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Agriculture Committee
September 04, 2015

[LR214 LR270]

The Committee on Agriculture met at 11:00 a.m. on Friday, September 4, 2015, in Grand Island, Nebraska, for the purpose of conducting a public hearing on LR270 and LR214. Senators present: Jerry Johnson, Chairman; Mark Kolterman, Vice Chairman; Dave Bloomfield; Mike Gloor; Burke Harr; Merv Riepe; and Ken Schilz. Senators absent: Ernie Chambers and Tyson Larson.

SENATOR JOHNSON: Okay, we'll start the hearing. The Senators do tend to move in and out of hearings, but hopefully that will not be the case here today. When we're in the Capitol, they have other commitments to go to, and other hearings. First of all, welcome to the hearing this morning, beginning at 11:00 a.m. We're meeting in Grand Island City Council Chambers, this is mostly for record, and we will close the hearing at 12:15 today. The Senators will have lunch here and then we will convene the second hearing at 1:15 this afternoon. So procedurewise, if you're going to testify, the green sheets are over there on the table to the side to your right. If you would have one of those filled out as you come forward. This is not a hearing of a bill where we have opponents and proponents. Today we have a public hearing and there's no procedure as far as if you want to follow somebody in particular, move up here. But we're not looking at it from a standpoint of proponents and opponents; we're here to seek information. So...oh, okay. Yeah, Rick commented the procedure here is to stand during testimony. Hopefully nobody has an issue with that. If you can't stand too long, that means your testimony is too long. (Laughter) I don't think we'll have a problem today, but you know, probably try and keep it to five minutes and then we will see how the time goes by. I think we'll be okay today. So with that, I'm going to introduce the members of the...first the Ag Committee. I'll start on my left and first Ag Committee member is Senator Bloomfield, next to him is Senator Riepe, and who is supposed to be in that chair?

RICK LEONARD: Burke Harr.

SENATOR JOHNSON: Burke Harr...Senator Burke Harr was scheduled to be here. He might be arriving, but he would be in the vacant seat there. To my right, as far as the committee members, Senator Ken Schilz on the Ag Committee, and Mark Kolterman on the Ag Committee. To my

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right is Rick Leonard, our research analyst, and to my left is Travis Moore. I got a Travis Beavers in Wahoo, and I got to make sure I get the right names out there. I'm Jerry Johnson, Chairman of the Ag Committee. Other Senators that are here visiting today: to my left is Senator Gloor, who gets to get the prize for having the shortest distance to get here, he's from Grand Island; and to my right is Al Davis, probably gets the prize for the senator traveling further so. Not that they're on opposite ends either, but that's where we got them. And senators are allowed to have comments during the hearing today, especially those that are not on the Ag Committee. I believe Burke is just arriving. Yes, welcome, Senator Harr. We've started, but you know the procedures, so we've got a spot over here for you. So with that, I pretty well went through the procedures; but as you come up to testify, state your name and spell your name so we do have it for the record and for the transcribers, as this will be typed out and made into hard copy. So with that, I would ask for again green sign-up sheet over there, and I think we're ready for testimony. But we will have an opening by Senator Schilz, who has introduced LR270. Senator Schilz.

SENATOR SCHILZ: Thank you, Senator Johnson, members of the Ag Committee. I bring to you today...oh wait, I forget protocol. My name is Ken Schilz, spelled K-e-n S-c-h-i-l-z. It is a little weird standing here, I'll tell you. (Inaudible). But I'm here introducing...I think it's LR270, is that correct? [LR270]

SENATOR JOHNSON: Correct. [LR270]

SENATOR SCHILZ: And I basically know it as the brand hearing. And the reason I brought this wasn't necessarily that I've got a whole lot of what I would say are concrete solutions to what needs to happen, but as we know, periodically in the Legislature we do have bills come up to change or increase the amount of fees that we charge for the branding of cattle and the inspection of those cattle. And, you know, it just gets tougher and tougher. It has never been easy to get those passed. And so as I was thinking about this, and as we were debating the bill from last year, I was like, you know, I wonder if there's some way that we can come together and find some way to even out those cycles that happen. Is there some way to find more, you know, consistent way of funding the brand committee so that we don't have to sit here and worry necessarily on what the cattle numbers are as they're being sold? And so, that's one of the reasons why I come to this hearing with this LR270. You know, there's a lot of issues, and the

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brand laws have been pretty controversial ever since the first day they were put into place. You know, you've got brand area versus nonbrand area, basically east versus west. You've got ranchers compared with feedyards, compared to packing plants. All of those have different ways and different needs when it comes to the branding committee and how that should work to make business as efficient as possible. And I think that sometimes we look at this and we say, okay, how do we fit this all into the same mold and make that work for everybody? And it's been somewhat difficult over time to find that good fit for everyone. So that's the other conversation that really needs to be had. And then the question that--since I was chair of the Ag Committee and went through it, one of the questions that has always come up is what is a brand worth? What is it really worth, and how does that work? And I don't know as if we've ever taken a look at what a brand is worth in the marketplace. And conversely, then are there other things that we can do, or the brand committee can do, to help build that value in the services that they offer? And so, that's the third thing that I think that we need to be thinking about. Because as we can see, you know, we're not...right now like I said, we charge on a per head basis. We need timely inspections of what goes on, and then we have to find the people that want to do this job. And it's becoming tougher and tougher to find folks that understand the industry, understand the process, and, you know, really anybody that understands how to handle or be around livestock. It's getting tougher. So do we explore all that and try to figure out some ways to increase the value of what we're doing, while at the same time making sure that what that costs the producer isn't too much? And I think that there's some things that maybe we could look at. I mean, the registered feedyard program that goes on with audits and self-inspections, overall works pretty good. And are there ways to adapt that or ways to grow that, so that we don't have to take the time necessarily of brand inspectors to go to those yards where they're shipping cattle every day? Or should we try to find some way to increase the membership in that registered feedyard pool? Because once you do that, that really does shorten up and make a lot better the time that the brand inspectors and the brand committee have to spend on those types of things. And in the controlled situation like a feedyard, that's not out of the question. And there's a lot of situations that we see today dealing with identification that basically is all built around a third-party verification system. And those have proven to be extremely beneficial and valuable, at times, to the producers that are using those services. So I don't have a whole lot more to say. I just wanted to get some questions out there. And let's see what others have to say. But in the meantime, I would be happy to try to answer any questions that you guys might have. [LR270]

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SENATOR JOHNSON: Seeing none at this point, thank you, Senator Schilz. You've done a great job of outlining our agenda for today with the discussion on funding. So I'll ask the first person to come up with testimony. Don't be shy, time's going. [LR270]

PETE McCLYMONT: Over here? [LR270]

SENATOR JOHNSON: Where do you want? Up here? [LR270]

