilities vis-a-vis livestock. Having additional civil and other noncriminal interventions to obtain that result, as the bill attempts to do, may result in quicker resolution and limit local government costs and exposure to liabilities. The provisions of this bill are we...during that process we examined a number of states. One of the...these provisions are modeled somewhat closely after provisions in Oklahoma, as well as incorporating elements of 29-818. The fiscal note appears...a fiscal note was...fairly sizable fiscal note on this bill; and I believe in having conversations with the department, the fiscal note appears to be based on the assumption that the department would assume a role as a...primary role as livestock cruelty complaint and investigative entity. What is actually contemplated was to provide for the creation of a core of veterinarians with specialized expertise to be available as a resource to advise law enforcement in carrying out duties assigned to them. Additionally, there is a deep interest among the livestock community for assuring biosecurity if animals are relocated and for carcass disposal. Our assumptions in drafting this bill is that law enforcement might need to avail themselves of this service very rarely. The fiscal note assumes that this service would be utilized very often. I believe that this part of the bill could be simplified and made clearer to confine it to the intended purpose. The last item I bring up, Senator, is that the bill as drafted would create somewhat of a conflict with Section 29-818. LB423 is introduced...LB423

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

applies...would create a conflict with 29-818. The Livestock Animal Welfare Act defines livestock to include equines. Section 6 would therefore also apply to equines as 29-818 currently does. The committee would need to resolve that matter, and for that reason I have drafted, I believe it is AM209 and just for the purpose of pointing out that conflict and a need to resolve that. There is an amendment at the back of LB423 tab that would simply remove...add amendment...an additional section amending 29-818 to remove horses from that section. That is it, if there are any questions. [LB423]

SENATOR SCHILZ: Thank you, Mr. Leonard. Any questions for Mr. Leonard? Seeing none, thank you very much. This time we will take proponents; proponents for LB423. Good afternoon. [LB423]

JESSICA KOLTERMAN: Good afternoon. Senator Schilz, members of the Agriculture Committee, for the record my name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I come before you today on behalf of Nebraska Farm Bureau Federation where I serve as the director of state governmental relations. Basically, just wanted to give you a little history on this today. Over the course of the past several years, our members have been taking an increasing interest in this topic because it concerns them greatly about the bad actors in our industry. They've worked hard to educate those in their communities and counties about the proper care they provide for their animals 24 hours a day, 7 days a week, 365 days a year. Because of that work, our members are often getting phone calls when a case of animal abuse or neglect is presented in an area of the state. I want to emphasize on the record that this is not frequent in nature. But due to the lack of formal processes in place, the agriculture industry started having a few discussions about whether or not there should be some guidelines, maybe, put into place how counties should deal with these problems. I think this legislation will handle a few things. One, it provides some additional guidance for the counties who end up taking care of these animals over, sometimes, a long period of time. And two, it provides a framework for how some of these issues could be handled in terms of...as problems arise, there is a body that can work on this. We have an adopted policy on this topic. We believe the county Farm Bureau should work collectively to aid county officials in addressing neglect and abuse cases at the local level. Our members will continue to do this and be there as a resource and to help in these situations. But we appreciate you looking at the process. Would be happy to answer any questions. [LB423]

SENATOR SCHILZ: Thank you, Ms. Kolterman. Any questions for Ms. Kolterman? Seeing none, thank you for your testimony. [LB423]

JESSICA KOLTERMAN: Thank you. [LB423]

SENATOR SCHILZ: Next proponent for LB423. [LB423]

KRISTEN HASSEBROOK: Good afternoon, Chairman Schilz, members of the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

Agriculture Committee. My name is Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k. I'm a registered lobbyist for the Nebraska Cattlemen. Nebraska Cattlemen members support LB423. As beef producers, we care very deeply about animal welfare. However, as in any industry, there are some unfortunate and unacceptable situations that cannot be defended. In those very rare instances, a proactive and efficient process needs to be in place to handle livestock animal welfare issues and protect all the parties involved. LB423 is similar to what was done for companion animals a couple of years ago and moves this forward for livestock animals. It ensures that sheriffs and counties have the authority and guidance to quickly deal with animal livestock welfare issues and make sure that they're not overly burdened with the cost of care. LB423 also provides clear and speedy hearing processes to determine things like cost, disposition, and management directives. These hearings protect the animals, but they also protect livestock owners, banks, and counties all at the same time. It is for these reasons that Nebraska Cattlemen members decide to support LB423. And thank you very much for your time, and I'd be happy to answer any questions. [LB423]

SENATOR SCHILZ: Thank you, Ms. Hassebrook. Senator Hansen. [LB423]

SENATOR HANSEN: Thank you, Mr. Chairman. Kristen, do you...you mentioned that this is similar to the companion animal bill of a couple years ago. Are you construing at all that cows should be companion animals? [LB423]

KRISTEN HASSEBROOK: Absolutely not, Senator Hansen. [LB423]

SENATOR HANSEN: Horses? Sheep? [LB423]

KRISTEN HASSEBROOK: In the Nebraska Cattlemen...no. Livestock animals in the Livestock Animal Welfare Act include beef, equine, sheep, donkeys. In the Nebraska Cattlemen world, horses are work animals, and beef cattle are not pets. [LB423]

SENATOR HANSEN: So there is a clear and present line between companion animals and food animals. [LB423]

KRISTEN HASSEBROOK: Definitely, and that is why it is very appropriate to handle these things separately. [LB423]

SENATOR HANSEN: Thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Hansen. Any other questions for Ms. Hassebrook? Seeing none, thank you for your testimony. Next proponent. [LB423]

AMY PRENDA: Good afternoon, Senator Schilz and members of the Ag Committee.

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

This is my first time before the Ag Committee actually. My name is Amy Prenda, it's A-m-y P-r-e-n-d-a, and I'm here lobbying on behalf of the Nebraska Sheriffs' Association. As was mentioned in previous testimony, the Nebraska sheriffs have had animal cruelty investigations as a priority of theirs as a result of complicated cases that have come before the Sheriffs' Association, more specifically to horses that have been abused and neglected. So a couple of years ago, we did approach Senator Karpisek to introduce LB1084, and we worked closely with the Nebraska Humane Society as a result of a case out of Fillmore County where the sheriff there had 35 horses that were being neglected. Initially, the sheriff tried to work very closely with the owner. He consulted with the local veterinarian, and he also contacted the Nebraska Humane Society. But unfortunately, the horses had to be seized and then criminal charges were filed against the owner. The county under the existing seizure laws at that time had to assume the cost for the care of those animals and it cost the county \$26,000 to feed and take care of those animals for the five months while the criminal charges went through the court case. We've had similar instances in counties since then, upwards of some counties it costing them \$70,000 to pay for the horses and taking care of them. While the law at the time allowed the county to get reimbursed for those costs, procuring for those seized animals in most, if not all, cases recovery was impossible if not impractical considering that the circumstances that led to the animals to be seized in the first place. When Senator Karpisek introduced LB1084, what had happened is the bill was based on an Omaha ordinance. And initially it did cover all animals, livestock and pet animals, but it was amended and advanced out of the Judiciary Committee only to cover pet animals and then they included horses in with the pet animal seizure statutes. What this bill does today is it expands the processes for livestock animals. Again, I'd like to reiterate that these are very complicated cases. The sheriffs support legislation like this that ensures that owners' property rights are maintained. It relieves the taxpayer from assuming the burden of taking care of the animals. But most importantly, that it allows them to immediately be responsive to animals that are being abused and neglected. And I would be happy to answer any questions that you might have. [LB423]

SENATOR SCHILZ: Thank you, Ms. Prenda? Any questions? Senator Johnson.  
[LB423]

SENATOR JOHNSON: Thank you, Senator Schilz. Thank you for bringing your testimony. Question in general, do you feel...or the Sheriffs' Association, do you feel that the legal process, in general, from the time the sheriff is called out there is fast enough in order to accommodate what needs to be done in order to take care of those animals properly? Does the court system or the legal system move quick enough that if an animal needs to be euthanized that they have the ability to do that, or is there some issues dealing with how to take care of those animals while the court system is going through its process? [LB423]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

AMY PRENDA: If I understand your question correctly, the existing legal process where seizing an animal based on a warrant or any other procedures, yes, I think right now it is sufficient. The problem, I think, that the counties run into is when those animals that have been abused and neglected are starving or need other medical care is trying to get those animals that medical care or feeding them during the process between when criminal charges are filed and a case takes...goes fully through the court process. So there is that window of time where the county is paying for the care of those animals. And what we're trying to do and what we did with the bill a couple of years ago was the owner assumes the cost for caring for those animals or at that time realizes, I can't take care of these animals, I'm going to voluntarily relinquish these animals so that they can be disposed of or work like with the Nebraska Humane Society to find other homes for those animals so they can be taken care of. Did I answer your question? [LB423]

SENATOR JOHNSON: Yeah, pretty much. So you feel that the legal system is moving fast enough that we're not prolonging... [LB423]

AMY PRENDA: Correct. [LB423]

SENATOR JOHNSON: ...the life and everybody is comfortable in moving to the next step. [LB423]

AMY PRENDA: Correct. It's just really a matter of trying to figure out who should assume those costs in the meantime. [LB423]

SENATOR JOHNSON: The costs, yeah, which this bill... [LB423]

AMY PRENDA: Addresses. [LB423]

SENATOR JOHNSON: ...addresses. I mean, if it needs to be done, we'll figure out a way to do it. Now it is--who pays for it. [LB423]

AMY PRENDA: Correct. [LB423]

SENATOR JOHNSON: Okay, thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Johnson. Anybody else? Seeing no questions, thank you for your testimony. Next proponent. [LB423]

ROBERT HALLSTROM: Chairman Schilz, members of the committee, my name is Robert J. Hallstrom. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB423. The Bankers Association participated in the meetings that counsel Leonard had mentioned and were involved in the drafting or preliminary drafting of some of the provisions of the bill in areas that we were most

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

interested. The lenders' interest in these issues, as you might imagine, comes from the fact that the lender, oftentimes, will have some type of security interest in the cattle. Many times due to inspections and so forth, we may be able to identify and avoid potential problems; but because of lags in times on inspections that, unfortunately, is not always the case. So if we have situations where there are animals that have been abandoned, mistreated, or neglected, then the question becomes, what happens both up-front in terms of the care of those animals; and then secondarily, what happens if they are disposed of, in a sales sense of the word, with the proceeds? We have identified in this bill an interest in getting in quickly to make sure that if the lender, for example, wanted to be involved in assuming the responsibility for the care of the animals, if there was some value seen in doing so, they could do so. But if the county or the local officials are required to do that, that they would have the opportunity to dispose of the animals in an appropriate way. And if the animals are sold, they have first dibs, so to speak, on the proceeds and preserving any right that the security interest holder may have in excess proceeds. I would draw to counsel's attention, I apologize for not indicating this earlier, I think on page 9, line 6, after the word "such," you might want to consider inserting the word "animal." I'd be happy to assist with the drafting, but I think that's a pretty simple one. And with that I'd be happy to address any questions of the committee. [LB423]

SENATOR SCHILZ: Thank you, Mr. Hallstrom. Any questions for Mr. Hallstrom?  
Senator Chambers. [LB423]

SENATOR CHAMBERS: Mr. Hallstrom, I got here late and didn't hear the ladies' testimony. Is anything in this bill designed, and maybe the question had already been answered, to...is anything in this bill going to operate in such a way that an animal which is in distress will be left in distress and there will not be access to that animal by those whose job it is to rectify that situation? [LB423]

ROBERT HALLSTROM: I don't believe, Senator, I may not have fully understood your question. I think the idea behind the bill is to make sure that the enforcement officials have the opportunity to go in and provide proper care for the animals, whether that involves euthanasia, in the severe cases, or if it involves simply getting in there and trying to provide care that will allow the animals to be nursed back to health. And then the secondary question is, if they do that, then how do we go about getting into court quickly enough to make... [LB423]

SENATOR CHAMBERS: Okay. [LB423]

ROBERT HALLSTROM: ...those decisions and provide them with the guidance? And at the back end if we dispose of the animals, again, in the sales sense of the word, that we've set up a process for those proceeds to first take care of the law enforcement officials' expenses for the care and treatment of those animals, and then for anyone else

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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that might have an interest in them falling behind. [LB423]

SENATOR CHAMBERS: Okay. Thank you. [LB423]

ROBERT HALLSTROM: Thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Chambers. Any other questions for Mr. Hallstrom? Senator Hansen. [LB423]

SENATOR HANSEN: Thank you. Mr. Hallstrom, the way the...you know, the grazing land across the state is not in very good shape right now. Next spring, hopefully, we won't see a lot of these instances. But the banking industry is going to have some loans on some cattle that, hopefully, the bankers can help watch out for them, because there is going to be some cattle in distress. I mean, as soon they...as soon as they go to pasture next year, they're going to be distressed. The grass is already stressed. And some people may not know what to do. It may just be a situation where, you know, my cattle are out of feed, I can't find feed. Feed this year is hard enough to find, let alone next year and second year of a drought. So banks may be a vital part of that figuring out how to dispose of all these thin cows. [LB423]

ROBERT HALLSTROM: Well, that is, obviously, what we're hearing and concerned about across the state, Senator,... [LB423]

SENATOR HANSEN: I'm real concerned. [LB423]

ROBERT HALLSTROM: ...with the drought conditions. But I think, you know, we are, in some forms, a first line of defense through the regular inspections that we may be able to identify those types of situations before they become problematic. We also, within the confines of what our agreements allow us to do if we encounter that type of situation, if we're legally authorized to do so, there are steps that we can take to take possession of those cattle and provide the proper care and treatment for purposes of preserving our collateral. But again, with the lack of pasture, there is only so much you can do. [LB423]

SENATOR HANSEN: Thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Hansen. Any other questions for Mr. Hallstrom? Seeing none, thank you for your testimony. [LB423]

ROBERT HALLSTROM: Thank you, Senator. [LB423]

SENATOR SCHILZ: Further proponents of LB423? Good afternoon. [LB423]

LARRY SITZMAN: (Exhibit 1) Good afternoon, Senator. Mr. Chairman, members of the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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Agriculture Committee, my name is Larry E. Sitzman, L-a-r-r-y E. S-i-t-z-m-a-n. I'm the executive director of the Nebraska Pork Producers Association, and I'm here today representing the association in favor of LB423. Livestock producers, including pork producers, have a moral obligation to provide the best humane care for their animals. Pork producers have educational resources available through programs and printed materials such as our Pork Quality Assurance Plus, Transportation Quality Assurance, and the Swine Care Handbook that identify American Veterinary Medical Association accepted methods of pork production. Nebraska Pork Producers accept and practice these programs. LB423 clarifies state guidelines and steps taken if livestock abuses should happen. The Nebraska Pork Producers Association accepts the processes identified in LB423 that help assure all Nebraska producers, consumers, and the general public realize, recognize, and accept that any form of livestock abuse, neglect, or harm in this state will be dealt with professionally by proper authorities. Thank you. I would answer any questions. [LB423]

SENATOR SCHILZ: Thank you, Mr. Sitzman. Any questions for Mr. Sitzman? Seeing none, thank you for your testimony. [LB423]

LARRY SITZMAN: Thank you. [LB423]

SENATOR SCHILZ: Next proponent. Good afternoon. [LB423]

KATIE ZULKOSKI: Good afternoon, Senator Schilz, members of the Ag Committee. Katie Zulkoski, Z-u-l-k-o-s-k-i, testifying on behalf of the Nebraska Veterinarian Medical Association in support of LB423. We would like to join the others today in support of this bill and thanking the committee and committee staff for their work on this issue over the interim. This was an issue that a lot of study and a lot of thought went into, and we appreciate the time that you all have spent on this issue. I do want to touch briefly, I may have missed it, Senator Schilz, Chairing, when...in the opening of this, in earlier discussions, it was our understanding that Section 3, due to the fiscal notes, may be removed from the bill. That is the section of the bill that deals most specifically with veterinarians and had the most to do with our involvement at the beginning of this. And whether or not that section is included, I do want to make it clear that we support the bill, whether or not that is included in there. But want the committee to know that if that is included, the Nebraska Veterinarian Medical Association is willing to work with the department in providing training. There are specific training courses available to veterinarians that want to be involved in the process in the way mentioned in Section 3, and we're happy to join with the department in providing that training. If that section is removed, veterinarians are still part of the process, and we are willing to do that and continue to work with the sheriffs and the local communities. And with that I would be happy to answer any questions. [LB423]

SENATOR SCHILZ: Thank you, Ms. Zulkoski. Any questions? Senator Bloomfield.

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

[LB423]

SENATOR BLOOMFIELD: Thank you, Chairman. Ms. Zulkoski, when we undertook this last year, it was mostly because we had reports of horses starving. With the price of hay having done what it has done, have you seen any more of this through the veterinarians' eyes and...than we were looking at last year? [LB423]

KATIE ZULKOSKI: I think as the question was raised earlier, and certainly that is a good question, Senator Bloomfield, I think there is a real concern for availability of feed for all livestock animals across the state. I have not heard specifically from veterinarians that they're seeing more of this yet, but we anticipate that that will be a growing problem across the state. [LB423]

SENATOR BLOOMFIELD: Okay, thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Bloomfield. Anybody else? Senator Wallman. [LB423]

SENATOR WALLMAN: Yeah, thanks for testifying here. Are the veterinarians getting reimbursed for when they have to...the sheriff asks them to go with them out there usually? [LB423]

KATIE ZULKOSKI: There is...there are provisions in this bill and in current law that would allow for a veterinary lien for care provided for the animal. [LB423]

SENATOR WALLMAN: Thank you. [LB423]

SENATOR SCHILZ: Thank you, Senator Wallman. Any other questions for Ms. Zulkoski? Seeing none, thank you for your testimony. Other proponents for LB423? Proponents? Seeing none, are there any opponents? [LB423]

VERN JANTZEN: (Exhibit 2) Chairman Schilz and members of the committee, good afternoon. For the record my name is Vern Jantzen, V-e-r-n J-a-n-t-z-e-n. I am a family farmer and livestock producer from Plymouth and the new vice president of the Nebraska Farmers Union. I am pinch-hitting today for our president, John Hansen, who is in Washington, D.C., working on farm bill issues this week. President Hansen is very interested in this bill and has prepared the testimony I will be sharing with you. Nebraska Farmers Union supports the general thrust of LB423, but has a list of specific changes I will detail in a minute. For members of the committee who might not be familiar with Nebraska Farmers Union, we are the second oldest general farm organization in our state, first chartered on December 16, 1913. Nebraska Farmers Union is also the second largest general farm organization in our state with over 6,200 farm and ranch family memberships. First, a bit of background about our organization's

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

involvement in this issue might be helpful. We are a service organization, and so when farmers and ranchers call our state office with problems, we do our best to help them. One of our members who is a large quarter horse breeder and trainer called our office in October of 2010. He was under surveillance by people who were photographing his operation and his horses. He said they were trespassing on his land without permission and was not sure what was going on. He said he had some sort of health problem with some of his horses, who despite having plenty of hay, feed, and water, were losing weight. He said his veterinarian did not have a good answer for what was going on. As time went forward, the frequency and urgency of calls from our member increased. Two things were quite clear: first, there was an organized effort from members of the Nebraska Humane Society to get law enforcement officials to bring charges against him; and second, he had a genuine herd health issue that was difficult to diagnose and his local veterinarian was not able to offer him much assistance. On February 7, 2011, the county sheriff, staff from the Nebraska Humane Society, and his former local veterinarian came to his farm and wanted complete access to his operation. If he did not grant them access, the sheriff threatened to get a search warrant and the need for him to post a bond of several hundred thousand dollars. He agreed. Really, what were his choices? It turned out that our member had bought hay infested with a very toxic substance from blister beetles, whose northern most range usually ends in northern Kansas or southern Nebraska. Despite his efforts to get the law enforcement people and the county attorney to examine his hay samples and look at his photos of his horses whose mouths were blistering from the blister beetle toxins, charges were brought against him. Had there been a good process for determining the medical facts of the matter, charges would not have been brought. The Nebraska Humane Society, county law enforcement officials, and the county attorney had already jumped to conclusions about what would cause his horses to be thin. They assumed it was starvation despite the necropsy they did on our member's wife's horse which showed plenty of hay in its digestive tract. If they had bothered to look up the symptoms of blister beetle infested hay, they would know that it also reduced the ability of horses to digest the hay they were able to eat despite the blisters in their mouths and throat. We have learned a lot from our involvement from this particular case, but without going into two years of details, we applaud the Ag Committee efforts to address this issue. The status quo works fairly well when there is a lack of feed for whatever reason, but does not when there is a medical problem. We offer for your consideration the following amendments: On page 2 of the bill on lines 11 and 23, replace the word "feed" for the word "food." The rationale for this is humans and pets eat food, commercial animals eat feed. On page 3, line 3, delete the word "llama"--llamas are not equine--and then add them on page 3, line 18. On page 3, starting on line 19 through line 21, strike all the words in item 11 and replace them with "owner or custodian means any person owning, keeping, or possessing an animal, and." The point of this change is to treat commercial livestock differently and more appropriately than pets. If the neighbor's cow or horse strays to your place, you need to return it to its owner. On page 5, line 12, after "livestock animals" add "The director shall determine whether the situation is a criminal

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

issue or a medical issue." The rationale for this is a determination needs to be made as to the medical facts of the situation and then the proper course of action. On page 6, line 1, at the end of "date of judgment" add: "the ability to pay should be taken into consideration." Rationale for this is determinations as to the ability to pay are done for a wide range of fines. On page 6, line 23, strike the period after "the livestock animal." and add: "and the law enforcement official. A copy of the signed custody agreement shall be given to the owner or custodian of the livestock animal." Rationale for this is this provision would make certain that both parties have a copy of the signed agreement. On page 7, starting on line 1, after item 4, strike the first sentence starting with "Any." The rationale for this is it is not appropriate to seize tractors, feeding wagons, feed bunks, portable corrals, and other livestock handling equipment or private property relating to livestock. This provision is punitive. If your child becomes sick and thin, authorities cannot seize your kitchen appliances, silverware, and dishes. On page 7, on line 10, after "animal" add "The period of time the livestock may be kept shall be limited to normal marketing practices and consistent with accepted animal welfare, husbandry, and veterinary practices." The rationale for this, it would make no sense to keep either hogs or cattle past normal marketing weights, for example. On page 7, on line 24, after "twenty-four hours" add language "Animals under another veterinarian's care shall not be euthanized." On page 8, on line 18, after "by the court" add "Any property seized must have just compensation." The rationale for this is this language is consistent with constitutional wording. And then finally on page 9, on line 12, after "by the court, including" add "supplemental feed and pasture." After President Hansen called me yesterday to ask for my assistance, I looked up this bill. I would caution the drafters of this bill to not assume that all of our county law enforcement officials have the expertise and training to deal with situations of animal welfare. It may be a good idea to not only offer the resources available on the state level for animal welfare situations, but also to require that these resources are used before drastic actions are taken by local officials. Our final thoughts are that we need a much better process for determining the medical facts of the matter before actions are taken. We need to examine whether issues of this sort should more properly be in civil court rather than criminal court, and we need to be willing to spend additional tax dollars, if necessary, in order to both properly deal with these issues when they occur while also protecting people's private property rights and civil liberties. It is clear to us that the problems can occur when animal welfare groups are allowed to initiate campaigns to bring legal charges against individuals to encourage seizures, provide supposedly unbiased counsel while on the scene to law enforcement officials, and then offer their paid services as rescue providers. Thank you for your consideration. If there are questions, I will attempt to answer them to the best of my ability. [LB423]

SENATOR SCHILZ: (Exhibit 3) Thank you, sir. Any questions? Seeing none, thank you for your testimony. Others in opposition? Any other opposition to LB423? Seeing none, any neutral testimony to LB423? Neutral testimony? Seeing none there, I do have one letter from The Humane Society of the United States in support of LB423. We'll hand

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

that out to the committee. And with that, we will close the hearing on LB423 and move on to LB550. [LB423]

SENATOR SCHILZ: (Exhibit 1) Good afternoon, members of the Agriculture Committee. My name is Ken Schilz, K-e-n S-c-h-i-l-z, and I represent Legislative District 47. And I bring LB550 before you today to address the public interest in assisting efforts of the livestock industry and rural communities to preserve and enhance livestock development as an essential element of economic development. The bill allows the Legislature to seek reasonable means to nurture and support the livestock sector of this state. LB550 creates the Livestock Growth Act to assist counties that have received a livestock friendly designation from the Director of Agriculture. This act works to bring the Department of Environmental Quality, the Department of Ag, Department of Economic Development, and local stakeholders together to assist counties in identifying and assessing sites suitable for livestock expansion. It would make available a no-interest loan program to counties, administered by the Department of Economic Development to finance infrastructure necessary to accommodate livestock expansion. And finally, LB550 would increase caps for tax credits available through the Nebraska Advantage Rural Development Act to incentivize livestock expansion and modernization to the benefit of rural communities and Nebraska's total economy. I've provided you with an amendment, AM219, which directly authorizes the department to deposit repayment in the revolving loan fund. I ask for your support of LB550 with AM219, and I would be happy to try and answer any questions you may have. Thank you. [LB550]

SENATOR WALLMAN: Thank you. Any questions for Senator Schilz? Senator Chambers. [LB550]

SENATOR CHAMBERS: Senator Schilz, this is a...this is like a subsidy bill isn't it? [LB550]

SENATOR SCHILZ: I would say...well, if you're looking at the loan program, those loans would be paid back. So if a loan is a subsidy, depending on how you define a subsidy. [LB550]

SENATOR CHAMBERS: Isn't it a subsidy if it is no interest? The state is going to give the counties...they're not giving the money over to individuals. This money is going to the counties. [LB550]

SENATOR SCHILZ: That is correct, yes. [LB550]

SENATOR CHAMBERS: And the counties can have five years to hold onto that...it could be taxpayers' money, no interest,... [LB550]

SENATOR SCHILZ: Correct. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: ...that's a subsidy. [LB550]

SENATOR SCHILZ: If you want to define it as that, I suppose you could. [LB550]

SENATOR CHAMBERS: You don't see it as a subsidy? [LB550]

SENATOR SCHILZ: I'm not here to say that it is or isn't. I'm saying you could define it that way if you wanted to. [LB550]

SENATOR CHAMBERS: Without making you angry. [LB550]

SENATOR SCHILZ: No, I'm not going to get angry, Senator. [LB550]

SENATOR CHAMBERS: Do you think this bill has a chance with the economy being what it is with everybody...when I say everybody, not every single individual, but people looking for ways to get what's called free money... [LB550]

SENATOR SCHILZ: Right. [LB550]

SENATOR CHAMBERS: ...and necessarily a grant, but no-interest loans? [LB550]

SENATOR SCHILZ: Right. [LB550]

SENATOR CHAMBERS: Do you think this bill has a chance to be enacted into law? [LB550]

SENATOR SCHILZ: Well, I will say this, if I didn't think...if I didn't think that a bill like this was needed, I wouldn't introduce it. [LB550]

SENATOR CHAMBERS: That's not what I asked. [LB550]

SENATOR SCHILZ: I understand. [LB550]

SENATOR CHAMBERS: Okay. [LB550]

SENATOR SCHILZ: The question that you asked is if it can get through. Well, that's why we're here today to find out. I know from working both on economic development situations in my county, being part of that group, I see how economic development in the business world works. And my attempt here is to bring those folks together that can have the same sorts of successes with agriculture interests, livestock interests, and bring them together as the business community has done through their economic development efforts. So whether the bill goes through or not, one of the thrusts is to

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

make sure that we start talking about how to work together to bring livestock expansion to the state of Nebraska. [LB550]

SENATOR CHAMBERS: In the interest of full disclosure, I was very much opposed to and voted against, there were only three of us who voted against this bill of livestock...or agricultural friendly county, and I know of things that ought to be done for people who are poor in the city, and it's not going to be done. And the people in the rural areas are the first ones to be opposed because that's what it has been down through the years. Would you be in favor, since you brought a bill which offers no-interest loans to the county to no-interest loans being made available to urban counties to help the poor people in those counties? [LB550]

SENATOR SCHILZ: I would say that if it is not available already, if there are ways to incentivize economic development and growth within those communities through similar low-interest loans or zero-interest loans, I would be more than willing to take a look at that. [LB550]

SENATOR CHAMBERS: That's all that I would have of you. Thank you, Senator Schilz. [LB550]

SENATOR SCHILZ: Thank you, Senator Chambers. [LB550]

SENATOR WALLMAN: Any other questions? Seeing none, thank you, Senator. [LB550]

SENATOR SCHILZ: Thank you. [LB550]

SENATOR WALLMAN: Any proponents for this bill? [LB550]

TERRY KEEBLER: Hi, members of the committee. My name is Terry Keebler, T-e-r-r-y K-e-e-b-l-e-r. I am Johnson County Commissioner; I'm also vice president of Nebraska Association of County Officials, and I'm here today testifying on behalf of both of those. As NACO, we support this legislation because of the provision that would potentially benefit those counties that received the livestock friendly designation from the Department of Agriculture. Livestock Friendly County Program is voluntary, designed to recognize a reasonable means of nurturing and supporting the livestock sector of the state. There are currently 21 counties with that designation. I won't go and list all of those. As a disclosure, Johnson County, where I am, is not one of those 21 counties at this point. And feel that this would enhance the Livestock Friendly County Program by aiding the counties and landowners in identifying the environmental and other factors regarding use of the property for livestock production. Of particular note is the establishment of the loan program to provide loans to counties for infrastructure development to facilitate the growth of livestock production, including roads, bridges, and other installations. As county commissioner, we just approved a special use permit

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

for an egg-laying facility about two hours ago. We had our hearing this morning. Many of the comments we received at that hearing were regarding the infrastructure, our roads, leading to where the facility would be built. We do have bridges in place, rock roads going to it. We felt that it would not be an undue burden on those roads. We are going to have to keep more rock out there. We don't have any bridges that I think will be an issue with getting the semis in. In discussion with the proposal, we're looking at probably eight to nine semis a day coming and going from that facility. So it will be a pretty significant load. But I would support this bill in those instances where we do get a chance to have livestock facilities built. And we're not as fortunate to have good roads and bridges going to that area. It's not always possible to find the good roads that also have the other necessary requirements, in this case, water, three-phase power, that would allow that to happen, so. Many of our counties are close to their levy limit and would find it difficult to finance these kind of structures or road improvements without exceeding those levies, and this would help them to get interest-free loans so that they could do some economic development. With that I would answer any questions. [LB550]

SENATOR WALLMAN: Any questions? Senator Chambers. [LB550]

SENATOR CHAMBERS: You do envision roads, bridges, and other modifications and other installations being constructed with these no-interest loans, is that true or not true? [LB550]

TERRY KEEBLER: That would be true. I think that's the intent of this bill. [LB550]

SENATOR CHAMBERS: And you can't do it now because it would cost more than what your levy allows you to pay for these improvements, correct? [LB550]

TERRY KEEBLER: Correct. [LB550]

SENATOR CHAMBERS: And if you don't pay this loan back, what happens? If the county doesn't pay the state back, what happens? Does the state levy or put a lien on county property such as the courthouse and foreclose on it to get its money, is that what you envision? [LB550]

TERRY KEEBLER: I would not envision that, no, Senator Chambers. [LB550]

SENATOR CHAMBERS: The county will always be able to pay it back you feel? [LB550]

TERRY KEEBLER: That would be one of the priorities of the county at that point when you borrow money is to make sure you pay it back. [LB550]

SENATOR CHAMBERS: But suppose they don't, because they can't under their levy.