PETE McCLYMONT: Senator Johnson, members of the Agriculture Committee, and other senators here joining us today, for the record, my name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t, and I'm the executive vice president for the membership to the Nebraska Cattlemen. Nebraska Cattlemen represents cattle producers from all sectors of the beef cattle industry from across the entire state, both inside and outside the brand inspection area. Nebraska Cattlemen has a longstanding policy on the topic of brand that has been thoroughly vetted by our members supporting brand inspection and recording in the state, and has worked closely over the years with the Nebraska Brand Committee. During the 2015 legislative session, NC was actively engaged in the LB85 process and its passage. It was then, and still is, the position of NC that the fee should be set that keep the inspection system viable for all those segments utilizing it and lessen the burden on those segments that have little to gain from the system. Our policy supported the brand inspection...excuse me, fee increase, along with the support for consideration for a complete review of both the inspection fees and the recording fees collected by the Nebraska Brand Committee, with appropriate adjustments to other fees, not just to the per head inspection fee. After the passage of LB85, Nebraska Cattlemen's Brand and Property Rights Committee established a task force to discuss current NC policy and changes to be recommended for the future. To date, the committee has held two meetings. Its members include representatives from various sectors, as well as the executive director of the Nebraska Brand Committee, Mr. Shawn Harvey, along with Senator Johnson and Rick Leonard from the Ag Committee staff, as well as NC staff members. Modernizing the current brand statutes is important moving forward. There have been a few significant statutory changes made to the brand laws since the 1940s. One of the key components of concern to many NC members is the inspection fee for the registered feedlot program. John Schroeder, an NC member and manager of a registered feedlot, is here to voice those concerns, so I will not go into much detail in my

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comments regarding that program. Currently, cattle leaving a registered feedlot are not inspected out before going to harvest, but feedlots are still assessed an inspection fee per head, based on average annual inventory of the feedlot. NC believes the fee charge should better reflect the quarterly audit services provided. Besides just increasing inspection fees, NC feels strongly that there are other modifications that would benefit Nebraska beef producers. Adjustments to brand registration fees have not been made in many years. Some minimal adjustments to the fees could result in hundreds of thousands of dollars in revenue for the Nebraska Brand Committee. Also, brand inspection is a statewide function, and the current statute requires all five members of the Nebraska Brand Committee to reside in the brand inspection area. NC suggests at least one member of the committee could reside outside of the inspection area. Additionally, there are current statutory authority for grazing permit to be issued for those living adjacent to the brand inspection line, when moving cattle back and forth across the line. Many producers out of the inspection area are not educated on the expectations inside the brand inspection area. Making that permit available statewide and educating members about the laws regarding movement of cattle would be most beneficial. Nebraska Cattlemen certainly acknowledges the cost of doing business today is higher than it was when fees were last increased. The Nebraska Brand Committee has expressed an interest in improving technology, and Nebraska Cattlemen would strongly support that decision. We are committed to the discussions with the Nebraska Brand Committee, interested parties and the members of the Ag Committee. And with that, I would thank you for your time and conclude my testimony. [LR270]

SENATOR JOHNSON: Thank you. Any questions at this point? I think we want to try and, you know, move with testimony. If you have a question, maybe one question, back and then later on, if we have time, we could continue some dialogue. Does anybody have any question of Mr. McClymont? Seeing none. [LR270]

PETE McClymont: Thank you, Senator. [LR270]

SENATOR JOHNSON: Thank you. Next speaker--next testifier. While we're waiting for someone to come up, I want to officially recognize Senator Harr, a member of the Ag Committee, for being here. Senators that are not here today and not scheduled to be here are Senator Chambers and Senator Larson. Welcome. [LR270]

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ROY BARTA: (Exhibit 1) I'm Roy Barta with Nebraska Livestock Markets Association. First name is spelled Roy, R-o-y, last name Barta, B-a-r-t-a. Senator Johnson, members of the Ag Committee, on behalf of the Nebraska Livestock Markets Association, I appreciate the opportunity to convey to you and the Ag Committee the discussion that took place at our annual meeting here this past April 2015 regarding the Nebraska Brand Committee's authority to raise the maximum brand inspection fee. The markets agreed that this was something that was very necessary in order to be able to bring forward a competitive wage and draw qualified personnel to complete the job that is required of a brand inspector. Technology being part of the way in which we conduct business today also requires revenue to stay in the mainstream on that front as well. The NLMA's point to be brought forward here is as we look for ways to address industry's pursuit to become more efficient, let's not negate what the passage of LB85 has given the Nebraska Brand Committee to help maintain their viability in the industry. That would conclude what we wanted to bring forward here. I'll be available for questions here at the end. [LR270]

SENATOR JOHNSON: Okay. Any questions? Seeing none, thank you, Mr. Barta. Next testifier. Welcome. [LR270]

ROD JOHNSON: Senator Johnson and Committee, my name is Rod Johnson, R-o-d J-o-h-n-s-o-n, spelled just like Senator Johnson's name. I represent the Nebraska State Dairy Association. Our association represents about 80 percent of the dairy cows in Nebraska, granted very few of those are in the brand inspection area. But for those that are out there, it has become a concern at times. There are very few dairy animals that are branded, and the thing about the dairy animals are that they all carry a lifetime identification without being branded. This lifetime identification moves with them as they would change from herd to herd or wherever they go. So our animals are identified, and this is part of the federal program, so they do not need to be carrying a brand to be identified. The concern that we have had, basically by one of my larger producers that is in the brand inspection area, is the movement of baby calves and the cull animals. In one particular situation, they are moving about 25 day-old calves every other day to their farm in Kansas. And the current frustration that she has had is the fact that she has to wait for the brand inspector to get there every other day to look at these day-old baby calves that have no brands. And then her frustration has been trying to schedule when the inspector will be there so they can load the calves and they can move them on a regular basis. It just became aware to us recently that there

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was a registered dairy program out there. She's been working with the...she'd been out there for about 15 years--I'm not sure how long the registered program has been there--but she's been working with the brand inspectors every two or three days for those number of years, and she was never aware there was a registered program that she could have signed up for. So that was the first sense of frustration, and she intends to go ahead and sign up for that program. So I guess I'm just here to support the Nebraska Cattlemen and the idea that the brand inspection fees probably need to be looked at in the situation where it will be nothing but a paper audit of the paperwork that they keep on a dairy anyway. And so the paperwork will be accurate, and I think the fee needs to reflect the actual amount of time and effort that goes into making those inspections. And I'm open to any questions. [LR270]

SENATOR JOHNSON: Thank you. Senator Riepe. [LR270]

SENATOR RIEPE: Thank you, Senator Johnson. My question, Mr. Johnson, is help me understand, I've milked a few cows in my day, but it's been quite a time. And I'm interested in maybe if you could share a little bit for my knowledge about how does this lifetime identification versus branding...how does that work in the dairy industry? [LR270]