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

[LB550]

TERRY KEEBLER: If they borrow that money to do economic development, hopefully, the increase in tax would help pay that back. We have borrowed money in the past as county government. That becomes priority one as far as budgeting is to make sure that is paid back. Other things need to let go. [LB550]

SENATOR CHAMBERS: Would that tax fall within your levy limit when you say an increase in tax? Are you allowed to increase tax above your levy limit? [LB550]

TERRY KEEBLER: No. [LB550]

SENATOR CHAMBERS: So where would this new tax come from? You said tax could be...taxes could be raised to pay for it. If you've got the taxing ability to pay for that loan, you got the taxing ability to pay for this, don't you? And if you don't have the taxing ability to pay for these modifications, constructions, and so forth, you're not going to have it after they are built, are you? [LB550]

TERRY KEEBLER: I would...my assumption, Senator Chambers, is that as they build these, you're getting increases in valuations that will be subject to the current tax levies which would give you more tax money in which to pay these back. [LB550]

SENATOR CHAMBERS: But that's iffy. You and I both know that agriculture is far more unpredictable than even a business. We just heard a very wise individual sitting next to me talk about the stresses on the grass right now, the stresses that will be there when spring comes, which in turn will put stresses on animals. Their value might decrease, therefore the bankers are going to have to come in and see if...to protect their collateral; they're going to take those animals or provide for them and none of this is going to bring revenue. Somebody is going to be expending revenue and others are going to be losing it. So if the county is going to roll the dice dealing with an industry, if you want to call the agricultural...since we're discussing an industry, which right now is in serious trouble, what...let me say it without asking all those questions. A first principle of economics is don't send good money after bad. Right now, sending money into the agricultural sector is sending good money after bad. There are even problems that we saw being encountered with the farm bill at the federal level. Things were worked out and something was done. But that always is a possibility of taking away money that people had relied on in the agricultural sector. So with all that having been said, I'm going to come back to my original question: you get the no-interest loan. You construct roads, bridges, and other installations. Is it your intent, and I might be giving you something you hadn't thought of, that you then just tell the state, well, we'll give you title to the roads, bridges, and installations, they're yours now, do with them what you will. Is that what you plan to have happen if you don't pay the loan back? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

TERRY KEEBLER: No. [LB550]

SENATOR CHAMBERS: So what would the state levy against in order to get you to pay back that loan after the five years are up and you haven't paid it back? [LB550]

TERRY KEEBLER: I don't know the answer to that question, Senator Chambers. [LB550]

SENATOR CHAMBERS: So now...I see why bankers feel powerful. I'm in the role of the banker now. You're coming to me; you have no collateral, all you can say is that you have a pipe dream...I'm being like the banker now, I'm not the sympathetic Ernie who, you know, likes to help. You have a pipe dream. You're taking a piece of legislation, which when it was passed meant nothing, it didn't cost anything. It gave counties, if they felt better about it, a designation of agricultural friendly county. And now you want to parlay this into cash in an iffy enterprise. If you went to a banker with something like that, do you think a bank would lend you money at no interest? [LB550]

TERRY KEEBLER: I don't know of many bankers who would lend money at no interest, no. [LB550]

SENATOR CHAMBERS: Period. So you're asking the state to do something that no financial institution would do, correct? [LB550]

TERRY KEEBLER: Correct. But I don't think the state is a financial institution either. [LB550]

SENATOR CHAMBERS: Do you think that the taxpayers all over the state should be required to give money to one particular area of the state for a very iffy proposition? That's what this is, isn't it? You're hoping that if you do this, it's going to generate some revenue. You're hoping that, aren't you? Would it generate money for the public or for private landowners and private business owners? [LB550]

TERRY KEEBLER: It would generate money for the public revenue. The facility that we approved a special-use permit for this morning, a similar facility that has already been constructed is generating about \$100,000 of property tax per year. So we would expect something similar on the current proposed facility. [LB550]

SENATOR CHAMBERS: So you think that they would be able to pay this money back? [LB550]

TERRY KEEBLER: Yes. [LB550]

SENATOR CHAMBERS: But if they couldn't, you haven't got any fall-back position on

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

that? [LB550]

TERRY KEEBLER: If the facility is built, we have levy authority and we have lien authority over those facilities. [LB550]

SENATOR CHAMBERS: Okay. One other question, in an area that gripes me where they always talk about how great ethanol is and how it is going to relieve this country from relying on what they call foreign oil; first of all, not enough ethanol could be produced to do that in the first place. Are you aware that there are some ethanol plants that have been closing? [LB550]

TERRY KEEBLER: I am. [LB550]

SENATOR CHAMBERS: And that is because the cost of corn is too high, isn't it? [LB550]

TERRY KEEBLER: Well, the margin between the corn and the ethanol was too small. [LB550]

SENATOR CHAMBERS: And the cost of corn is too high for these plants to pay for it, process it into ethanol, and make money, correct? [LB550]

TERRY KEEBLER: That is what I understand, yes. [LB550]

SENATOR CHAMBERS: And part of that is because Mother Nature said, I'm not going to smile on Nebraska anymore, right? [LB550]

TERRY KEEBLER: And a large part of the rest of the country, yes. [LB550]

SENATOR CHAMBERS: So ethanol was a gamble from the beginning, and without huge subsidies from the federal government, ethanol couldn't even go anyway, could it? It can't pay its own way, can it? [LB550]

TERRY KEEBLER: I'm not going to agree to that, Senator Chambers. [LB550]

SENATOR CHAMBERS: Why do they not build a pipeline to transport ethanol as they do petroleum and petroleum products? [LB550]

TERRY KEEBLER: I don't know the answer to that. [LB550]

SENATOR CHAMBERS: Are there qualities and properties in ethanol that would make it not feasible to go through a pipeline or you don't know for sure? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

TERRY KEEBLER: I don't know. [LB550]

SENATOR CHAMBERS: Okay, I'm through. Thank you for being so indulgent. [LB550]

TERRY KEEBLER: You're welcome. [LB550]

SENATOR CHAMBERS: By the way, you're not licensed to carry are you? [LB550]

TERRY KEEBLER: No. (Laughter) [LB550]

SENATOR CHAMBERS: Thank you. [LB550]

SENATOR WALLMAN: Senator Hansen. [LB550]

SENATOR HANSEN: Thank you. Mr. Keebler, is that correct? [LB550]

TERRY KEEBLER: Yes. [LB550]

SENATOR HANSEN: Okay. Property taxes never go away. We pay them no matter whether we're making a living or not. Let me ask you a couple of questions about this facility and mainly the time line. Between the time that...you're an ag-friendly county, I assume, because that is what we're talking about. [LB550]

TERRY KEEBLER: We are not, Senator Hansen. [LB550]

SENATOR HANSEN: Johnson County, is the facility in Johnson County? [LB550]

TERRY KEEBLER: Yes, it is. [LB550]

SENATOR HANSEN: Okay, well... [LB550]

TERRY KEEBLER: As currently written, we would not be eligible for a loan at this point. But I support the bill as written and the concept...one of the reasons we did not...I have not pushed for it is, as Senator Chambers said, designation at this point doesn't mean much. [LB550]

SENATOR HANSEN: And you're also representing NACO who is quite vocally against livestock-friendly counties for reasons that I understood, but I didn't care for. But going back to the time line of the example you gave today, how long ago was that? When did they say, we want to pick Johnson County to build an egg-laying facility? [LB550]

TERRY KEEBLER: I believe their interest was first expressed last fall, around October. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR HANSEN: Okay, so we've got last fall the time that they decided that they wanted to do it. Do you have any other priorities in Johnson County for roads and bridges right now? [LB550]

TERRY KEEBLER: Certainly. [LB550]

SENATOR HANSEN: Okay. Are you a taxing authority? [LB550]

TERRY KEEBLER: Yes. [LB550]

SENATOR HANSEN: Would you claim that that would be, in other realms, a revenue stream that is steady and would look like collateral? The county is going to continue raising property...not raising, but collecting...collecting... [LB550]

TERRY KEEBLER: Collecting property taxes. [LB550]

SENATOR HANSEN: ...we hope they don't keep raising, but they probably will. (Laughter) But anyway, you have a revenue stream there. I would say that that's collateral because you're going to continue that. Now back to the time line, the time line you found last fall that this egg-laying unit wanted to come to Johnson County, and you have priorities of roads and bridges. Now with this loan, if it would go through, this non-interest-bearing loan would allow the county to fix up roads and bridges for semi traffic, saying there is a bridge that doesn't have the capacity for semis or a road that you're going to have to haul rock on and that sort of thing. Your list of priorities, when they're filled, the ones you have now, when those are filled, wouldn't the priority for roads and bridges for this loan cover the ones and then the priorities down the road would (laugh)...down the road...down the time line come back and fulfill that loan? [LB550]

TERRY KEEBLER: If I understand your question, yes, I mean, you're going to keep expending money on roads and bridges. And as we budget every year, we have money in there to do certain amount of roads and a certain amount of bridges. It never seems like it's enough as to keep up. [LB550]

SENATOR HANSEN: But that's why you set priorities. [LB550]

TERRY KEEBLER: We set priorities. [LB550]

SENATOR HANSEN: You have priorities set and this egg-laying unit came in. You didn't have the money to do it, and if it was a livestock-friendly county, that would provide the possibility for those improvements to the roads and bridges or whatever infrastructure you have, is that correct? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

TERRY KEEBLER: Correct. [LB550]

SENATOR HANSEN: Okay. And that was the big thing that NACO did not like about livestock-friendly counties. And they...and some county commissioners continue that to this day that we don't have money for infrastructure. Any other comments? [LB550]

TERRY KEEBLER: No. Thank you. [LB550]

SENATOR HANSEN: Okay. Thank you. [LB550]

SENATOR WALLMAN: Any other questions? Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you, Vice Chair Wallman. Mr. Keebler, with this egg production plant that you voted to modify the roads a little bit to help them come in, how many jobs are you hoping to bring in with that or is it...? [LB550]

TERRY KEEBLER: His proposal was talking about 20. [LB550]

SENATOR BLOOMFIELD: That's 20 full-time jobs? [LB550]

TERRY KEEBLER: Yes. [LB550]

SENATOR BLOOMFIELD: That probably would have gone away without some help from you guys fixing the roads up and whatnot? [LB550]

TERRY KEEBLER: Well, this is not going to require, in our case, other than some higher maintenance costs, we will not have to rebuild a road or build any bridges. So in this case, we wouldn't have needed a loan. It's just going to be a matter of doing some work on the roads as traffic starts going over them. [LB550]

SENATOR BLOOMFIELD: You're fortunate. [LB550]

TERRY KEEBLER: Yes. [LB550]

SENATOR WALLMAN: Any other questions? [LB550]

SENATOR CHAMBERS: I have one. [LB550]

SENATOR WALLMAN: Okay, Senator Chambers. [LB550]

SENATOR CHAMBERS: And it might have a couple of tentacles going out from it. (Laughter) Can a county issue general obligation bonds? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

TERRY KEEBLER: Yes. [LB550]

SENATOR CHAMBERS: Can they issue general obligation bonds to build roads, bridges, and infrastructure? [LB550]

TERRY KEEBLER: I think so, yes. [LB550]

SENATOR CHAMBERS: And a general obligation bond, as opposed to that other, I won't even name that kind of bond, is preferred because the...it's going to be paid out of the tax that the issuer is going to raise so you can count on the payment of those bonds coming out of the general fund of the county. And that's what makes general obligation bonds good, more or less, right? [LB550]

TERRY KEEBLER: Yes, that sounds correct to me. [LB550]

SENATOR CHAMBERS: But you don't want to issue general obligation bonds because you don't want to pay the interest that you would have to pay the bond holder, is that correct? [LB550]

TERRY KEEBLER: Sounds reasonable. [LB550]

SENATOR CHAMBERS: Is your county willing then to issue general obligation bonds to build roads and bridges? [LB550]

TERRY KEEBLER: That would be a discussion between the three commissioners. [LB550]

SENATOR CHAMBERS: What is your sensing of it? And if you don't know for sure, speculate with me. (Laughter) [LB550]

TERRY KEEBLER: We have not in the past. They did issue bonds to improve the courthouse some 12, 15 years ago. [LB550]

SENATOR CHAMBERS: Okay. That's all I have, seriously. And thank you very much. [LB550]

TERRY KEEBLER: Thank you. [LB550]

SENATOR WALLMAN: Anybody else have a question? Thank you, Mr. Keebler. Next proponent. [LB550]

KRISTEN HASSEBROOK: Vice Chairman Wallman, members of the Ag Committee, my

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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name is Kristen Hassebrook, K-r-i-s-t-e-n H-a-s-s-e-b-r-o-o-k. I'm here today on behalf of the Nebraska Cattlemen. Nebraska Cattlemen members support LB550. The mission statement of our association is to be the beef epicenter of the United States. LB550 will move us forward in that direction. Nebraska is and will remain a strategic location for livestock production because of our balance of rangeland, proximity to feedstuffs, and harvesting facilities. Nebraska Cattlemen members voted to support this bill for many reasons. First, because of the specific incentive to counties that are participating in the livestock friendly designation. These counties have stepped up wanting to support livestock production and they also want to see more livestock production in their counties, which should be rewarded. No-interest loans that can be used for local infrastructure, like roads and bridges, are vitally important to ensure these counties are able to accommodate expanded livestock production. Nebraska Cattlemen members also support LB550 because of the increased caps for tax credits available for individual producers. Expanding a livestock operation or building a new facility is a costly investment that can total hundreds of thousands of dollars. Raising these caps updates the incentives under this law to an amount that realistically in today's marketplace can actually incentivize investment. Finally, Nebraska Cattlemen members support LB550 because it is forward-thinking. The past couple of years in the beef industry, as Senator Hansen has explained, have been quite challenging because of our extended drought and 2013 looks to bring much of the same. However, from the beginning, Nebraska Cattlemen and its members have asked public officials to think much more on the future of the industry rather than the here and now. This is because the drought will end. And when it does, our beef producers will need to have the ability, the right business climate in place, and access to the necessary capital to rebuild and expand their operations. With that, thank you for your time, and I'd be happy to answer any questions. [LB550]

SENATOR WALLMAN: Any questions? Senator Chambers. [LB550]

SENATOR CHAMBERS: Oh, were you...did you have some...I'll yield to him first, because he might ask the same ones I would ask. [LB550]

SENATOR WALLMAN: Okay. Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you. Thank you. Miss Hassebrook, I haven't decided where I'm going to come down on this yet, but there is a history in Nebraska that if hard times come upon you that it is your problem and not the state's. And I wonder if we're not crossing that line just a little bit and relying a little more on the state than we ought to be here. Do you have any opinion on that? [LB550]

KRISTEN HASSEBROOK: Beef producers are notoriously independent... [LB550]

SENATOR BLOOMFIELD: I'm well aware of that. [LB550]

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Transcriber's Office

Agriculture Committee  
February 12, 2013

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KRISTEN HASSEBROOK: ...gentlemen and women. However, with the appropriate programs, appropriate incentivizing of business and placement, especially in rural Nebraska, like I said, that is so strategic for livestock production, in our opinion, are very appropriate. [LB550]

SENATOR BLOOMFIELD: Thank you. [LB550]

SENATOR WALLMAN: Next, Senator Chambers. [LB550]

SENATOR CHAMBERS: You had indicated that the Cattlemen believe...or that they know the drought is going to end. Do they know when? [LB550]

KRISTEN HASSEBROOK: Unfortunately, no. I've heard it always rains at the end of a drought, so we'll know then. [LB550]

SENATOR CHAMBERS: They wish...there was a feature on television not long ago which shows that the water level in the Great Lakes is dropping tremendously and people thought that that couldn't go on, but it has. And now areas where the water would have been two or three feet above an average person's head is now sand and the water is a good distance away from where the shoreline used to be. So they thought that this dropping of the water level would be temporary and now they just don't know. There are harbors that are closing; there are large ships that used to could come in the areas which cannot anymore. So I don't think there is anybody who would like to see any part of the country hit with something like that and it persevere. Cattlemen borrow money from lenders, don't they? And they hope to pay that money back and the lenders hope to be paid back. The cattle constitute the collateral, and if the cattle shrink in size because they don't have enough to eat, the banker's collateral is shrinking also. And that which was used to cover the loan is going away. And if there is too little collateral to cover the loan, it's called a classified loan, it's a bad loan. If we have people on this committee who are much smarter than I am when it comes to these things, and they tell from their wisdom people like me who being from the city would be less wise that there are going to be problems with feeding cattle, do you think that cattlemen will be able to get the kind of loans under these circumstances that they could have gotten had not these circumstances come into existence? [LB550]

KRISTEN HASSEBROOK: I can't say for sure. I don't know what the banks' prospectus is on, you know, where they're going to allow or not lend. But what I would say is that, as in my testimony, the request of the Nebraska Cattlemen and our members is to think about when we are at a place where we want to expand and we want to rebuild our businesses and at that point that banks have the backing and the ability to loan that capital to us because they can see that we're going to improve. I don't know if that, exactly, answers your question. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: You're expressing a hope that all of us would have, but I think bankers want something more than hope, luck, and pray. And if they're looking at the collateral on the hoof shrinking and in some cases becoming so stressed that it is viewed as animal abuse, then I don't think they're going to lend money on that. That's my opinion. So when the Cattlemen come here and support a bill like this, are they saying, and you mentioned the credits, they'd like more credits, what about the roads, the bridges, and the infrastructure? Do they have any interest or concern in that because I don't think they need to...well, they put their cattle in trucks so I'll ask the question. Are the roads, bridges, and infrastructure elements in this bill of interest to the Cattlemen? [LB550]