ROD JOHNSON: All of the cows are identified through their ear tag system, and so that the animals are identified and are tracked through the federal programs. So it's a...like I say, it's a lifetime...it's a permanent program and it's all through their ear tagging system. [LR270]

SENATOR RIEPE: So the ear tag is permanent? [LR270]

ROD JOHNSON: Yeah. [LR270]

SENATOR RIEPE: Okay, thank you. [LR270]

SENATOR JOHNSON: Senator Davis. [LR270]

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SENATOR DAVIS: Mr. Johnson, I just wanted to know if you understand that there is no requirement that an animal be branded. You have to be able to demonstrate proof of ownership. Or is your client aware of that? [LR270]

ROD JOHNSON: Oh, absolutely. She has no problem with that. She's not...the problem is she has the proof of ownership and everything else. Her frustration has been the fact that she would have to wait for the inspector to get there to look at the baby calves to prove that they do not have a brand on them. [LR270]

SENATOR DAVIS: When you started talking, you were talking about the brand. I just wanted to make that clear, that to be sure that you understood that. [LR270]

ROD JOHNSON: No, it's the identification and the tracking program that we're concerned with. And the fees related to...with proving that they do not have a brand. [LR270]

SENATOR JOHNSON: Senator Schilz. [LR270]

SENATOR SCHILZ: Thank you, Senator Johnson. Mr. Johnson, thanks for coming in today. As you talk about this program that the dairy...is it the federal program that's... [LR270]

ROD JOHNSON: Yeah, part of the federal dairy program. [LR270]

SENATOR SCHILZ: Right. Is that an association giving...did that, or is that regs that came down from APHIS or somebody else? [LR270]

ROD JOHNSON: Yeah, it's through...it's an APHIS type program. [LR270]

SENATOR SCHILZ: Okay. And then...so every animal gets an individual ear tag, I take it. [LR270]

ROD JOHNSON: Right. [LR270]

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SENATOR SCHILZ: Is there any other identifying factors that go into that, that would be on the animal? [LR270]

ROD JOHNSON: They would also have a metal ear tag inserted into them as well, yeah. [LR270]

SENATOR SCHILZ: Okay, so there would be redundancy in that. And how expensive is that to implement for your producers on a per head basis throughout the lifetime, if you know? [LR270]

ROD JOHNSON: I don't have that answer. It's basically the cost of the ear tag, but then in most of the dairies out there, they are electronically identified as well. So as the animals move through the milking parlor and everything like that, they do keep an accurate record of the production and the treatment and whatever happens to that animal, they're all tracked electronically for the most part. But that's more of a production management than it is an identification program. [LR270]

SENATOR SCHILZ: Right. And so then as the brand inspector's inspecting these calves, are they just given a list of the individual tags or some form of proof of ownership in that way? Because, I suppose when you send into the feds to get those tags they're identifying those tags as yours, correct? [LR270]

ROD JOHNSON: Right. They're the...I would have to research a little more the specifics on the logistics of how it all happens, but yeah. [LR270]

SENATOR SCHILZ: Right. [LR270]

ROD JOHNSON: Each dairy has its own permanent number, and then they identify the cows through that particular dairy. So if you read the tag, if you know the coding system, you can identify the state, the herd, and then a cow number. [LR270]

SENATOR SCHILZ: So it's a premise id as well? [LR270]

ROD JOHNSON: Yeah, yeah. [LR270]

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SENATOR SCHILZ: I see, okay. And you may not know this, when they were looking for those...as they were inspecting those cattle...or those calves, do you know if the inspector ever pulled any off to the side to check numbers and take a look? [LR270]

ROD JOHNSON: I have not heard that they did. I'm assuming that all they do is give a physical inspection to see if there's a brand on them. Calves aren't branded, and that's all they have to do. [LR270]

SENATOR SCHILZ: Head counts line up, those kind of things. Okay, thank you. [LR270]

SENATOR JOHNSON: I may...this is a question that maybe could come up and might come up in our second hearing today, but is a brand inspection or any kind of inspection fee that's unique to Nebraska a detriment to dairies moving in? Or has that ever been a factor that surfaced, that I might not want to come here because of some restriction? [LR270]

ROD JOHNSON: It is extraordinary, yes, to be that. California has a...to the best of my knowledge, has a...almost a total exemption for the dairy industry out there from the brand inspection. And I've had a couple of my dairy people...while I'm not bringing that as a proposal, I've had some dairy people suggest it. Why can't we just exclude dairy production animals completely, and then if they go into a feedlot situation, then they fall under the feedlot regulations. So like I say, I'm not here proposing that, but it's been suggested. [LR270]

SENATOR JOHNSON: So at what point might a Holstein steer get branded if it's going through a packing plant, eventually? [LR270]

ROD JOHNSON: I would say once it gets to the feedlot situation, that's up to the feedlot operator, however they would want to handle it. Now, I'm not going to say that none of the dairy animals are not branded. We...I do know of a couple of small dairies in the brand inspection area that do brand their cows because there is a neighbor down the road that has a dairy as well, and they just felt they wanted to...they've always done it and they continue to. But...so I'm not saying they are...none of them are branded, but it's a very small practice. [LR270]

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SENATOR JOHNSON: Okay, thank you. Any other questions? Burke--Senator Harr. [LR270]

SENATOR HARR: Thank you, Senator Johnson. Mr. Johnson, I just want it on the record that I think this is the first time since I have been in Ag that I have ever heard it stated that we should do something like California. (Laughter) I appreciate that. That's it. [LR270]

SENATOR JOHNSON: Any other comments? (Laughs) If not, thank you for your testimony. [LR270]

ROD JOHNSON: You exceeded your one question limit there. [LR270]

SENATOR JOHNSON: I know it. One per, maybe. Okay, sorry about that. Next testifier, you've had a little time to think about it while we...I think dairy is probably not on the radar scope for most of us, for as far as brand inspections go. Next testifier, please. Both of you come up and next one's ready then. Sit in the front row. [LR270]

MIKE RYAN: Senators, Ag Committee, my name is Mike Ryan, Mike, M-i-k-e, Ryan, R-y-a-n. I'm a cattle producer from Custer County. I'm here today kind of testifying on the brand inspection fees. On a per head basis, I believe, is the only fair way to assess a fee on anything. The registered feedlot program is liked by the feedlot owners that I have talked to, and a lot of them it's not necessarily the cost that they like so much as the convenience of it. And a lot of them feedlots, you know, go through their capacity, you know, two times-plus a year. And so, where they get assessed just one time through, they're allowed a pretty good break that, you know, when they do that, compared to somebody else. I was talking to a rancher that's kind of getting ready to retire, and we got to talking about this registered feedlot program and his question to me was why is the proof of ownership different for certain feedlots than for the rest of us. And I didn't have a real good answer for him I guess, so I say I would probably have to agree with him. And you know, to me, if any fee changes need to be made, I would probably suggest to do away with the registered feedlot program and treat everybody the same: on a per head basis. And as far as any grazing permits or anything like that come up that's causing, you know, problems from one part of the state or the other...I know there was some things about going into the Tyson plant in Lexington, Nebraska, about people east of the brand area line. And

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I think we need to probably uniform some of these laws, make it simple--everybody knows what's going on. And a lot of these could be addressed by just making a statewide brand area. And I would think this would bring cattle producers together more, instead of dividing our shrinking numbers the way we have it. And with that, I guess I'll conclude. [LR270]

SENATOR JOHNSON: Thank you for your testimony. Questions? Seeing none, thank you for your testimony. [LR270]

MIKE RYAN: Thank you. [LR270]

JOHN SCHROEDER: (Exhibit 2) Good morning, Senator Johnson, members of the Ag Committee. My name is John Schroeder, that's J-o-h-n S-c-h-r-o-e-d-e-r. I am the manager of Darr Feedlot, a registered feedlot in the brand inspection area. I reside in Cozad, Nebraska, and I'm here today on behalf of the Nebraska Cattlemen to make comments regarding LR270. In the 1970s, the Nebraska Brand Committee adopted the registered feedlot program. I've given you a handout with bullet points of that program, as outlined in the Nebraska Revised Statute 54-1,120. That statute says the registered feedlot requirements "1. Any person who operates a cattle feeding operation located within the brand inspection area may make application to the Nebraska Brand Committee for registration as a registered feedlot. 2. The operator's feedlot must be permanently fenced. 3. The operator must commonly practice feeding cattle from finish to slaughter. 4. Upon payment of an initial registration fee, the applicant shall be issued a registration number and certificate for one year unless rescinded for cause. 5. Registered feedlots are subject to inspection at any reasonable time at the direction of the brand committee. 6. Cattle purchase records or certificates of inspection to cover all cattle in the feedlot must be kept and provided to the agent of the Nebraska Brand Committee." So that's basically what we do as a registered feedlot is work in those six points. The statute further outlines that the initial fee for registration is the amount for the first 1,000 head or less, and then for each additional 1,000 head capacity. The renewal fee is based per 1,000 head of the average annual inventory of cattle on feed in the registered feedlot. The fee is set in correspondence with the per head inspection fee, which is currently 75 cents per head, but could be raised to as high as \$1.10. For a feedlot with an average of 10,000 head on feed annually, the fee would be \$7,500 per year, and this change would up that to \$11,000 again, if that fee were raised. So that additional cost would be incurred

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in the registered feedlot, if that would be put in place. When cattle leave a registered feedlot, they are not inspected as they are in other settings. The fees paid for the brand inspection service are for an audit that is performed quarterly. It is the position of Nebraska Cattlemen that the fee charged per head for inspection of a registered feedlot should be lower, based on the different service provided. And so I was asked to elaborate a little bit on that, and as a registered feedlot, we're paying 75 cents a head, just like everybody else is today, for a service that really doesn't render opportunities for us. We run an electronic ear tag system in all of our cattle and keep control of our individual animals in that manner. As well with a visual unique tag that has a four-digit lot number, and a six-digit unique number underneath it. So we've got two visual systems that identify. And we keep control of those individuals, and are accountable for knowing where all those individuals are at. With the brand, we keep all of those records in a file to those individual lots, and all the individuals that are in that lot we keep in track with an EID system. And when we send those cattle to slaughter, our agreements with the packers that we work with is that we want every one of those tags scanned, and we get those EID numbers back and the information tied to them. And that drives value for us to pass information back to ranchers that we work with on how their cattle are performing and how we might make changes in the future together. And it also puts a traceability factor that sometimes opens up other markets for us to work in. So that's why we do what we do in that standpoint. When it comes to brand in Nebraska, and we talk as Nebraska Cattlemen as feedlots and stocker feeders and ranchers, we've all got some different opinions. But as a group when we fired through and talked about that, we've also got some common ground. And the common ground is really there's three parts about brand law in Nebraska. One, it's registering a brand, and we all agree that we should be able to register a brand and nobody else can use our brand. Okay? And that's statewide, and is today. The second part is brand investigation. If somebody is stealing cattle, we should be able to investigate that as a brand committee. And we can do that statewide. And we find common ground in both of those factors. The part where we come up with some conversation amongst us is that on inspection. And inspection coming out of the feedlot really does me no good at all, because I've got all of the technology that's keeping control of my inventory, and I'm accountable for all of that today already. So the 75 cents is just an added cost of admission to play the ballgame in the western part of our state, that we don't have in the eastern part of our state today, with no value. The other issues that come into play with that though, is that it goes farther than that. Not all cattle come into our yard with a brand inspection paper, even in the western part of

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the state. So we often are placed with the burden of having them brand inspected into our yard. That fee is paid by the person that's selling the cattle or retaining the cattle; but oftentimes, to get that paper to be able to keep our files straight, we're asked to pay for that fee and then pass it back on to our customer, and so we take that float upon us. And so that makes for an interesting run, whether that was taken care of by and billed back out and if they didn't pay it, they'd force us to pay it to be able to keep the paper in our file to pass our quarterly audit. The other thing that comes into play is shrink and stress on cattle. When we inspect those cattle in and run them back and forth, we're getting shrink that we wouldn't be having before--we're having more stress on those cattle at our yard that we wouldn't have had they been inspected in beforehand. In a past life, I was a fat cattle buyer for Cargill for about 10 years, and it was interesting just in that spot that when we weighed cattle on the ground versus weighing them on truck, there was always about a three-tenths difference in dressing percentage or yield. And that's just the difference in what that shrink was in that extra step of getting the cattle loaded. And that varied some from day to day, but that was what that average was. And so what would the shrink be on inspecting cattle, looking at every individual brand and doing it right? And I would argue that it's a lot more than just loading cattle on a truck to go 200 foot up to get weighed on a scale. And so that...with today's prices, that's real easy to show that you can have \$7, \$8 per head and shrink just in that inspection. So that's an added cost that's put on us that we're asked to take away, along with having time and employees that we're paying for an hourly wage to work through those processes. So for us, quality of inspection and timeliness of inspection is very important. You know, it's definitely a cost we don't see a lot of value in. But if it's a cost we're going to have, our expectations are to have a quality inspection and done in a timely manner. And when you call somebody and it's two weeks later before they show up, that's not acceptable. I don't think it is relevant to what happens, to what your goals are there. So the other issue that we run into is that the inspection of cattle coming in--in the brand area they have to have brand papers, and that's easy, right? We just put them in the file and that holds true. If they come out of state and they come from a state that has brand papers, they have to have brand papers with them--that makes sense. They also have to have a health inspection health paper with them...and so coming out of state. In states like South Dakota, where I grew up in, eastern part of the state, just like Nebraska, does not have brand inspection, so you don't need a brand inspection paper coming out of eastern South Dakota, but you do need a health certificate. So you'll need that health certificate to put in the file, but there's no brand paper to put in the file. If they come out of western South Dakota,