KRISTEN HASSEBROOK: Most definitely. Quality roads are imperative for transporting livestock of all species. And counties...something that is very nice about this bill is the no-interest loan to sort of go beyond what might be budgeted for just the standard gravel could allow them to pave a road out to an egg-laying facility or a beef feedlot. Once that road is paved, the truck traffic is much easier to get there; the road handles it better, and so that beef producer could say, you know, I could get more trucks in here and so I can expand my pen space because I can move more cattle through my facility. [LB550]

SENATOR CHAMBERS: But if you have fewer cattle, you don't need more trucks. [LB550]

KRISTEN HASSEBROOK: No, but some day we'll have, hopefully, have more cattle. [LB550]

SENATOR CHAMBERS: Have the Cattlemen approached the counties about paving these roads? [LB550]

KRISTEN HASSEBROOK: We do in some instances, yes. [LB550]

SENATOR CHAMBERS: Have they ever threatened to drive a herd of cattle through town if they don't pave the roads? [LB550]

KRISTEN HASSEBROOK: Not to my knowledge. [LB550]

SENATOR CHAMBERS: I don't know how things are done in rural areas. So let me ask you this question. Why...are there women who raise cattle? [LB550]

KRISTEN HASSEBROOK: Yes. [LB550]

SENATOR CHAMBERS: All I hear is cattlemen. I thought only men raised cattle. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

KRISTEN HASSEBROOK: We have a Nebraska Cattlewomen organization. It's part of Nebraska Cattlemen. [LB550]

SENATOR CHAMBERS: But the Cattlewomen...women are part of the Cattlemen, they tolerate that. They're out there doing what the men have to do and probably doing it better. [LB550]

KRISTEN HASSEBROOK: Perhaps. [LB550]

SENATOR CHAMBERS: Do the Cattlewomen then approve of this bill? [LB550]

KRISTEN HASSEBROOK: The Cattlewomen are part of our association, so yes. [LB550]

SENATOR CHAMBERS: Are part of what? [LB550]

KRISTEN HASSEBROOK: They're part of the Nebraska Cattlemen Association, so, yes, Nebraska Cattlewomen are in support of this bill. [LB550]

SENATOR CHAMBERS: Are they willing to change that name to recognize the presence and contributions of women? [LB550]

KRISTEN HASSEBROOK: I think if you go into any Nebraska beef producer's home, a woman's contribution is very much appreciated and recognized. I don't think we'll be changing our association name. [LB550]

SENATOR CHAMBERS: But I don't get invited to any of their homes and probably would...you know, because I understand that, but how is somebody like me on the outside and far away to be aware that there is such a thing as a woman who would raise cattle? I wouldn't have any way. And if I knew that, then maybe I would be a little more sympathetic. I have to ask you something before I ask this question. Have you ever seen that movie with this guy called Wolverine in it? And when he does something these sword-like things come out of his fingers. [LB550]

KRISTEN HASSEBROOK: Yes, I've seen parts of that movie. [LB550]

SENATOR CHAMBERS: See, when men are sitting in that chair, Wolverine's swords come out. When women come...whatever he does and the swords go away and they are ordinary hands like ordinary people. Here is why I say that. I think that where women are involved, there is more compassion, understanding, and sympathy of the kind that we call human traits. Women are the ones who carry a fetus for nine months and produce a child. So if a child is killed over here, that woman can readily see my

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

child in that. They call men...there are no children in here, we're all grown, men don't contribute very much to the production of another human being. If anything, they can be called minutemen literally. So when a woman goes through all of this, a woman may be far more concerned about what is going to happen to the fruit of my womb. Is there going to be a school for this child to go to; have an education; be able to make a living; not be out here gangbanging or doing the kind of things that would wind this child up in trouble. In medicine, women are more humane in dealing with patients than males. This is acknowledged in medical schools and throughout the profession. And they think that these people, these guys who go through medical school could learn something just from watching the way women treat people in ordinary relationships. So, if this were the kind of thing where cattlemen would give assurances that something is more likely to happen than not, I would take them more seriously because my mother was a woman and nobody should be surprised as I state that I care about women because I was born in bed with a woman. Think about it before you get upset. All of us were, probably. So, there's a natural affinity. But when people come here from county boards and they're asking for handouts, there will be other times on the floor of the Legislature when those same men will say the government is too big, but then they're going to ask the government to give them free money. Then there is a disconnect here. So what I will tell you is if there was some way I could support a bill like this I would be more likely to do it if there was some direct benefit to women and an improvement in the status of women generally. But I was opposed to this idea of an agricultural-friendly county designation, and I even told those people--you're getting nothing, you're getting words on paper. If that's what you accept and it makes you happy, that's the way you're going to be viewed. You need not have anything. At least Senator Schilz and some of the other people who are coming here with their hands stuck out saying give me something, are after something concrete. They're after something that they think might produce a betterment in the circumstances of people who are raising cattle and doing other things in agriculture. My problem is in trying to see how this can be supported when we all know that contrary to what people want to say that there are changes in the climate. Not just the weather; not just here; not just in America, but all over the world and people deny that it even happens. If people deny what they see as happening, what are they going to do when the things that my good wise friend here predicts come to pass? He's not a fortuneteller. He's looking at the fact that there is serious problems. So is there a cattleman in the audience who is going to come up here and speak on this bill? Do you know? [LB550]

KRISTEN HASSEBROOK: I think that there will be others who raise cattle that will get up on behalf of other organizations, yes. [LB550]

SENATOR CHAMBERS: They raise cattle though? [LB550]

KRISTEN HASSEBROOK: I'm not sure, but I think...there will be other livestock producers for sure that will get up and speak. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: And what will be included in the livestock other than cattle? Pigs? [LB550]

KRISTEN HASSEBROOK: Poultry, hogs. [LB550]

SENATOR CHAMBERS: Chickens? Well, one man talked about egg laying, so would he be... [LB550]

KRISTEN HASSEBROOK: That would be in the poultry category. [LB550]

SENATOR CHAMBERS: Okay. And that's all that I have for you. This was way off the subject, but I just had to say it to somebody. [LB550]

SENATOR WALLMAN: Senator Hansen. [LB550]

SENATOR HANSEN: Thank you. Kristen, could you go back, we'll just skip 2012, like a lot of us would like to do since it was so dry. Back to 2011, 2011 we had an excess of rain. We had an excess of water in the rivers. Certain reservoirs were opened up to carry, you know, never before seen amounts of water coming down there. What did that do to the county roads? [LB550]

KRISTEN HASSEBROOK: That was very harmful to county roads in some areas. It was, you know, washouts and just...constant traffic on really heavy, wet roads is bad for the stabilization and things like that. [LB550]

SENATOR HANSEN: It affected the roads and bridges and the infrastructure at the same time, just as much as the dry...as the dry would too. Do you know the names of the predecessor organization to the Nebraska Cattlemen? [LB550]

KRISTEN HASSEBROOK: Yes, the Nebraska Stock Growers Association and the Nebraska Feeders Association...Livestock Feeders Association, I think. [LB550]

SENATOR HANSEN: And...and they had women in them, too, I think. [LB550]

KRISTEN HASSEBROOK: Yes. [LB550]

SENATOR HANSEN: A little bit more nongeneric name than that. My main point is that this bill is to help counties with the roads, bridges, and infrastructure and not necessarily directly to help cattlemen or egg layers or pork producers or whatever. So the handout, if any, is to the counties to help them with the infrastructure. And that is what, hopefully, this bill would someday help with. The livestock friendly county, which I was a certain proponent of, was the first step. And this that Senator Schilz brought today is the

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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second step. Thank you. [LB550]

KRISTEN HASSEBROOK: Thank you. [LB550]

SENATOR WALLMAN: Thank you, Senator. Anybody else? Well, thank you. [LB550]

KRISTEN HASSEBROOK: Thank you. [LB550]

SENATOR WALLMAN: Next proponent. Welcome, Mr. Rice. [LB550]

DAN RICE: (Exhibit 3) Good afternoon, Senator Wallman, committee. My name is Dan Rice, D-a-n R-i-c-e. I'm a dairy producer from Firth, Nebraska, and a member of the Dairy Growth and Development Committee of the Nebraska State Dairymen's Association, and I'm here to speak today on behalf of dairy producers. The two pages attached to my testimony are a graphic display of what is happening in the dairy industry in Nebraska. Over the time frame from 2001 until 2011, like a lot of agriculture, our industry has experienced consolidation and a loss of producers. But as you will notice, our overall milk production has stayed consistent. We currently produce about \$250 million worth of milk in farm sales over 200 farms. The startling fact is revealing when you look at the second page which shows shifts in milk production for that same period. While Nebraska has reported a .6 percent growth in dairy production, the states around us have left us behind. As you look at the numbers, Iowa has grown 14 percent; South Dakota 36 percent; and Kansas over 60 percent. And I'm not even going to discuss the folks to our west and to the southwest because they're in a different market. One may ask why those states have grown and Nebraska has not. I often ask myself that also. In most instances they have had a program in place for years to encourage and promote the benefits of the state to our industry. The I-29 corridor has been recognized as a growth area for the dairy industry. Over the years, that area has been very aggressive in attracting new plants...new processing plants in turn created additional opportunities for dairy to develop. Nebraska is currently working with processors and others in that area, the I-29 corridor, to find opportunities for growth to supply milk to that region. Personally, I moved my dairy from Pennsylvania in 1998. Over the years we have merged our dairy with four other local dairies and developed a 1,500 cow operation. I came to Nebraska because I realized Nebraska had all the resources for a dairy farm: abundant feed and water supply, and opportunity for growth and sustainability. Nebraska has what it takes to be a player in the dairy industry. As a member of the Growth and Development Committee, we have constantly been confronted with challenges to find suitable locations for dairies to be located. Through the livestock friendly county program, we are beginning to see opportunities; but in many instances there are challenges with the infrastructure within the county are the roads and bridges. For every 700 cows, there is a semi load of milk leaving that dairy each day. Our counties need the support offered by LB550 to address some of these infrastructure issues. We appreciate the creation of a loan fund to assist counties in

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

infrastructure development. When we compare what other states in our region are doing, this is not a totally new concept. At the current time, our South Dakota neighbors are considering a local government road improvement grant fund which would provide \$5 million in grants and loans to counties for infrastructure improvement connected to the livestock development. As an industry, we do appreciate the support we are getting from the Nebraska Department of Agriculture, Environmental Quality, and Economic Development. As proposed in LB550, we will continue to get support for identifying acceptable sites for locating prospective dairies and providing the roads, etcetera, necessary for successful economic development opportunities. Dairy requires a high-level investment in equipment and buildings. We are concerned about the welfare of animals, so we moved our cows into environmentally controlled buildings. A typical new dairy facility will cost in the range of \$5,000 to \$6,000 per cow; and this adds to the property tax base in the community and helps support schools and community services. The tax incentives in LB550 will encourage producers and show that Nebraska is serious about developing the animal/agricultural base which is key to future economic stability in our state. Dairy development also brings benefits to our community. There is about one job created for every hundred cows. Each cow produces \$4,500 in product sales, which in turn goes back into the community through feed purchases and other necessary inputs. On an average, each cow will require one acre of productive land to provide the feeds necessary to turn milk and manure products. Our dairy farms also are active partners in the community. We feel that provisions provided in LB550 will help us put Nebraska on the map as being open for business when it comes to livestock development. We need this program to set us apart from others in our...other regions of the country as livestock-friendly development. The NSDA would appreciate your support for LB550. With that I'd like to entertain any questions. [LB550]

SENATOR WALLMAN: Senator Chambers. [LB550]

DAN RICE: Yes, Mr. Chambers. [LB550]

SENATOR CHAMBERS: Once again, this wise man, I'm the wise guy, this wise man next to me pointed out that people are complaining about too much water last year. So the powers that be said, okay, they don't want...we'll turn off the spigot. Now they're complaining because they don't have enough water. How can you please them? Here is the question that I would ask. Do you think in view of the overall economy that this is an opportune time to ask the state to give no-interest loans on iffy projects, and that is what I think this is, to the county, not to individuals. The counties want roads built that they have not built. The counties have not done anything to bring these businesses there or to sustain them after they have gotten there. So if the counties have not done it, why should the state? And if the counties haven't been able to do it up to this point, is it your...this is the question--is it your contention that if these roads and bridges are built, those in and of themselves will sustain the dairy industry in Nebraska? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

DAN RICE: To answer your question, I don't think it's going to sustain the dairy industry of Nebraska, but it will go a long way in helping us recruit dairies to the state of Nebraska. And by recruiting dairies to the state of Nebraska, it is going to greatly improve the economic well being of some of these counties in western Nebraska where there is no...nothing happening from economic development standpoint. [LB550]

SENATOR CHAMBERS: Instead of continuing to say this wise man, I think magi is the plural of magus, so I'll call him Magus. Do you think that Magus was telling the truth when he said this bill is not directly aimed at helping the producers, it is to help the counties build their roads and bridges and infrastructure; did you hear him say that? [LB550]

DAN RICE: I might have been sleeping at the time, but no. (Laughter) [LB550]

SENATOR CHAMBERS: You can take the fifth if you want to. [LB550]

DAN RICE: No, that's okay. No, I do think this will help the counties maintain those roads that need to be maintained. And then as they are able to recruit dairies into their county, it will definitely help their tax base. It will help their communities to survive. As you go to western Nebraska or some of these northern counties, there is very, very little economic development happening there. And we can provide that with dairies. But some of the roads are not up to standards that we...to haul the milk and the feed that need to be. So I think this would really help that situation. [LB550]

SENATOR CHAMBERS: My last observation and a question, in following along as you were reading your statement, you mentioned that you moved your dairy from Pennsylvania to Nebraska because Nebraska has what is needed, the feed and the water, but you didn't mention roads. [LB550]

DAN RICE: I did not. [LB550]

SENATOR CHAMBERS: You didn't consider the roads when you came here, or is that not a primary consideration? [LB550]

DAN RICE: I was fortunate enough to be located in Lancaster County, so we have very good roads here. So roads were not a consideration that I really looked at. Now if I was looking to locate in western Nebraska or northern Nebraska, it probably would be a very high...something I would look at very seriously, yes. [LB550]

SENATOR CHAMBERS: You wouldn't have a dairy in the Sandhills would you? [LB550]

DAN RICE: I would...on a muddy day, I would really like to have a dairy in the Sandhills, yes. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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SENATOR CHAMBERS: Okay, thank you. That is all I have. [LB550]

SENATOR WALLMAN: Anybody else? Thank you, Dan. [LB550]

DAN RICE: Could I speak to your point about women in agriculture? [LB550]

SENATOR CHAMBERS: Sure. [LB550]

DAN RICE: My daughter runs our dairy herd and she does a fantastic job, and we love the women and the nurturing that they do give the cattle. So women in agriculture are a very important part of what...the future of our agriculture. [LB550]

SENATOR CHAMBERS: I'm going to check and if you're telling the truth, you move me a little closer towards... [LB550]

DAN RICE: Come visit her. [LB550]

SENATOR WALLMAN: Next proponent. [LB550]

NATHAN DORN: (Exhibit 4) Members of the Agriculture Committee, my name is Nathan Dorn, N-a-t-h-a-n D-o-r-n. I'm a corn, soybean, and livestock producer from Hickman, Nebraska. My family raises cattle and we were involved in the aforementioned egg production facility in Johnson County. I serve as a director on the Nebraska Soybean Association, and I'm here today to testify in support of LB550, the Livestock Development Growth Act. The Nebraska Soybean Association, along with many other agriculture groups, are here appearing before you today because we have come to support our number one customer. Nebraska has a long and storied history when it comes to animal agriculture and its venerable status in our state. Our association with beef is well known throughout the world; and pork, poultry, and dairy industry have always made us even more competitive on the national scale when it comes to livestock production. Nebraska is well suited for animal agriculture with the vast amounts of feedstocks we produce, as well as water availability, processing facilities, and a centralized location for distribution to either the East or the West Coast. Livestock producers are a soybean farmer's number one customer. Livestock consumes more than 98 percent of the Nebraska soybean meal produced. As a soybean producer, we would much rather feed our soybean meal to our customers right here in Nebraska, adding value at the local level. A healthy animal agricultural industry benefits all Nebraskans. Studies show that Nebraska counties with thriving livestock production tend to be better off than those counties that do not. It's time we stepped up to the plate and develop a policy that is proactive for livestock development. The incentives provided by LB550 would enhance livestock production expansion within our state. LB550 is a good step forward to strengthening animal agriculture in Nebraska. I strongly

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

encourage you to support LB550 and advance it from committee. Thank you. I'd be happy to answer any questions at this time. [LB550]

SENATOR WALLMAN: Thank you, Nathan. Any questions? Senator Chambers. [LB550]

SENATOR CHAMBERS: So your primary interest is in the incentives and all the talk of the roads and so forth would not be what brought your support to this bill primarily? [LB550]

NATHAN DORN: We are here to support the bill 100 percent for the incentives and the no-interest loan program to the counties. [LB550]

SENATOR CHAMBERS: If we removed the incentives, would you still be in favor of the bill? [LB550]

NATHAN DORN: All the incentives? So, we would remove the tax credit and the low-interest loan? [LB550]

SENATOR CHAMBERS: All of the new incentives in this bill. Those that are already there would stay there, but no new incentives as might be envisioned in this bill. If we took all of that out of the bill, would you still be in support of it if the no-interest loans would go to the county for building roads and so forth? [LB550]

NATHAN DORN: I'm sorry, I don't understand which ones you're keeping. I don't know which ones are staying. I don't know... [LB550]

SENATOR CHAMBERS: Did you read the bill? [LB550]

NATHAN DORN: I did read the bill, yes, sir. [LB550]

SENATOR CHAMBERS: Everything that is underlined is new. [LB550]

NATHAN DORN: Okay. [LB550]

SENATOR CHAMBERS: Anything with a line through it is gone. [LB550]

NATHAN DORN: Okay. [LB550]

SENATOR CHAMBERS: So if there were underlinings where you might get more in the way of incentives, that new language that is underlined would be dropped out and the original language that was in the statute would remain there. There would be no additions to incentives. So whatever incentives are in the original statutes now they

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

would stay unchanged. [LB550]

NATHAN DORN: Unchanged. [LB550]

SENATOR CHAMBERS: But there would be no improvement or additions to them. If the new incentives, if the add-on incentives were taken out of this bill and the only thing left would be the portion that deals with the loans to the county, no-interest loans to the county, would you still support the bill? [LB550]

NATHAN DORN: Yes, yes, sir, I believe we would. [LB550]

SENATOR CHAMBERS: Your voice wasn't as strong as it was before, so I think it gave you away. [LB550]

NATHAN DORN: Well, I'm sorry, I haven't had anything to drink. I haven't had anything to drink here today. [LB550]

SENATOR CHAMBERS: Oh, it was strong before then. [LB550]

NATHAN DORN: Well, that's because I'm reading from a very well-prepared statement and so... [LB550]

SENATOR CHAMBERS: And let me say one other thing about that. I pay attention to grammar, and when you have a compound sentence, all you need is a comma to set the two apart. But if there is a comma in the first one, then you set them apart with a semicolon. That's the way this statement was written. It is well written. It is very clear, concise and precise. So when the market...when the bottom falls out, whoever wrote this ought to become a speech writer and editor or somebody who deals with language and he or she is going to make a good living. [LB550]

NATHAN DORN: Well, I will tell our executive director that. She does a great job of editing. [LB550]

SENATOR CHAMBERS: I knew it was a woman. [LB550]

NATHAN DORN: Yes, sir. You bet. Wonderful. [LB550]

SENATOR CHAMBERS: Okay. That's all I ask, because you hadn't mentioned the roads so I wondered if you had separated the two as far as your presentation. [LB550]

NATHAN DORN: No, I don't see any separation. I see the bill as a whole, and I think that Nebraska soybean farmers are in support of the bill as it is currently written. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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SENATOR CHAMBERS: Okay, that's all I have, thank you. [LB550]

NATHAN DORN: Thank you. [LB550]

SENATOR WALLMAN: Senator Johnson. [LB550]

SENATOR JOHNSON: Thank you, Vice Chairman Wallman. Thank you, Mr. Dorn. You started your comments by stating that you raise corn; you're involved in soybeans because you're a soybean association. [LB550]

NATHAN DORN: Yes. [LB550]

SENATOR JOHNSON: Would you agree that roads are important to the crop production? [LB550]

NATHAN DORN: I would agree that without our ability to move our produce to the market, our industry in this state would be very limited. [LB550]

SENATOR JOHNSON: And some of that produce might go to a dairy or might go to a feedlot. [LB550]

NATHAN DORN: A lot of our produce goes to a dairy and a feedlot. [LB550]

SENATOR JOHNSON: Okay. Well, I know throughout the whole state we're struggling with how to finance infrastructure, how to finance roads. I will probably be on the opposite side of a bill coming up on the state funding of roads with Senator Chambers. But I think here we're trying to maybe look at a different way, another way to help finance the infrastructure in the rural area. Would you agree with that? [LB550]

NATHAN DORN: Yes. It is my understanding that the no-interest loan would be borrowing against future tax receipts. So it's getting money up-front to fund projects when they're needed, not as money comes in. [LB550]

SENATOR JOHNSON: Okay, thank you. [LB550]

NATHAN DORN: Thank you. [LB550]

SENATOR WALLMAN: Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you, Senator Wallman. That last statement you just made troubles me a little bit and that would probably be a better question for Senator Schilz than for you. But the counties are running up against their tax levy lid and don't

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Transcriber's Office

Agriculture Committee  
February 12, 2013

---

have the money to build the roads with. I almost wonder if we're not giving them the ability to borrow money that we have never intended to give them under this bill. And do you see that that the...we're indebting them to the state for the money to build the roads that they can't build now because they're up against the tax levy. [LB550]

NATHAN DORN: I see this as a way for the county to have a very specific project, a very specific livestock development project and then say, when you authorize...or when you get final approval for that, we're going to borrow this money from the state to improve the roads to your facility. And then as you build the facility, we will build the roads up around it so you are able to get your produce to the market, so you're able to get produce into you, and then the future tax increase, the tax increase from that very specific project would then go back toward paying off this bill. So it's a very specific...as I see it in my head, and maybe that's not how the counties are expecting it to be, but as they get the money from this specific project, they're using that money in one fell swoop to improve the infrastructure and then they get to realize that tax revenue over the course of the loan. [LB550]

SENATOR BLOOMFIELD: Okay, thank you. [LB550]

SENATOR WALLMAN: Senator Chambers. [LB550]

SENATOR CHAMBERS: If the project fails, and everything in terms of paying back the state would depend on that project being a success, then there is no money to pay the state back is there? [LB550]

NATHAN DORN: Then there is not money, as I see it in my head. The counties have the tax authority to levy taxes, but they don't have...then they don't have that one project. And so, yes, then there would not be that very specific way to finance that. [LB550]

SENATOR CHAMBERS: And if, to use the language of one of my colleagues, they're bumping up against the levy limit now and that's why they don't have money to build roads but they're going to stay in that position...here is a project which if it is a success and the state lends them money, no interest, and the project goes, the county over here is not affected in terms of the money they can bring in to meet their ordinary obligations and they got their fingers crossed and they hope that this project works because the revenue derived from it will provide some of the payback money to the state. But if the project fails, the county has no fallback. And that's why I was asking. What would the state do to get back its money? [LB550]

NATHAN DORN: I can't speak to that, but I can speak that if that project fails, no matter what development was there, there still will be taxes on that whether that's a working project or not. If you have a house that is being lived in or a house that is not being lived

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

in, they both...the county collects the same tax revenue whether or not someone is living there. So whether that...whether this facility is engaged in producing livestock or animal agriculture, then they would be paying the taxes regardless of whether or not they were at capacity or not even being utilized. [LB550]

SENATOR CHAMBERS: A side issue, are businesses taxed differently from the way residential property is taxed? [LB550]

NATHAN DORN: I do not know. [LB550]

SENATOR CHAMBERS: Okay, I won't go into that. Thank you. [LB550]

NATHAN DORN: Thank you. [LB550]

SENATOR WALLMAN: Thank you, Senator Chambers. Thank you. Any other questions? Thank you, Mr. Dorn. [LB550]

NATHAN DORN: Thank you. [LB550]

SENATOR WALLMAN: Next proponent. [LB550]

SCOTT MERRITT: (Exhibit 5) Good afternoon, Ag Committee. My name is Scott Merritt, S-c-o-t-t M-e-r-r-i-t-t. I'm the executive director of Nebraska Corn Growers Association. On behalf of my organization, we're here to support LB550 to help and assist any way we can to expand our number one customer in the state of Nebraska. I have prepared a statement that I will leave with the committee. But I think I'd like to share a little story a little bit different on what we've already heard today. One of my local affiliates in central Nebraska, about two years ago, donated some money to their local high school so that high school marching band could participate in an event out of state. When I asked the president why he did this or why his board decided to do this, he said, well, with small communities when they want to do a fund-raiser they generally reach out to the local business. I said, well, how does that profit corn or your efficiency donating money to your school? And he said, well, we are the small business in rural communities. We are no different than the Kwik Shop on the corner, the local cafe, the hardware store. We invest hundred of thousands of dollars in our community, we hire people, we pay property tax. So as I look at this bill, I see it as an investment in rural Nebraska with the small business structure that we currently have. So that's kind of the overview. Sometimes we forget that these farms and ranches, feedlots and livestock operations they are the basis of small business in rural Nebraska. So with that I would just like to hand in our written testimony. We addressed some of the issues in there. And I'd be willing to answer any questions or comments. [LB550]

SENATOR WALLMAN: Any questions for Mr. Merritt? Thank you. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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SCOTT MERRITT: Thank you. [LB550]

SENATOR WALLMAN: Next proponent. Welcome. [LB550]

MARK McHARGUE: Thank you. Well, good afternoon, Vice Chairman Wallman, members of the Agriculture Committee. My name is Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I'm a farmer and livestock producer from Merrick County. I also serve as the first vice president of Nebraska Farm Bureau, and I'm here today to testify on behalf and support of LB550. Farm Bureau was a sponsor of the original legislation that helped establish livestock friendly county program under the Nebraska Department of Agriculture in 2003. Since that time, 21 counties have sought, received designation; I understand there are several counties also in the process. Our member-driven policy recognizes that livestock industry that they are key in the vitality of the rural communities and that the total...in the total economy in Nebraska. Further our policy supports working with state agencies to identify sites within a county which would accommodate livestock expansion, and we support additional benefits being made available to livestock friendly counties. Therefore, based on this policy, we feel that we can do more as a state though to grow the industry within and external to this program and that the time is right to take the next step in proactive livestock growth and promotion. LB550 would contribute to accomplishing these goals through a couple of different mechanisms. First, it would formally direct the DEQ to continue its effort to assist livestock friendly counties in identifying and assessing sites suitable to accommodate livestock expansion. We have recently worked with DEQ on an expansion project ourselves in the last couple of weeks and they have been very good to work with. Second, it provides livestock friendly counties access to noninterest loans, which we have been talking about today, to help finance local infrastructure projects that may be necessary to facilitate livestock expansion. We've talked about the potential to bridges and additional roads that may need a little more infrastructure to support a livestock facility. Between these two mechanisms, we would recognize and reward the counties that have voluntarily made decisions to accept and support livestock as their means for rural economic development. And this should help to answer a question originally discussed by lawmakers, and since that time asked numerous times, what do we get in return for seeking a livestock friendly designation? And we've spoke about that a little bit. The other major section of LB550 focuses on incentives, incentivizing the individual producer or company to invest in livestock expansion projects, in particular, those already operating in Nebraska. By increasing the amount of tax credits available for such investments through the Nebraska Advantage Rural Development Act in 2011, after several years of these available tax credits being underutilized, the Legislature passed a bill which lowered the cap from \$4 million to \$1 million available and diverted the difference to help...to fund the Angel Investment Tax Credit Act which supports early stage companies. However, as the economy starts to recover and the demand for American meat and agricultural products continue to rise due to a growing middle class

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

abroad, livestock producers in Nebraska, once again, have found a reason to expand their production and correct the undersupply that currently exists. Consequently, this has led to a bottleneck of applications for livestock and nonlivestock rural investment projects as they must compete for the million dollar total tax credits available now. Furthermore, several of our neighboring states have been extremely aggressive in promoting their support for new investments in livestock development. Initiatives which other testifiers today may be able to explain in more detail, we talked about South Dakota and several of the other states. Therefore, we believe that it is in our state's best interest to once again maximize the recognition and public support for domestic livestock industry. LB550 does this by creating a separate cap of \$1.5 million worth in tax credits for livestock exemptions and modernization projects which do not necessarily include a job component. Therefore, it would raise the cap for the tax...for the value of tax credits which each applicant would be eligible to receive from \$30,000 to \$150,000, as applicants are eligible to receive tax credits worth up to 10 percent of their net investment. This setup would adequately support a \$1.5 million expansion project. We are currently looking at a hog expansion project which is roughly about a million dollars for one building. It's kind of a standard building that we're working with. This change would provide a more worthwhile incentive for individuals completing an expansion of their livestock operation in Nebraska. In conclusion, I think we know that livestock and agriculture is very important to Nebraska. Fifty percent of the value of all agriculture receipts are from Nebraska. We provide up to 41,000 jobs. The labor, we have \$12 billion worth of business receipts in Nebraska. And as I close, any time we look at...whether it's an organization or whether it's a business, I think we look at what we do best. Then we capitalize on what we do best. I think we do livestock very well in Nebraska. And I get the opportunity to travel a large part of Nebraska. And there are so many, I believe, untapped areas that we can continue to expand livestock expansion in Nebraska. We do it well, and I think this bill helps us to continue to do that well and even better for the state. I'd be...love to answer any questions. [LB550]

SENATOR WALLMAN: Thank you. Any questions? Senator Chambers. [LB550]

SENATOR CHAMBERS: Anybody can be a member of the Farm Bureau, isn't that correct? I could be a member of the Farm Bureau, couldn't I? [LB550]

MARK McHARGUE: Depends on if you have any money or not. It's not free. [LB550]

SENATOR CHAMBERS: The majority of members in the Farm Bureau are not farmers, isn't that true? [LB550]

MARK McHARGUE: When I say...you know, our members that we represent are livestock producers and they are in favor. I'm a member of Nebraska Farm Bureau. And I appreciate for what Nebraska Farm Bureau stands for. And our policies clearly state that we are in favor of livestock production. [LB550]

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Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: But that's not what I'm asking. Are you telling me that the majority of members in the Nebraska Farm Bureau are either livestock producers or crop producers, farmers in other words? They're not city members of the Farm Bureau? [LB550]

MARK McHARGUE: Yep, for Farm Bureau, and you understand, Senator Chambers, a farm bureau is...the mission of Farm Bureau is to advocate for Nebraska farmers and ranchers. The mission... [LB550]

SENATOR CHAMBERS: I'm not talking about the mission. [LB550]

MARK McHARGUE: That's what we're designed around and that's what the membership supports our mission. [LB550]

SENATOR CHAMBERS: Does the Farm Bureau sell insurance? [LB550]

MARK McHARGUE: Insurance is a member-benefit of Nebraska Farm Bureau. And that's one of the reasons that we've been... [LB550]

SENATOR CHAMBERS: Are there people who join for the purpose of obtaining the benefits of the insurance? [LB550]

MARK McHARGUE: I think people join for several benefits. [LB550]

SENATOR CHAMBERS: Nothing is wrong with that, I'm just asking to get information. [LB550]

MARK McHARGUE: Yeah, absolutely. Yeah. [LB550]

SENATOR CHAMBERS: And a lot of these people don't live on farms, isn't that true? [LB550]

MARK McHARGUE: Yeah, sure, sure. [LB550]

SENATOR CHAMBERS: Okay, look...and I'm accepting what you say that to be a member you have to go along with the mission. I'm just trying to find out who comprised the membership. If you were to set out a chart of members... [LB550]

MARK McHARGUE: Um-hum. [LB550]

SENATOR CHAMBERS: ...and there were just two divisions, those who are in agriculture working actively and those who are not, which of those two portions would

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

provide the most members to the Farm Bureau? [LB550]

MARK McHARGUE: Well, we have various members. We have members that are associated and members that are active. [LB550]

SENATOR CHAMBERS: Okay, here's what I'm going to concede. [LB550]

MARK McHARGUE: Yeah, yeah, what do you...what are you asking? [LB550]

SENATOR CHAMBERS: Trying to get a hold of you is like having oil in my hands and a bar of wet soap and they tell me squeeze that bar of soap and don't let it squirt out of your hand. I can't pin you down so I'm not going to try to do that anymore. And I think your evasiveness answers my questions. But here is what I'm getting to. Not criticizing that at all... [LB550]