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you'll have to have both the health certificate and the brand paper. The real challenge we run into is what do we need coming out of eastern Nebraska? I don't have a brand inspection and I don't have the health paper. And so the interpretation from inspector to inspector is somewhat different on what that is, and so it becomes a challenge. We do also run some cattle out, and we recognize that there's a value in owning a brand--in having our brand on cattle. When we're out to grass, we put our brand on cattle. You trust your neighbors, but you brand your calves. Everybody's heard that. And it's a tool that's useful to us there. But when we bring those cattle back in and inspect them, that's a fee we see very fair. But once they come from our yard going out, we really don't see a lot of value in that. So we find some common ground, and we had quite a bit of discussions in the last few years of Nebraska Cattlemen, and that's where that agreement has kind of come into play. That we agree that we need to get inspections that are at a quality level, and we get quality people to do it. And it's going to cost some money to do that, we recognize that, but we also recognize that we should do that for the people in the situations that are looking for that service. And at the feedlot level, going out to harvest and slaughter only, we don't find much value in that. And that's where we find that common ground, and that...in our membership is a gentleman's agreement to say we'll support you for inspecting cattle and raising the fees to get the quality inspection you're looking for. But we ask that we don't see an increase in that fee in the feedyard sector. And I think that's a fair compromise that we don't see in this country enough. Thank you. [LR270]

SENATOR JOHNSON: Okay, thank you. Any questions? Senator Schilz. [LR270]

SENATOR SCHILZ: Thank you, sir, for coming in, and thanks for your comments. As you said here talking...and I know of your operation. With the inspection fees where they are for the registered feedyards, and I just would assume that as you do your business with that and everything, it would be the person--your customer that would get the benefit of those lower fees anyway, as you pass them through the system. And if the fees go higher, then you'll have to add those on to what you charge your customers back, I would have to think. Wouldn't you? [LR270]

JOHN SCHROEDER: That's correct. [LR270]

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SENATOR SCHILZ: And then on the other side of that, in my experience when I was in the feedyard business, once those animals enter into your yard, they're basically your responsibility. And so either they get shipped somewhere and you get the money for that, they pass away or die and you don't get paid for that, or they go out and you get paid for what goes out. And if there's missing numbers or differences like that, the feedyard basically covers it. And so in that respect, you're right, there's not a lot that the brand gives you more than what the feedyard is already promising its customers. But I understand what you're saying about the other parts, too. And that's why I said there are differences in the different segments of the industry, and those need to be recognized and understood. Thank you. [LR270]

JOHN SCHROEDER: Thanks. [LR270]

SENATOR JOHNSON: Senator Kolterman and then Davis. [LR270]

SENATOR KOLTERMAN: Thank you. I have a couple of questions for you. You alluded to the fact that two weeks was an unacceptable amount of time for an inspection. Typically, and I guess if you're going to ship cattle...you want to ship a calf, what is an acceptable amount of time? And what kind of time frame happens, at the present time, with the brand inspectors? [LR270]

JOHN SCHROEDER: I think the current thing is...and what I've referred to is just the inspection of the cattle coming into the yard, so they're cattle that came from a brand inspection area that didn't get brand inspected leaving the ranch or the facility coming in. And we have a brand inspector come to inspect them at our yard as we receive the cattle, and we have them in receiving pens as they are fairly close to getting there. And then within the first couple days, we like to process the cattle and put the electronic ear tags in and match those things up. And then a lot of times, we're doing sorting on those cattle, sorting big, middle, little, multiple different ways. And we like the opportunity to commingle them with other cattle; but when we're waiting for a brand inspector to come inspect them, we're slowing up that whole process. And in the meantime, we've got other cattle coming in and we have to take those cattle out into the yard. And so then when you bring them back up, it's additional shrink that you're running cattle, sometimes a quarter to a half a mile back up to a narrower alleyway to get closer inspection. So our point is, hey, this needs to be done in a timely manner when the cattle arrive, or they should

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have had...been branded coming in, you know, inspected before they came in. But that's today, some of the challenges that we face as feedyards is cleaning up stuff that should have been taken care of well beforehand. [LR270]

SENATOR KOLTERMAN: So when you ship--I understand what you're talking about now, so you're talking about on the front side, when they're coming into your place. When you ship, do you inspect before you ship? [LR270]

JOHN SCHROEDER: When we ship as a registered yard, we fill out paperwork that denotes what lot those cattle that we're shipping are. And it brings attention to that those cattle would be tied to what's the paperwork that's in that lot file. And so then we show that we're in control of shipping those cattle, and only those cattle, out to the packing plant. And that's for slaughter only. We also develop bulls, and in our bull test, on that situation where we're shipping cattle out that are not going to slaughter, those have to be inspected going out. The challenge with inspecting bulls going out, we're often, you know, seeing bulls that have been sold, and somebody comes in the middle of the night, or comes trying to use a back-haul truck coming in to go back out of state. You know, again, the timeliness of inspection is very important that those cattle can be inspected so that they can be put on a truck. A lot of times, we load those bulls in the evenings, and ship them in the evenings because it's cooler; and we don't want to have those cattle going through the heat of the day when we're trucking those cattle. So that inspection is important to be timely. The other challenge is if you're going to ship them at 6:00 that morning--we load a lot of fat cattle at 3:00, 4:00 in the morning. Obviously, you can't inspect something in the dark, and so that's where the registered program works really well, is to have control of that process: filling out the paperwork, being audited on that quarterly basis, showing that we are in control of that process. [LR270]

SENATOR KOLTERMAN: Okay, one last question, I appreciate that. One last question. You alluded to the fact that...and I'm aware that there's a brand area and not a brand area in Nebraska. I'm from the eastern part of the state but I have a little bit of understanding. In my area I've got two feedyards and they're in the eastern part. If they tag their cattle, and let's say they're shipping them out to you to finish them out, do you replace those ear tags or those electronic tags a

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second time, or take the old ones out and put yours in, or how do you...I understand the value of tracking the meat so to speak. [LR270]

JOHN SCHROEDER: Sure. So our process at Darr, and it would be different from yard to yard, but an ear tag, an electronic tag is going to cost somewhere between \$1.40 and \$1.50 a tag for us. And so if there's one in there already, they're ISO 2000 compliant, which means they can't be repeated. We scan that tag, we put that and utilize that tag and match up to what they've sent us. If they have just a visual tag, we take the time to copy those visual tags and enter them into our computer system and tie them to our electronic ear tag. Because if we find sets of cattle that are sick, we want to be able to go back and say, hey, all these orange tags have been getting sick, where'd we buy these from? We want to go talk to them and share that information with them. Or if we really like something, we want to be able to go back and find those cattle again. So that's our system, and that's how we utilize that today. In the brand situation, when you have those cattle from eastern Nebraska come in and get brand inspected, if they're carrying a brand, the requirements...and again, this is where it gets from inspector to inspector is more their preference of how they look at what's...you know, if you have somebody from eastern Nebraska that they're home-raised cattle and they never put a brand on them, so they're native hided, and they come in, what kind of paperwork do you need from that individual that says there's no brand on them and they're mine, you know? If they come in and they've got a brand on them, and say they've bought cattle from Kansas from 12 sale barns, and they've got bills of sale from each sale barn that they bought the cattle from, and they may be carrying multiple brands on them, that's where it gets really tough. Some inspectors will ask for every bill of sale that they purchased cattle from all of those places. So if they brought 200 head of cattle into eastern Nebraska, and then sold 100 head of those 200 and shipped them out to western Nebraska, or wanted to have them finished at western Nebraska and retain that ownership--they haven't changed ownership, they're just wanting to finish them out there, you know, they're often being asked to send their original bills of sale from all of these sale barns that they've been at wherever, and to send those. The issue that we get is that, you know, that you should have a receipt back, and those originals should go back to that individual. They won't accept copies on some individuals, and that's where it really gets to be challenging, it gets to be a real nightmare for keeping control of our files, of to what level of detail do you start to accept those things. And that's a real challenge when you come out of eastern Nebraska into a registered area. And quite frankly, we lose some business from those

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people wanting to send cattle to western Nebraska, because it is that much of a hassle and a challenge. [LR270]

SENATOR KOLTERMAN: Thank you. [LR270]

SENATOR JOHNSON: Senator Davis. [LR270]

SENATOR DAVIS: Thank you, Senator Johnson. Just a couple of questions. The first one sort of is along the same line as Senator Kolterman's question about ownership. Because obviously, proof of ownership is what the brand is really all about, and we do have parts of the state where that doesn't take place. So how do you identify proof of ownership then from cattle that are from the noninspected area? And then I assume that you're in some respects using the health document for cattle that come out of, say, South Dakota, the east part. How do you deal with that then? [LR270]

JOHN SCHROEDER: So our system is we have a lot number for every set of cattle that comes in, and that ownership is tied to that lot number. And so we might have, you know, multiple people that own multiple lots of cattle in our yard. But that's how we tie that to it and then we tie those individual tags to that lot number. And that lot number is what's physically in their ear with a unique six-digit number underneath it. So that four-digit lot number is how we tie everything to it. And when we ship out with a registered brand papers leaving the yard, we write down that lot number, which ties to ownership, and then that allows the brand committee and the brand inspector to come in and look at the file--that lot file, to make sure everything stays in check. [LR270]

SENATOR DAVIS: So if you end up with cattle in your lot that came from the eastern part of the state without a brand, there's no document that you have that demonstrates proof of ownership that those actually belong to the person that they were purchased from? Is that right? [LR270]

JOHN SCHROEDER: That's, you know, sometimes you'll get somebody that writes something down, and it just says, hey, I own these--we throw that in a file. The scale ticket coming in--we weigh everything in, everything out, denotes that, but we tie that to that and match every

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individual animal coming in. Some of the checks and balances that come into play with that by weighing those cattle in and weighing every one of those individuals through the chute, if we've got a headcount discrepancy, that shrink is going to be a larger number, and you know, makes us aware of that, and we can get that resolved quickly. [LR270]

SENATOR DAVIS: So as to the registered feedlot program, that's an opt-in program. You sign a document that says I really...I would like to use the registered feedlot program. [LR270]

JOHN SCHROEDER: Correct. [LR270]

SENATOR DAVIS: What benefits do you see that come out of that? [LR270]

JOHN SCHROEDER: I think that's a good question, and I think it's important to keep that piece of it in my mind, and the reasons would be when we try to ship cattle to Tyson at 3:00 in the morning so that they can start their plan up with quality cattle that aren't run out...and ideally, we like to be able to get cattle handled humanely, in a way that they can get to the plant calmly, and get to harvest within about two hours after they're there. We're only seven miles from the Tyson plant. The dumbest thing for us to do is to send cattle and have them sit there in their pens for six hours. If they've got issues that they're slowing down or something, we say just tell us. We'll wait and we'll ship them at a different time, so that our cattle are only coming in and working and sitting there in Tyson for about two hours. That fits very nice from an animal handling and humane handling standpoint, but to do that, the registered feedlot side helps a ton that we don't have to have the cattle brand inspected and brought up out of a pen the night before while there's daylight and then returned back to a pen. That's just additional handling and stress and chances of things not working well. We are in control being able to take those documents and showing that we have control and we demonstrate that we're able to ship those cattle in a timely manner. So that's the big factor for helping on being able to go out. But yes, there are some other...there are some yards that do inspect everything going out, and those yards that do that have to wait until after 7:00 when the sun is up to get inspected. And you know, trucks are there at 6:00, and the plant's about out of cattle, you know, or it's a challenge to do things. They have to wait until they get inspected. And if the inspector's late, the trucks are late. And so those are some of the reasons why it's worked well. [LR270]

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SENATOR DAVIS: So you talked about the stress if you had to have those cattle brought up as you talked and have them inspected, stand around to wait for the trucks to come. What kind of stress and weight loss would you have with that? [LR270]

JOHN SCHROEDER: Oh, it's a challenge, I guess, to throw that number...I could throw a number of numbers out. And some cattle, you know, will...we go and pull cattle that we know what cattle we're going to ship the week coming out. And we pull the cattle out of the pen just right in that alleyway and count them to make sure our headcount is right and to make sure that everything looks, you know, to be where we want to send, and then put them back in. And it's kind of a training exercise. We ride through those cattle every day, but it's a nice way to get them accustomed to coming out and knowing that that's okay and comfortable. The challenge that we run into is some of those pens may be a half a mile or farther from a load-out facility. So if you're just going across the alleyway and looking at it, not as big a deal; but if you're running a half a mile down, or in rougher weather--especially in hot weather or just in blizzard conditions, pretty challenging to situations. And that number could easily be four, five, six, seven, eight percent at times done wrong. [LR270]

SENATOR DAVIS: Thank you. [LR270]

SENATOR JOHNSON: Thank you. Any other questions? Seeing none, thank you, Mr. Schroeder. [LR270]

JOHN SCHROEDER: Thank you. [LR270]

SENATOR JOHNSON: How many more would like to testify? One, two, three, four, okay. Well, I see we've got Mr. Wright with Independent Cattlemen, which we want to make sure we get in on...get that in. We're going to extend the hearing a little bit, but I want to be mindful that we have to be getting ready for our next one by 12:30. I do want to...we've invited Shawn Harvey here, from the brand inspection executive director...executive anyway...not sure the rest of the title. We want to make sure he has an opportunity. So, Mr. Wright. [LR270]