MARK McHARGUE: Um-hum. [LB550]

SENATOR CHAMBERS: ...not criticizing the mission, but in looking at this bill, do you think from your experience that a no-interest loan provision will be accepted by a majority of the senators in this Legislature with the economy being what it is and people in their areas wanting to get loans and tax credits and all such things as that? Realistically speaking, do you think that provision will fly with this bill? I know you hope it will. [LB550]

MARK McHARGUE: Sure, yeah, and that's what I'm...I mean that's what we're providing testimony for. I mean, as a livestock producer that has a facility in a county, I mean it's active and I see this as...I mean we're talking about incentives, and we're, hopefully, going to give that...I mean, we're giving that low-interest loan because there is a new development that is coming in. [LB550]

SENATOR CHAMBERS: But you're giving it to the county, not the one who is building the development. [LB550]

MARK McHARGUE: Right, but if the county...I mean, we're incentivizing the county, but I think it all works together. [LB550]

SENATOR CHAMBERS: Why don't you forget the county and say just increase the incentives to the person who is going to be doing the work and let the counties forage for themselves? Let them establish what they sometimes say, priorities. [LB550]

MARK McHARGUE: Yeah, I think they can. But I think it's important, you know. I bought a pickup the other day, and I could have gone anyplace in the state and bought a pickup. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: Um-hum. [LB550]

MARK McHARGUE: But there were certain places that were incentivizing substantially more. Now I don't know if they actually made money or if they were taking a loss by doing that. But it worked. I came to Lincoln and bought a pickup because there were several things that worked. And I see this as one package within the livestock industry that is a concern. I mean its...we have to travel on roads, we have to cross bridges, and I think a lot of cases there may not need to be a lot of infrastructure. But at the end of the day, if we can help a county by offering them no-interest loans to help bring in a livestock facility that will generate revenue, I think...I mean that's what we're asking for. And I think the premise of the bill is to help stimulate livestock growth. I think we do that... [LB550]

SENATOR CHAMBERS: I understand what you're saying. [LB550]

MARK McHARGUE: I think we do that well. And I think Nebraska is perfectly suited to do that. And I think a lot of counties...they think they need the extra help...I think they're struggling. But, I mean, I think that's why we incentivize this, that's why we offer these types of things because they may not be able to do it. Just like a lot of incentives that we may have for underdeveloped places in a city, we're not sure if they can pay that back, but people are willing to either do a grant or do something that would kind of give them a leg up and that would hopefully stimulate and bring enough business in, bring housing in to develop that. And that's kind of how I see this working. I think the economy is doing well in the state agriculturally. [LB550]

SENATOR CHAMBERS: Have you ever sold used cars? [LB550]

MARK McHARGUE: You know, but I... [LB550]

SENATOR CHAMBERS: I think you could. [LB550]

MARK McHARGUE: I haven't sold too many used cars, but I love to buy cars. [LB550]

SENATOR CHAMBERS: Okay. I don't have any more. Thank you. [LB550]

MARK McHARGUE: Thank you. [LB550]

SENATOR WALLMAN: Thank you, Senator. [LB550]

MARK McHARGUE: I would also have been authorized to support this testimony also for the Nebraska Bankers Association. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: The Nebraska which? [LB550]

MARK McHARGUE: Bankers Association. [LB550]

SENATOR CHAMBERS: Oh, Bankers, okay. [LB550]

SENATOR WALLMAN: Any other questions? Thanks, Scott...Mark, I mean. Next proponent. Welcome. [LB550]

LARRY SITZMAN: (Exhibit 8) Vice Chairman Wallman, members of the Agriculture Committee, again, my name is Larry E. Sitzman, L-a-r-r-y E. S-i-t-z-m-a-n, executive director of the Nebraska Pork Producers Association; and I'm here today on their behalf to testify in support of LB550. I am not going to read my testimony, like my friend from Corn Growers did, and give it to you afterwards. But I will tell you that in it there is specific information and charts which show from 1930 on December 1 until today the steady decline of pork numbers in this state. There is various reasons that that has happened. There's been rules and regulations that hinder pork production in this state. There's been the fact that farmers no longer own every 80 acres in the state and not every farm family has hogs, etcetera and so forth. But it also shows in one of the charts a very serious difference in the amount today of the sows we have in this state compared to the amount of market hogs we keep from those sows in this state. There is basically a 2.2 percent difference. And the reason for that difference is those weaned pigs are shipped out of this state. They're finished out of this state. They're fed grain out of this state. The jobs for their feeding, for their hauling, etcetera and so forth, grinding and mixing, are out of this state. And then they're returned to this state because the packing plants are in this state for slaughter, but the income then goes back out of this state. There are currently opportunities in this state, and people looking, of putting about 1.7 million additional market hogs back into the state of Nebraska. Are roads important? Yes. You all recall the 1930s in Oklahoma. What happened in Oklahoma in 1930? I'll tell you what happened. What do you suppose happens the first day a feed truck can't get to the hogs? What do you suppose happens the second day? What about the first week? Well, in Oklahoma what happens is they shot their mules because they didn't have any feed. Roads are very important in the state of Nebraska in rural Nebraska for the delivery of feed, the selling of grain, the delivery of livestock, the movement of livestock, as well as the movement of our rural families. Our counties have been in decline. There is an opportunity now. People are looking. They want to move into the state of Nebraska for agriculture production. This would be a start. And with that start, it would give packing plants in this state the signal that, gee, maybe we shouldn't pull out. Maybe we should go ahead and remodel our packing plants. Maybe we should add the new facilities we've been looking at rather than putting them in other states. Maybe we should even consider the fact that there will be additional people employed in our counties. There will be additional tax base, property base. There will be additional purchases. There will be more children in the communities. It's all positive to agriculture,

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

and it's all positive to the state. Why should the state of Nebraska be interested? Well, you're sitting in a building that has a sower sitting on top of it to call the attention to the fact that agriculture is the number one industry in this state and the most important economic driver of this state. If agriculture can't have something in the counties that helps them, for God's sake you tell me what can. Should we be asking for a free handout? I'm not asking for a handout and it will not benefit the producer. What I am asking for and what the Pork Producers are asking for is a signal from counties that after they stake the sign along the road that says "Livestock Friendly" that they, by God, actually mean it. And there is something behind it that can give an incentive to send a signal that, yeah, I'm going to go try because now I know those people might be in support of me moving to that state and might be in support of me putting my hogs, cows, sheep, chickens, you name it, in that county. If we don't want to do that, we're going to completely lose out because I'm going to tell you today that those hogs that are leaving this state are going to Minnesota and Iowa, right across the Missouri River. They could have been here. They can be here in the future, but they're not going to be. Iowa and Minnesota now have 44 percent of all market hogs in the United States, right across the Missouri River. The agriculture state that we're in, let's send some signals to everyone across this country that we're interested in livestock production, that we're interested in helping our counties, and the state of Nebraska has a share in that interest. I will hand out my testimony; I will answer any questions. [LB550]

SENATOR WALLMAN: Any questions? Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you, Senator Wallman. With this mass migration of pork production to Iowa, what incentives did they give that they are drawing all of our production over there? [LB550]

LARRY SITZMAN: One of the main incentives, Senator, has been in the past, negative signals in this state that people thought this state was a green state and didn't want livestock production due to some of our corporate laws and due to some of the other things that happened in this state. In this state you have county zoning. If you have livestock county friendly designation in a county and you have some incentive financially behind it, perhaps the citizens in those counties might not be so negative when a livestock facility wants to expand in their area. In Iowa, if someone wants to build a hog facility, the corn farmers are standing up and saying, put it on my farm. I want it. I want the nutrients. I want the manure on my farm. In Nebraska, it's just the opposite. The incentives aren't there to make people realize how important it would be to their communities. [LB550]

SENATOR BLOOMFIELD: Iowa has no regulations on... [LB550]

LARRY SITZMAN: Iowa has state regulations, not local county regulations. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR BLOOMFIELD: So we go back to my contention from 30 years ago that we should not be zoning our counties. Thank you. [LB550]

LARRY SITZMAN: Well, that's not my point, but I agree with you. [LB550]

SENATOR WALLMAN: Any other questions? Senator Chambers. [LB550]

SENATOR CHAMBERS: Mr. Sitzman, what do hogs eat? [LB550]

LARRY SITZMAN: Corn and soybean meal. [LB550]

SENATOR CHAMBERS: Corn. As I quote sometimes, like Will Rogers, "All I know is what I read in the newspaper about these issues." My understanding is that there is some competition between the ethanol producers and livestock producers because ethanol producers are driving up the cost of grain. Is that true or false? [LB550]

LARRY SITZMAN: Somewhat. [LB550]

SENATOR CHAMBERS: Somewhat true or somewhat false. [LB550]

LARRY SITZMAN: Right in the middle, Senator. It's somewhat true and somewhat false. [LB550]

SENATOR CHAMBERS: It's neither true nor false, is that right? [LB550]

LARRY SITZMAN: We are in competition today for our grains. [LB550]

SENATOR CHAMBERS: Well, I know some people who grow cattle, believe it or not, and they like what I say in opposition to ethanol because they said that's what is hurting them as far as being able to afford to buy grain at a cost that won't make them pass on the increase in the cost of feed to their customers. Now were they lying to me because I'm from the city and I'm naive? [LB550]

LARRY SITZMAN: I would never call them a liar, Senator. [LB550]

SENATOR CHAMBERS: Well, are they... [LB550]

LARRY SITZMAN: Let me tell...may I give you my explanation from the... [LB550]

SENATOR CHAMBERS: Well, are they acing me around? [LB550]

LARRY SITZMAN: ...Pork Producers' perspectives? [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

SENATOR CHAMBERS: Okay. [LB550]

LARRY SITZMAN: We utilize the DDGs, the dried DGs in our rations. We're utilizing them more and more in our sow mixtures. Yes, it has made our grain price go up, and when this began to happen we were in opposition to some of the ethanol use. But we also understand the role that the corn farmer and the soybean farmer plays in the state and that they, too, for many years relied on the federal government for subsidies, where today they can get their income from the marketplace. We think that we can compete and the pork producers that I talked to in the state say that they can compete with any ethanol plant in the price of buying feed for their livestock. If it becomes higher, they might not make any money, or they will make very little money. But they're willing to compete in that process to help this nation decrease its dependence on foreign oil. Now we could get way into a lot of other things on that. Should it be exported? Should we be exporting our crude oil, etcetera and so forth? There are so many different things tied into this issue. And should there be a subsidy? That's another issue. Those are things you and I, I think, could agree on. [LB550]

SENATOR CHAMBERS: Okay. But here is what is interesting to me. When people talk about regulation, they don't at the same time acknowledge the subsidies they get from the government. When they talk about how they can't compete or how difficult it is, they talk about regulation, but not the fact that the ethanol people over there are driving up prices and making it difficult for them. They have one eye that they see through, and that's to condemn the government until they need something. Now they're coming to the government and saying give us some free money. But don't give it directly to us, give it to these counties, who apparently don't know how to manage their budgets. Because if there are essential roads and infrastructure they need, they should be providing those things, but for some reason they can't. So they come here and say give us free money for five years. And if we decide that we're going to put that money someplace in an interest-bearing account, while waiting for something to develop over here, we're going to make money off the state's money. But the state is not going to get it, the counties will get it. Now if this bill were passed...do you produce livestock? Do you produce hogs? [LB550]

LARRY SITZMAN: No, sir. [LB550]

SENATOR CHAMBERS: Do you know anybody who does who would be benefited directly if this bill would pass? [LB550]

LARRY SITZMAN: I know people who are waiting to see a signal from the state of Nebraska and its counties that they would welcome additional livestock production in the state. [LB550]

SENATOR CHAMBERS: Because they say they're livestock friendly counties. [LB550]

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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LARRY SITZMAN: Whether they're livestock friendly or not, Senator. [LB550]

SENATOR CHAMBERS: But if they're...if those that designate themselves that, should show friendliness toward livestock. [LB550]

LARRY SITZMAN: You would assume that. [LB550]

SENATOR CHAMBERS: Here is about all they will do. When they see a livestock truck they will go out there say, hi fellas, we like you. That's as much friendliness that they're going to show. Sometimes we have to be realistic. In this small room we could all be sympathetic, but you can see that not everybody is. When we're out on the floor, there are going to be a lot of pullings in different directions. And all I'm trying to suggest to people is that they tell the whole story. It's not in governmental regulation. There is competition within these industries. Not everybody in these various organizations agree with the direction the organization is going. There are people on the floor of the Legislature who know what the Farm Bureau consists of. And it's not primarily something which as an organization is beneficial to farmers. They talk about the mission and all these other things, when if they would just be forthcoming and acknowledge things, we could pick up the discussion from there and go on with it. But we have to argue before they will reluctantly admit, well yeah, this is like that and this is like the other. And by that time you're tired, because they're coming to you asking you for something. And they won't give you straight information. So then you just say, well, if that's the way it's going to be, I don't want to play that game. I don't think anything you said was meant to mislead us at all. I think you were very direct. I'm going to accept as true everything you said about hogs going to Minnesota and Iowa. But I will not accept the explanations you gave as the only reasons for that occurring. And I won't engage you in that now. But if this bill gets on the floor, then during the debate I think I won't be the only one raising these types of issues. So in a sense, I'm the best friend that the supporters of this bill have. The issues that I have raised give them a blueprint of what they ought to prepare for and be able to respond to when they are in a very hostile environment. We're friendly here by comparison. Only one-eighth of this number has been what might be considered negative toward it. But I think more than one-eighth of the total Legislature will be negative toward this. So Senator Schilz is a brave man and you all ought to make some kind of award for him for bringing this bill, because I'm going to have discussions with him on the floor. But that's all that I have of you. Thank you. [LB550]

LARRY SITZMAN: Senator, I should not say this, but I'm going to, as you know I've sat in this chair many times for eight years as a state official, and no...no comment to any other person in this room, but there were many times that I testified in front of the Agriculture Committee that Senator Chambers was the only person who knew what I was talking about. And I respect him for that and I thank him for that. [LB550]

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Agriculture Committee  
February 12, 2013

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SENATOR CHAMBERS: I appreciate that. Thank you. [LB550]

SENATOR WALLMAN: Thank you. Any other questions? Seeing none, thank you. Anybody else in a proponent position here? Seeing none, opponents? Welcome to your house, Vern. [LB550]

VERN JANTZEN: Thank you, it's good to be back. [LB550]

SENATOR CHAMBERS: That's what I said when I came back. [LB550]

VERN JANTZEN: (Exhibit 9) I'm glad you're back, Senator. Vice Chairman Wallman and members of the committee, good afternoon. For the record my name is Vern Jantzen, V-e-r-n J-a-n-t-z-e-n. I am a family farmer and livestock producer from Plymouth and the new vice president of the Nebraska Farmers Union. I am pinch-hitting today for our president, John Hansen, who is in Washington, D.C., working on farm bill issues this week. So President Hansen calls me yesterday afternoon and says, I need help, I'm going to be gone, I need you to check out LB423 and LB550. He says I've got the testimony ready to go for LB423; you're on your own for LB550. So this won't sound as good as the first time around because he didn't write it. But I looked at this bill. And I have some serious reservations that I'd like to share with the committee today. Nothing in this bill talks about local control in county zoning encroachment, but I think that is a danger that exists if this bill is passed. We have been strong proponents for local control and local zoning and we're happy that that procedure is in place for us to use. Another issue that comes up then is if there are certain counties that are not livestock friendly, and they have their reasons for not doing that or not being in that program, it looks to me like we're discriminating against them if we have a program that the state is going to fund, why isn't that available to every county in the state? Another question that I...that a flag went up is when I read that the Department of Economic Development was going to make the determination on how these loans would be granted and to who would receive them. I, right away, wondered so what is their expertise in rural infrastructure? I would rather have my local county officials make that determination and fund it locally and be in charge of the program. What kind of strings are going to be attached if there is money from the state involved? Another question that I had when I read through it, on the funding mechanism for this loan fund, is how is that going to be distributed? I don't know if there will be enough money for all the projects that might be proposed. Somebody will have to make decisions here: you get the money, and you over here you do not. How is that going to get handled? What is the repercussion of that discussion? A local member of my Jefferson County zoning commission came to me...or we were having a discussion about zoning one time and livestock, and he says, you know, since I've been on our zoning commission, and I've looked at our regulations and what is required for putting in a new facility or expanding an existing one, he says, based on our population distribution, we are having problems just because of where people live and where there