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DAVID WRIGHT: Thank you, Senator Johnson and the committee. I would like to thank you for this opportunity to testify on behalf of the Independent Cattlemen of Nebraska. My name is David Wright, D-a-v-i-d W-r-i-g-h-t. The Independent Cattlemen of Nebraska are quite satisfied with the current fees that are currently in place and the manner in which the Brand Inspection Committee administers the brand inspection program. So Independent Cattlemen of Nebraska are happy with the way it is. I would like to speak as Dave Wright as a producer, away from Independent Cattlemen of Nebraska. It's my understanding that there's about 3.4 million head of cattle that were inspected outside of the registered brand inspection system, and the registered brand inspection system collected \$750,000 on a one-time placement. And most of us realize that they rolled that yard over twice. So that indicates to me that the registered feedlot system received a \$750,000 break. Now, if you take that \$750,000 break and you divide that by the 3.4 million head that did not go through the registered system, that comes up to 22 cents a head. Currently, we have an inspection rate of 75 cents. If we all paid our fair share, we'd be looking at 53 cents. Isn't that what we're supposed to do, broaden the base, lower the rate? Why do we give one segment a break? Everything that's been discussed today about the issues with the feedlots or the dairies, those are management issues--those are their issues. All brand inspection is, is a third-party verification of a proof of ownership. We know the value of a third-party verification. And proof of ownership, that's nice to have in case somebody is stealing our cattle. So all the other issues are management issues. That's all they are--they're management issues. If we want to talk about the time that's spent and the price that we pay when we run cattle through the sale barn...that inspector goes through 250 head of calves that go by in 15 minutes. But I just paid him \$200 for 15 minutes' worth of work. We're satisfied with that--we understand the need for it. So for someone to say that I need less, because my management problems I have, to me is not a very good basis of an argument. And the sale barn doesn't pay for my brand inspection. We pay for it as producers. And when we sell them private on the ranch, we pay for that as producers. The buyer doesn't pay it, we pay it. So the producers pay this system, the producers are satisfied with this system. I mean, if we want to talk about better ways to do something, I mean, holy smokes you guys. We...to register a vehicle in South Dakota is pretty darn cheap. Why don't we get that taken care of in Nebraska? The cost of gas in Missouri is a lot cheaper than the cost of gas in Nebraska. You know, I live in Nebraska, but I want you guys to change things so that I can compete like...so I can be like South Dakota and Missouri. So in the end, that's basically what my testimony is about. It's simply proof of ownership with a third-party verification. And if

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you're outside the brand inspection area, the law says you have got to provide a proof of sale. Maybe we should add a little more money and enforce the proof of sale, and then maybe the other side will want to have brand inspection also. So I'd entertain any questions if there are any.
[LR270]

SENATOR JOHNSON: I see no questions. Thank you. [LR270]

DAVID WRIGHT: Thank you. [LR270]

SENATOR JOHNSON: Next testifier. [LR270]

ROLAND PADDOCK: Thank you, Senator Johnson and Ag Committee. My name is Roland Paddock, R-o-l-a-n-d P-a-d-d-o-c-k. I'm a commercial cow-calf operator from Ainsworth, Nebraska, and I would just like to point out a couple of things that we all know, we just refresh our memories a little bit. Our nation is founded upon equality. When our forefathers came over, they left the kings and queens and princes and dukes--privileged classes--to have a society where everybody was treated equal before the law. And I would like to say that we need to be treated equally in our brand inspections the same way. We all face fees, and I just have about three or four different examples of that. We go to license our car, whether we drive it for business, whether we drive it for pleasure, whether we're the little old lady that drives it once a week, we all pay the same fee. Whether it's domestic, foreign, whatever, it's the same fee. Same way with brand inspection--I think our fee needs to be the same, whether it's Angus, Charolais, Hereford, whatever. Whether it's a steer, heifer, purebred, bull breeder, or whatever, it's still a cow. We go to get married, we all pay a license to get our marriage license, whether it's our first marriage, our tenth marriage. The Legislature just last year increased the deal where we increased it from, I think it was \$25 to \$35, because of the cost associated with it. It didn't make any difference whether we're red or yellow, black or white, we all pay the same fee: \$35. If I go to my local scale and I take my semi across that scale, I pay the same fee as everybody else, whether I got a half a load, a full load, whether I weigh one time or a thousand times, I pay the same fee. If you go buy a set of tires, everybody, whether you realize it or not, you look at your bill, you pay \$1 for every tire you buy that hits the road, and that's to help with the tire amnesty days--to help get rid of these used tires. But we all pay it, and it's uniform. And so my comment would be that we

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keep our brand inspection uniform, no matter what the price is, so long as the Brand Committee is viable, we need uniform fees. Thank you. [LR270]

SENATOR JOHNSON: Thank you, any questions? Seeing none, next testifier. Good morning. [LR270]

SCOTT CLEMENTS: Senator Johnson, Ag Committee, thank you for giving me this opportunity. I'm Scott Clements, S-c-o-t-t C-l-e-m-e-n-t-s. I'm a self-employed person running a cattle operation in western Nebraska, about five miles from here. I've been in this business for over 50 years, so I've got to pay a lot of brand inspection fees, I've got to meet a lot of different brand inspectors. I turn cattle out in several different states besides Nebraska. And my question is why do we need a brand inspection? If you look at the Nebraska Brand Committee annual report, over the past eight years we spent over \$4 million as producers--this is a producer funded deal, it's not the state of Nebraska, it's producer funded--we spent over \$4 million on brand inspection fees. According to the Nebraska Brand Committee, they have found a little over \$1 million worth of lost or stolen cattle. So we're going to spend \$4 to get \$1 back? I'm a businessman, that doesn't work. This system is broken. As far as who should pay and who shouldn't pay, I deal on brand inspection cattle as much as Darr Feedlot does. I know how that works, shrinking cattle and everything else, you know. I've worked with good brand inspectors. I've worked with some that if the cow got them down, (inaudible) I might cheer for the cow. There's difference in personalities on how everything is inspected. It should be the same for everybody. If you have one you've got to have it inspected--I ship cattle, if I move them to the state of Colorado, I have to have them inspected to go there, I have to have them inspected coming back. If I go to sell them, I have to have them inspected again, so some of my cattle are inspected two or three times. I believe in brand registration. You register your brand, I'll register mine--we need that in the state of Nebraska. We do not need brand inspection in the state of Nebraska. It doesn't work. It's a system that's broken. You're wanting to add another \$1 million to our cost? If you up it to \$1.10 instead of 75 cents, now we've got a \$5 million deal where we get back \$1 million for it. That sounds like government to me--doesn't work, let's spend more money on it. Thank you. [LR270]