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Transcriber's Office

Agriculture Committee  
February 12, 2013

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are even open spots anymore. And so Jefferson County is livestock friendly, but based on that conversation I don't think we'll ever be able to access these funds or use them in Jefferson County because we can't find places to make it work. And so the last thing that I have a problem with is we're looking at promoting livestock, sending a signal, involving the state in making promotion or incentivizing. And I would like this committee and the Legislature to not only look at doing that, but also ask the question, so how did we get this way? The handout I handed you...or sent around...was passed around talks about how much livestock production has been lost not only in Nebraska, but the United States over 30 years now, what's the deal with that? How did that happen? Is it because the roads are no good and the bridges fell down? I would submit that the problem isn't just infrastructure and incentives. We need to look at why people exit the livestock industry and why don't more people come in? We need to look at market access. We need to look at competition. We need to look at who's got the money and where does the money go. If you want livestock, you need to look at these issues because if there isn't money, having a good road and building a dairy farm and then not being able to pay your bills is not going to make this project successful. And so with that I'll end and answer questions if there are any. [LB550]

SENATOR WALLMAN: Any questions for Mr. Jantzen? Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you, Senator Wallman. You passed out this graph that tells us how many operations we lost. Do you have similar information on what the actual animal population would have been over that same time frame? [LB550]

VERN JANTZEN: The loss of animal numbers will not be as high. What you have is concentration. You'll see it in Nebraska. We went...the statistic that I have seen is back in the late '70s. We had almost 4,000 permits to sell milk in this state. We are now down to just a little over 200. The cow numbers have not fallen that drastically, because Dan Rice explained that there are families that go together and make a bigger operation. And so, you know, the question is, are we happy with this model where we lose livestock operations, but we still have livestock numbers? What are the ramifications of that kind of a model? [LB550]

SENATOR BLOOMFIELD: And my question was, simply, do you have this information? [LB550]

VERN JANTZEN: No. I can find it for you. I don't have it with me today. [LB550]

SENATOR BLOOMFIELD: Would you be willing to do that? [LB550]

VERN JANTZEN: I can do that. [LB550]

SENATOR BLOOMFIELD: Thank you. [LB550]

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Transcriber's Office

Agriculture Committee  
February 12, 2013

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VERN JANTZEN: No problem. [LB550]

SENATOR WALLMAN: Thank you. Anybody else? Senator Hansen. [LB550]

SENATOR HANSEN: Thank you. If Johnson County doesn't have the room, and I know from setbacks and all that, I mean some of those regulations and rules, that some counties don't have room for livestock expansion. Saunders County, driving through there looks like it might be another one. But have you seen counties, maybe west of York, west of Nance County, somewhere up in there that might have room for expansion? [LB550]

VERN JANTZEN: No, Senator, I have not went out scouting. I can't answer that. [LB550]

SENATOR HANSEN: Okay. Thank you. [LB550]

SENATOR WALLMAN: Thank you, Senator Hansen. Anybody else? Seeing none, thank you, Vern. Next opponent. Seeing none, anyone in the neutral position? Welcome to the Ag Committee. [LB550]

ERIC THOMPSON: (Exhibit 10) Oh, thank you. Good afternoon. My name is Eric Thompson. I'm an associate professor of economics at the University of Nebraska-Lincoln; also the director of the Bureau of Business Research. I just want to take this opportunity to tell the committee a little bit about some research that I recently completed, along with Dr. Johnson, in agricultural economics that I think could be pertinent to what is being discussed today. Oh, by the way, we have copies of the report if people who...didn't want to presume you would want one, but we have one. Just let us know if you would like a copy. I forgot to spell out my name. Is that okay? It's the normal spelling. Okay. [LB550]

SENATOR CHAMBERS: You forgot how to spell your name? T-h-o-m-p-s-o-n? [LB550]

ERIC THOMPSON: Thank you so much. I forgot to spell my name. (Laughter) [LB550]

SENATOR CHAMBERS: I know. [LB550]

ERIC THOMPSON: Well, I'll take all the help I can get, thank you. And just speaking generally for a moment, state and local economies often thrive when they have strong industrial clusters. And forgive me for using economics jargon. Clusters are a group of interrelated industries that benefit from proximity to both customers and suppliers. This proximity gives businesses involved a competitive and sometimes cost advantage that allows them to grow. And, of course, states sometimes pursue economic development

Agriculture Committee  
February 12, 2013

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strategies that involve removing barriers to growth of their key industry clusters. I had an opportunity, again, with Dr. Johnson recently to develop a report on the state's agricultural industry where we tried to study the interrelationships of different parts of the industry and talk about its overall impact on the economy. And that's mostly what I wanted to mention briefly here today. But we certainly did find, as I think many of you would assume, that there was a strong industry cluster in agriculture and agribusiness here in Nebraska. Nebraska is somewhat unusual in the sense that it is a location of both major crop and major livestock industries and they provide synergistic...the two industries provide synergy to each other. Just to give some simple, well-known examples, livestock components provide strong demand for grains and oil seeds produced in the state. Even our ethanol industry, which has fueled demand for corn, is increasingly relying on selling its distillers grain to livestock producers. That's another example. And, of course, livestock producers can sometimes provide inputs to agriculture. So perhaps one of the reasons livestock has a growing comparative advantage in the state is because of the use of distillers grain from ethanol, just to give an example. So there are a lot of interrelationships between crops and livestock production, particularly given the large scale of both in the state. Some other interesting things, again, I think fairly well understood that we uncovered, about 30 percent of trucking activity in Nebraska, we found, was ag related. So we have a very large trucking industry as you know, something like 80 percent to twice as large as the typical state given our size. We found about 30 percent of that industry was ag related. There are, obviously, huge ties to manufacturing, whether that's processors of food products or producers of agricultural equipment. I think it's...I think I'm not going out on a limb saying that at least 50 percent of our manufacturing is closely tied to our state or agriculture or agriculture in general. And, obviously, there is a big connection to the wholesale industry through co-ops, agriculture equipment dealers and so forth. Not to go on and on about that, but just to give some bottom lines from our study, we found that this agricultural industrial complex, as we termed it, accounted for about 27 percent of our state's gross state product in 2010; 24 percent of Nebraska's workforce, which is just shy of 300,000 jobs; and about 25 percent of our state's total wages and proprietor income. And, of course, it's good that those percent...you would expect those percentages to be fairly similar. Now that was statewide. If you broke it down into regions of the state, we found that southeast Nebraska, where Lincoln and Omaha are located, had the largest volume of agribusiness activity, both in terms of agricultural production--I think it was close there--and then in terms of processing and so forth. But that was the region of the state where agricultural production was the smallest share of the economy. It was about one-seventh of the economy. Other parts of the state, we found several examples of regions of the state where more than half of the regional economy measured in terms of employment, income, and value-added were the result of the agricultural production complex in the state. So that...those were the points I wanted to make. I know Dr. Johnson was going to also share some results from our research. I don't know if you just wanted to hear from him or had any questions of me.

[LB550]

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Agriculture Committee  
February 12, 2013

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SENATOR WALLMAN: Do you have any questions? [LB550]

ERIC THOMPSON: Yes, sir. [LB550]

SENATOR WALLMAN: Senator Johnson. [LB550]

SENATOR JOHNSON: Thank you, Senator Wallman. When I was directly involved in agriculture, we used to talk about the value added by feeding the corn to the steer, running it through livestock. [LB550]

ERIC THOMPSON: Yes. [LB550]

SENATOR JOHNSON: The relationship now between that value with \$2 corn, \$6 corn, have we lost most of that value? Or is it still a viable tool to market corn that way? [LB550]

ERIC THOMPSON: Well, I think that...I think that higher prices for corn and other feeds, other things that become feed, do create a challenge for food processors. And then in that sense, livestock is a food processor of corn. However, I would say that, you know, that's sort of a global issue or throughout the Midwest or throughout the United States. I would say that a separate issue is whether Nebraska has a relative advantage. And I think we do because of the abundance of crops located here in the state. Since the ethanol industry is up and operating, there is the by-product of distillers grain. And then the other thing I would say is I think we get a great benefit from the Ogallala Aquifer because we're seeing...but for processors of crops, we're seeing as a relatively stable source of crop production, because even in a drought year, a significant share of our producers can produce a normal crop, you know, as we saw last year. We didn't lose as much of our crop as some of the surrounding states. Did that answer your question? [LB550]

SENATOR JOHNSON: It's squeezed, but Nebraska still has the advantage. [LB550]

ERIC THOMPSON: Yes. [LB550]

SENATOR JOHNSON: Thank you. [LB550]

SENATOR WALLMAN: Thank you. Anybody else? Seeing none, thank you. [LB550]

ERIC THOMPSON: You're welcome. [LB550]

SENATOR WALLMAN: Anybody else in the neutral position? Welcome. [LB550]

Agriculture Committee  
February 12, 2013

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BRUCE JOHNSON: Thank you. Mr. Vice Chairman and members of the Ag Committee, to follow up with Eric Thompson's comments. First of all I'm Bruce Johnson, B-r-u-c-e J-o-h-n-s-o-n, also at the University of Nebraska. But I speak for myself and the research that Dr. Thompson and I worked on from a neutral position and, basically, to try to provide a little bit of background from the economic side of it. And I think what we've handed out, I think the first page is pretty straightforward, as Dr. Thompson has talked about it. As Paul Harvey would say, "page two." And that's a little bit different story. We have a bioeconomy and there is really a neat relationship of crop and livestock production at a high level of intensity in Nebraska that has really carried us, perhaps, farther than any other state in terms of the significance of ag to our state economy. South Dakota might beat us, just by a little bit. But that's not nearly what it is in Nebraska. But what is happening is that even though we have a good economy, there are things that are changing. And I kind of list some things in terms of the dynamics here. If we look at the value of crop production over the last ten years, it has tripled. Okay. And of course that's the higher prices, but also the production increased, too, that really is...has been a phenomenal effect on our income in the agricultural sector. The same time, the value of agricultural production of this state went up around 60 percent, while the crop sector was, basically, tripling in value of output. That represents a little bit of a distortion of this machine, this synergistic kind of thing that is happening. And so as you kind of look down through some of these other lists, we've seen kind of a change of pattern across the state, you know, from a more diverse crop/livestock interface in smaller units to be sure, to more of a...well, in many cases, the counties are looking more cash grain and the livestock is moving out. That smaller...it's the livestock that is moving out are the smaller units. And so that's pretty much the case. Even though there are, and I think the research is definitely there to support it, really some viable opportunities for this synergism to continue. The...2010 in our study that Dr. Thompson mentioned, our value of our crop production was \$7.3 billion, while the livestock value-added contribution was \$3.3 (billion). A decade ago, it was basically livestock a little bit larger. So we're seeing changes at a very, really interesting time. Now, think about it in terms of the ag-related manufacturing and we have, basically, 50,000 full-time positions in livestock processing and so forth. And really, the livestock portion of the manufacturing, 70 percent of it represents this livestock production process...livestock-based products. And every time we do that, we're adding some economic multipliers to the economy. Just as mentioned over here, the value-added aspect of it. And, quite frankly, the global demand isn't for more calories. The global demand is for a more intensive protein-based food product. And so we're moving towards that. But at the same time, others are moving, sometimes, a lot faster. Now just in the last month, we saw a plant, a cattle plant close down in Texas, at Plainview, Texas. Two thousand workers were laid off. The reason for that, as the media is kind of trying to get to the bottom of it, the supply of cattle wasn't there. And so at least for the time being, it has been shut down. Two thousand workers, think what that would be in Nebraska if we lost a plant like that. So that's an issue. So the point of all this is the next five to ten years, we really have a fairly short time, we're seeing structural shifts across

Agriculture Committee  
February 12, 2013

---

the country with regards to where production is taking place and the nature of it, you know, in terms of, perhaps, you know, certainly larger units, but also geographic shifts. So it's the configuration and the location of what our agricultural complex is going to look like ten years down the road. So these are considerations, I think, as this group talks about perhaps providing some greater incentive and really deliberating over do we really want more livestock in the state. A couple things to keep in mind here. If we look down by different kinds of livestock, the beef cattle industry is strong. It's been embedded in the state. We're number one in terms of processing and so forth. But that industry is declining, cattle numbers are on the decline. It's a question of where will those...where will that calf crop and the fit cattle industry tend to hold its own? And it appears that we might be getting a little bit larger piece of a shrinking pie. Okay? As this industry moves from the south, the southern plains, northward, we're seeing some evidence of that. Why? Partly because of distillers grain. It gives us really a competitive advantage, very, very significant. We cannot forget that. So we really have to keep all the gears in motion here and in right sync to maintain that together. Pork sector, that's a little different story. We've seen modest growth of the pork industry. Other neighboring states, as already mentioned, have grown faster. Iowa is five, you know, five times the size of Nebraska in terms of pork output. And they grew 30 percent over the last ten years. Kansas grew 20 percent. And the governor is promoting that kind of development in the state of Kansas. Meanwhile we have three processors in Nebraska. And, quite honestly, a lot of that processing, as earlier mentioned, has been coming into the state to be processed at those three plants. But at any rate, some real potential advantages. It's a good question to look into from an economic basis. There are other factors that entered into this, but economics would suggest there are some synergistic advantages for the rural counties of Nebraska. Dairy, we basically seen it decline to hardly any dairies left, and a few larger ones have come in. But again, in just the last five years we've dropped from 70,000 head to 55,000 head of cows, okay, in the state, in five years. In South Dakota, the increase has gone up over 100,000...7 percent growth; Kansas, 15 percent growth; Colorado even, 7 percent. These are the increases that are happening in other states as we see a new kind of protein-based bioeconomy come back to play and look very, very heavily at this part of the country. Now that said, with dairy and pork and some of these other industries, we really have to be aware of that this is a short window of opportunity. And I think that's kind of what our conclusion would be is that let's make sure we understand the economics of it and factor that in and make a decision, yes, and again, it has to be a local decision, not necessarily, you know, mandated or dictated at some higher level. And with that I'll take a few questions if there are any. Thanks. [LB550]

SENATOR WALLMAN: Anybody have a question? I have one. [LB550]

BRUCE JOHNSON: Yes, sir. [LB550]

SENATOR WALLMAN: Yeah, I have friends that actually moved some of their pork

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Agriculture Committee  
February 12, 2013

---

production into Iowa. [LB550]

BRUCE JOHNSON: Um-hum. [LB550]

SENATOR WALLMAN: And it was on account of taxes. And so are the neighboring states favoring livestock producers more than we are? [LB550]

BRUCE JOHNSON: There are a variety of things; I think there are many pieces to it in terms of the tax side of it. I mean, even South Dakota with no income tax, it's those sort of things. I do believe from what I hear that there are more deliberate efforts to work with...actually even the whole crop production process around a livestock facility in terms of use of the manure and seeing the deliberate development of it. I'm not so sure I understand all the tax side. [LB550]

SENATOR WALLMAN: Okay, sure. Thanks. [LB550]

BRUCE JOHNSON: Um-hum. [LB550]

SENATOR WALLMAN: Anybody else? Seeing none, anybody else in the neutral position? [LB550]

WILLOW HOLOUBEK: (Exhibit 12) Good afternoon, Senators of Nebraska Agriculture Committee. I appreciate the time in front of you today. My name is Willow Holoubek; it's spelled W-i-l-l-o-w H-o-l-o-u-b-e-k. I am the organizational director for an organization called A-FAN, the Alliance for the Future of Agriculture in Nebraska. I'm in front of you today to testify in a neutral position as I just want to make sure that the facts which have been brought to you very well today, but want to bring you a written copy so that you can go through this and go back through some of these facts as you consider the bill in front of you. So here again, I am in a neutral capacity, and I am here to help you understand who A-FAN is and also bring you some facts that Dr. Johnson and many of the people in front of me have let you know. If you go to the second page, you can see that the partnering associations that make up A-FAN are industry-encompassing. And our job is to make sure that all Nebraskans know the importance of agriculture in Nebraska. You've gone through many of these facts. If you turn to page 4, I would like to bring a fact that was...has been sourced from Dr. Johnson and Dr. Eric Thompson's study in that it's important for every Nebraskan to understand that for every dollar worth of value of crop production in Nebraska, it creates additional business in Nebraska that are created primarily outside of the agricultural production industry. Some of that money circulates within the industry, but that 59 cents for every dollar of crops that we grow in Nebraska circulates through our economy. If you go down to the next slide, you will see that livestock production and adding value to our crop production in Nebraska is huge for Nebraska in that for every dollar of livestock sales in Nebraska it creates 62 cents of additional final sales for nonagricultural businesses. This is the type of economic activity

Agriculture Committee  
February 12, 2013

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that brings vitality, capacity, and growth in the rural communities. If you go to page 5, and I apologize that the slides are a little small, but if you look at the change in economic impact from 2001 to 2011 across the United States on this United States map, you will see that the red areas have had the largest negative percent of change all the way to the dark green areas that have had a more positive change in economic impact. You will see that Nebraska is sitting at about 4.3 percent change to the positive. You will see that South Dakota is a little bit behind us with 2.6 percent; Kansas almost 8 percent; Missouri almost 7 percent; and Iowa over 26 percent change in economic activity over the last ten years. Now the next couple of pages will show you the exact graphs of what has been happening in Nebraska over the last ten years, to not only our cattle numbers, and then also what has been happening in the states around us with those numbers and percent of change for cattle numbers, hog numbers, broiler production, egg production, and milk production. I encourage you to look at these facts and these numbers and study these graphs to know what has been happening in the agriculture industry for the last ten years. If you turn with me to page 11, this also came out of Dr. Johnson's study, that the total sales of agriculture-related manufacturing industries in Nebraska were \$25.57 billion in 2010. That's approximately 30 percent more than the combined impact, or production value, of crops and livestock. So the fact is one that we're wanting to make every Nebraskan know that all of this begins because of crop and livestock production at the very early level in Nebraska and that is on our farms and ranches. You can turn a couple of pages because those are the A-FAN objectives; I'd like you to look those over. If you have any questions in the future, please contact me. I would like to make you aware of a livestock development model that we are working towards. This model is extremely important, and the most important part of the model is that it is a coalition of resource entities and stakeholder groups from the grass-roots level to the state level. It is combining all of the different aspects of the agricultural industry and all the different economic, regulatory, and policy groups in Nebraska to help strengthen our industry. Our model will actively engage all stakeholders in capacity building. And we want to implement sustainable livestock development in rural Nebraska. Our toolbox is extremely important to us. And in that toolbox we will very heavily use the studies that Dr. Johnson and Dr. Thompson have done, along with some more studies that they are currently going to be doing with funding from different agricultural associations. And this database and all of the research that they're doing is extremely important to help understand the analytical model and to understand and evaluate the synergisms and the different opportunities that are available to different parts of Nebraska. You know the...Senator Chambers talked about the Sandhills. The opportunities in the Sandhills, where I come from originally, are much, much different than the opportunities that are available to southeast Nebraska, which are different than the opportunities available in northeast Nebraska. So these models will help us to facilitate and make an adaptive model that will help communities capitalize on the individual opportunities for them. I want you to know that this model extremely is important to it is that it embraces local control and local zoning. And so with that, with the counties...the 21 counties who are currently

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Agriculture Committee  
February 12, 2013

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livestock friendly counties, we know that their zoning is acceptable to the different opportunities that will help us discern the different opportunities for those communities. The grass-roots level approach is empowering our communities. We are going to take current and correct resources to these communities, help them understand their opportunities, help them make an informed decision, and then help them through leadership enhancement and building capacity, not only socially, but infrastructurally in their county how they can transform their communities into economic vitality in the very near future. We're going to be working with educational resources to develop workforce, and to also create ways for the young people to come back to the farm or to find jobs within agribusiness. We are going to support state-of-the-art technologies as our universities are growing and helping us with management tools. We are going to look at business transition. As we all know, many of our farm families are needing ways to transition their businesses to the next generation, so we will be helpful there. We will encourage the spin-off of agricultural industries which really impact and make up what we know of as the Nebraska economy. And we hope that within all of these different collaborations and partnerships there will be different incentives along the way. If you turn to the back page, number 16, you will see a model of what we're trying to do in rural economic vitality, the collaborative model that we are developing and working towards on the top picture. We are extremely, extremely committed to the model that will help us empower rural communities, empower them to help effectively understand their communities, the opportunities ahead of them, and help these communities to make empowered decisions and to grow while maintaining their fundamental core values and community attributes. So with this, my contact information is there. I would be open to any questions. [LB550]

SENATOR WALLMAN: Thank you, very interesting. Senator Johnson. [LB550]

SENATOR JOHNSON: Thank you. Twenty-one livestock friendly counties, I've lived in Jefferson County and I live in Saunders County and lived in some others that probably they could designate it, but they're never going to be able to be because of population, living close...you just can't put a facility in because population is on every mile or whatever. How many...do you have a feel of how many counties could qualify under this and actually use a program like this in the state? Is that a...I mean, are we looking at five more that could potentially do this? How big could this program be? Are we looking at another 72 counties that could explode this program? [LB550]

WILLOW HOLOUBEK: A-FAN is a statewide organization that will bring information to every county within the state of Nebraska. We will take information to them, if they contact us, to help them develop an opportunity within the agricultural industry or complex. We will be there to help bring them resources, tools, and information to help them become and meet their goals of their local communities. [LB550]

SENATOR JOHNSON: You don't have it now, but you can get it if asked. [LB550]

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Agriculture Committee  
February 12, 2013

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WILLOW HOLOUBEK: Yes. [LB550]

SENATOR WALLMAN: Thank you. Senator Bloomfield. [LB550]

SENATOR BLOOMFIELD: Thank you. Miss Holoubek, thanks for coming in today. And to my colleagues, if you ever get the opportunity to listen to her full presentation, take advantage of it. [LB550]

WILLOW HOLOUBEK: Thank you. [LB550]

SENATOR BLOOMFIELD: But my question is, do you agree with the testifier earlier that told me that we have basically, through our counties, zoned agriculture out of Nebraska? [LB550]

WILLOW HOLOUBEK: I am here with an organization that provides information. And in that information and in the toolbox we have embraced current regulatory and statutory policies in the state. It is not our duty or...and as much as I'd like to give my opinion, it's not my place to do so, nor do we try to lobby on or make those kinds of decisions. So I am here to work with what is in front of me and to make sure that everyone is knowledgeable of the facts. [LB550]

SENATOR BLOOMFIELD: I understand Senator Chambers' the water and the soap. [LB550]

WILLOW HOLOUBEK: Oh, sorry. [LB550]

SENATOR BLOOMFIELD: Would you provide me with your personal thoughts on it at a later time, perhaps in my office away from the microphone? [LB550]

WILLOW HOLOUBEK: Well, and as representing a personal agriculturist in Nebraska, I would be glad to do so. [LB550]

SENATOR BLOOMFIELD: Thank you. [LB550]

WILLOW HOLOUBEK: Thank you. [LB550]

SENATOR WALLMAN: Thank you. Anybody else? [LB550]

SENATOR CHAMBERS: Are you a lawyer? [LB550]

WILLOW HOLOUBEK: I am not a lawyer, but I have a son who is in his final year of law school, yes! [LB550]

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Transcriber's Office

Agriculture Committee  
February 12, 2013

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SENATOR CHAMBERS: I like the way you use language. [LB550]

SENATOR WALLMAN: Okay, seeing none, thank you. [LB550]

WILLOW HOLOUBEK: Thank you very much for your time this afternoon. [LB550]

SENATOR WALLMAN: Any more in the neutral position? Seeing none, Senator Schilz, I guess you're welcome to close. [LB550]

SENATOR SCHILZ: I'll try not to take up too much of your time. First of all, I would just like to say thank you to everyone that asked questions and to all the testifiers that came up. I think the information was valuable. I think we brought up some questions that are out there. I'm trying to figure out where to start. And I guess let's just look at the bill to begin with. We heard testimony in opposition today that this is in some way going to affect and going to infringe upon county zoning. Couldn't be farther from the truth. If you look at the text of what it says, we talk about local stakeholders, local counties being involved in all of this. And when I say, when the bill says that you want to go out and you want to look for areas that will fit, when you talk about that, we're talking about that will fit within the current zoning jurisdictional areas that we have within the counties right now. That's what we're talking about. I worked in economic development as chair of our economic development organization for five years. I watched how in regular industry and business economic development is handled. And what it is, it's a conglomeration of everybody that comes together to work toward the benefit and solutions that make things fit. So you have the Department of Economic Development working with the local economic development groups, working with the federal agencies that have money and stuff to make things happen. And as I look here, I was just sitting down and I was putting down some things, we have in the state of Nebraska something that is called an economic development certified community. Not every community is that. You have to earn that. You have to go out and you have to show that you can keep up on certain things. You have to show that you have plans in place to do this. Well, inside the bill it says that the counties...not the counties, excuse me, it says that the agencies that are involved in this can promulgate rules and regulations so that if we are worried about the risk of somebody coming in and a county not being able to pay, we can put some of that in the application to make sure that we reduce the risk as much as possible. Will there always be risk? Absolutely. Anything worth doing has risk. And I look at this as one of those things where in order to be successful, you have to take risks. So if you're an economic development certified community, you can get CDBG loans and grants that come right to you that don't have to be paid back. Conversely, if you're a livestock friendly county and this bill passes, you will have opportunities for no-interest loans and other things that are involved within this bill. The Nebraska Rural Advantage Act will be there too. On the other side, if you're in a city, you have the Nebraska Advantage; or if you're just a company itself, you have the Nebraska Advantage Act, the Nebraska

Agriculture Committee  
February 12, 2013

---

Super Advantage Act. The problem we run into in the state of Nebraska is that there is a difference between counties and cities. And counties do not have the tools to be able to attract the kind of businesses that they can attract compared to the cities that have all sorts of tools, be it through the state, be it through the federal government, that allows them to bring incentives to move people within those cities. Population decline is a huge issue in the state of Nebraska. It's been a huge issue for the past four years. I believe that it is time that we start doing...I was just looking over...talking to some of the people from my district. My hometown of Ogallala, Nebraska, where I have lived my whole life, over 50 percent of the students that are in those schools are on free and reduced lunches. Okay? What I'm saying is, this is huge. This is a big deal. If we do not stem the tide of population decline in rural Nebraska, guess what, Lincoln and Omaha will pay for what's not out there. It's not going to get any cheaper, because the folks that are left, the folks that can't just get up and go, those folks require more services. But let's remember, there will be less access to services out there as well. We have to have a thriving economy in rural Nebraska. Livestock and agriculture is the ticket to that, or one of them. We need to be careful. We need to do what we need to do to move that forward. And do we have to take risks? I believe we do. I don't think...I think that as the population continues to decline, you will have to take larger and larger risks to see the kind of opportunities present themselves that are there. Capital is leaving Nebraska. It's going, it's disappearing. We heard also...you know, we heard a little bit about the macroeconomics of what goes on. And I am so glad that we got things in place now or took things out of place that didn't allow farm families to come together to form partnerships, to form LLCs, to be able to work together to find synergies, to find, you know, scale. They can put their herds together, and they can do a lot more with less. They're more efficient. It works. You wonder why there is concentration in the livestock industry? It is because it is a break-even industry over time. And that means you have to carve out a niche of the efficiencies that you can create. And so what that means is that, yes, there have been subsidies to folks; and, yes, agriculture is not easy; and, yes, the prices are higher now, but it doesn't change the basic model of agriculture. It is still a break-even industry. But it's been good for Nebraska. And it's been good for the people of Nebraska. And I would hope that as we look at this stuff...and we may have trouble on the floor, we absolutely may, but I am happy to take the opportunity to stand on that floor and espouse what I believe is the biggest and best hope for rural Nebraska. I believe that. When we talk about distillers grain, I have fed cattle for over 20 years before I came down here to the Legislature; finally got smart, right? Twelve thousand a year guaranteed, right? Anyway, distillers grain was a godsend for the cattle feeders in the state of Nebraska. I can only speak for the cattle feeders. It's one of those things that made a sea change, it changed the whole paradigm of feeding cattle in Nebraska. No longer do you have to spend money on corn flakers. You know, we used to...people used to spend quarter of a million dollars, half a million dollars to put a corn flaker in. Right? With distillers grain, that doesn't have to happen. So there are synergies there. And I would never be one to down talk ethanol production and what it has done for the state. Has it raised the price of the corn? Yes. Has it raised it as much as they say? No.

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

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Let's look at the economics of it. Let's look at the value of the dollar. Right? The value of the dollar has gone down. Our buying power as a country has gone down; which means everything costs...it looks like it costs more. So when you look at the dollars, yes. A steer today, what, \$1,600, \$2,000? What made that go up? I'm not sure if it was ethanol, but I don't think so. So there's other factors that enter into this. And I'm willing to take on those challenges. What I tried to get to in the first part of the bill is to get communities to work together to go out and find places within their counties where they fit. Now all counties may not be able to do that. We understand that. But all counties don't have natural gas or don't have oil either. And nobody complains about that. So some counties are set up for this, some counties are not. We need to make sure that the local community works together to find those areas, because I can tell you this, as somebody that has looked to place a feedyard or to place some other livestock facility somewhere, if you have to say, okay, I want to place it here and then you have to have that fight, and trust me, it probably will be a fight, then that's an issue and that is a barrier to come here. If we could start to get people working together, and we don't need a law to do that, necessarily; you could do most of what we're talking about as far as the coordination right now. But if you coordinate that and you have a space where you say, okay, we as a county agree that maybe a 20,000 head feedyard will fit here. And you do what you can to make it possible for them to get there so there isn't the fight up front. Then all of a sudden everybody is happy because we followed the zoning. We've gone to the people. We've said, hey, where should this be? The state, the DEQ has come in and said, hey, we'll help you evaluate what this is. All of a sudden now, it starts to work better than it has in the past. And that's what I'm looking for. We can learn a lot from the Department of Economic Development and other communities that have done this in other areas. We need to take those lessons, hard-learned lessons that they've learned and we need to apply them to the agricultural sector. Because if we do not, we will continue to lose numbers; we will continue to lose population; and we will continue to pay more and more in taxes for whoever is here. Thank you. I'll take any questions if you have any. Senator Chambers. [LB550]

SENATOR CHAMBERS: I agree that there has to be consideration given to development of opportunities and programs that people in rural areas. But we have to be realistic to separate what we wish, want, and desire from what is feasible in a political setting. [LB550]

SENATOR SCHILZ: We have to be pragmatic, yes. [LB550]

SENATOR CHAMBERS: The one thing I know that we can do, we can expand and extend the reach of Medicaid to those people in the rural areas who get sick just like people in the cities who have children, who have elderly people, and others. And that is what you will see me fight for, because I don't care what any politician says who has plenty of money to make sure his family can go to a doctor or go to the dentist or have checkups. And we have people who are falling into dementia and it is not even properly

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Agriculture Committee  
February 12, 2013

---

diagnosed. People who have Alzheimer's and no support systems there and families struggling trying to figure what in the world can I do. My grandmother doesn't know the front of her hand from the back of her hand and doesn't know what a hand is anymore. She doesn't know whether this is 1922 or 2050. So I'm not going to spend time arguing because what difference does it make? Find people where they are and comfort them and do what you can. If this were feasible, my whole approach would be different. But what is feasible is the kind of thing that I will do. And I think if the body is not healthful...is not healthy, then the mind cannot function. And no matter what we put in other places, if there is not basic health in this society everywhere for everybody, then these other things don't make that much difference. I worked on construction starting when I was 13 years old, in grade school, getting out of grade school, and one thing I learned is to wear very well-constructed shoes. That's what I learned from working construction. If your feet hurt, nothing is right. If your feet are all right, you can stand anything. So I think while you're concentrating on this, and you should, I'm going to concentrate on trying to do something to help those people who right now as we talk might need to go to a doctor and can't, know something is wrong, but can't afford to go find out what it is. And if something is wrong, I can afford to have something done about it. I get calls from all over this state. I literally do. And I have to tell people, if I could help you, if I had plenty of good luck, I'd give it to you. I'd share it with you. All I can tell you is that I'm not going to send you down a false trail. I'm not going to have you barking up the wrong tree. I don't have an answer. But when we talk about Medicaid and those kind of things, that's within reach and I'll try to do something there. Maybe you can persuade me on this. But so far, to be completely honest, I haven't yet been persuaded. [LB550]

SENATOR SCHILZ: Well, I appreciate the opportunities, Senator Chambers. And, you know, that is the beauty of the Nebraska Legislature is that we have 49 people. Every single one of us has a different perspective on what's important. And I think that we're all better for it. And I appreciate your service. Thank you. I guess that's it. Thank you. [LB550]

SENATOR WALLMAN: Thank you, Senator. Now we're closing. [LB550]