SENATOR JOHNSON: Any questions? Senator Riepe. [LR270]

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SENATOR RIEPE: Thank you, Senator Johnson. I have a question. How much of a deterrent do you feel having it in place while you're...I agree on to save \$4...or to save \$1 you spend \$4 doesn't make sense, but is there a deterrent factor in there that without it... [LR270]

SCOTT CLEMENTS: I don't believe...you know, I guess I'm taking this question as meaning are we deterring...maybe we'd lose \$2 million worth of cattle? The state of Texas is the largest state of cattle there is. They do not have brand inspection down there. If people want to steal my cattle, they're going to steal them. Now, I realize you might get one back from the neighbors, most of the neighbors in the ranching community know all the neighbors' brands. You know, maybe there's a benefit to it. As a businessman, there is none. [LR270]

SENATOR RIEPE: Thank you. [LR270]

SENATOR JOHNSON: Okay, thank you. [LR270]

SCOTT CLEMENTS: Anybody else? [LR270]

SENATOR JOHNSON: Any other questions? Seeing none, thank you. [LR270]

SCOTT CLEMENTS: Thank you. [LR270]

SENATOR JOHNSON: Welcome. [LR270]

KYLE VANDER POL: Senator Johnson, members of the Ag Committee, my name is Kyle Vander Pol, K-y-l-e V-a-n-d-e-r P-o-l. I'm the vice president of Adams Land and Cattle feedyard in Broken Bow, that has partner yards in Phelps County as well. And not to be redundant with some of the previous speakers, I'd just like to put some...a few things in perspective. Last year we paid about \$125,000 in brand inspection fees and for about 15 hours' worth of work. The auditing process that happens quarterly is a very...is a process that works in terms of the flexibility it gives us to not to have to call a brand inspector and things like that. The main difference our operation would...relative to somebody like Mr. Schroeder's is that we own all the cattle and we feed a lot of them, and we start them in a lot of different feedyards in multiple

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states, the vast majority of them in Nebraska. We required up until earlier this year, all cattle, regardless of what state, have a brand put on them. And upon the advice from our legal counsel and insurance people and lenders, we discontinued that. Primarily because, as the previous gentleman just said, we've had about four cases of fraud committed against us over the last five years, and in no case as far as remedying that was the brand inspection of any value. So again, just to kind of put it in perspective, a lot of money for about 15 hours' worth of work. And then again, if we were 30 miles to the east, I wouldn't be here today. So any questions? [LR270]

SENATOR JOHNSON: I have a question. The size of your feedlot, and I don't know how it compares to other feedlots, I think you're among the largest. What type of technology do you have? And are there a lot of other registered feedlots that have the same type of technology? [LR270]

KYLE VANDER POL: Yeah, thank you for the question, Senator. So similar to Mr. Schroeder, we have...upon buying the animal, every animal we get, regardless of what state it's in, gets an electronic identification that goes into an inventory management system, and that stays with the animal. There's redundancy built in with a panel tag, and again, that may be removed, but it's always cross-referenced to the electronic ID tag, which is about \$1.50, \$1.40. And then upon leaving, we verify every animal leaving our feedyard on its way to the packing plant, primarily to check for, you know, slaughter withdrawals and things like that. But it's all...everything is tied to that individual ID. Whether or not the majority of other yards...I don't know the prevalence of that, honestly. [LR270]

SENATOR JOHNSON: Thank you. Seeing no other questions. If none, I'd ask Shawn to come up and...not to wrap it up, but to give his perspective and maybe some thoughts on what he's heard today. [LR270]

SHAWN HARVEY: Thank you, Senator Johnson. My name is Shawn Harvey, S-h-a-w-n H-a-r-v-e-y. I'm here on behalf of the Nebraska Brand Committee as the executive director. Statementwise basically, I'm just here to answer any questions that anybody has regarding the inspection program or any other programs that we might have, so. [LR270]

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SENATOR JOHNSON: I have one question. There's been a couple comments made about the timing to get to feedlots. I don't know how that compares with the rest of it. Do you have a response to that or want to challenge it? Or any thoughts on that? [LR270]

SHAWN HARVEY: You know, as far as a challenge, I don't have it. If an inspection is requested, you know, that goes...that inspector is...obviously if they have somewhere else to be right away, they may need to put that off a few hours, maybe a day. But you know, if there's a two-week wait after an inspection is requested, I'm not aware of it, and that's obviously something we could address. So... [LR270]

SENATOR JOHNSON: Okay. [LR270]

SHAWN HARVEY: There are instances...and that's a choice that those registered feedlots or anybody, it probably happens in the registered feedlot program. You know, if they're gathering cattle in and they know that a large number of them are going to need inspected, they make a choice that they request that let's wait until all these come in, and then we'll just look at all of them all at one time instead of making several trips out there to look at 200 head now, 200 head the next day. They may look at 1,000 head in one day. That's an option that we give them. I mean, it's their choice, because the requirement is that those cattle that need inspected be inspected into that registered feedlot. Obviously if it's a better business practice for them to look at them 200 head each day, we have no problem with that, so. [LR270]

SENATOR JOHNSON: How many inspectors perform registered feedlot audits? [LR270]

SHAWN HARVEY: We have one registered feedlot inspector that does the quarterly records checks for all... [LR270]

SENATOR JOHNSON: And that's pretty much full time? [LR270]

SHAWN HARVEY: We have 98 registered feedlots, and so he does quarterly checks on all 98 of those. If cattle are needing inspected in, any inspection normally, because he is the only one and

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he is on a fairly tight schedule, you know, needing to get to different feedlots, if he needs an inspection done, the local inspector in that area will usually perform those inspections. [LR270]

SENATOR JOHNSON: Other questions? Senator Bloomfield. [LR270]

SENATOR BLOOMFIELD: Thank you, Senator Johnson. Mr. Harvey, there have been a couple comments that seem to think maybe we ought to just do away with the brand inspectors (inaudible). Mr. Clements I think said we spend about \$4 million statewide and we save maybe \$1 million worth of cattle combined. Would you comment to that and then answer whether or not maybe the brand inspection is more important to cow-calf guys than the registered feedlots? Would you talk to that at least? [LR270]

SHAWN HARVEY: We just finished up our fiscal year numbers. We actually, with the strays that have been recovered, we recovered a little over \$1.7 million worth of cattle. To put that into perspective, that is what is reported to us, and the fact that...it's told to our inspectors when you find a stray, please report that, because that's what we need to go off of to show that those cattle were returned to those rightful owners. Obviously we have stray reports I think that don't get reported. That's going to be addressed that we need that information so we see the value in that estray recovery. Those numbers do not include any investigation that could produce a conviction on cattle theft, cattle fraud, which as far as I look at, that is a value of...if we have a theft case and those cattle are actually stolen from someone and returned to them or that the value of those cattle is returned to them, that needs to be an addition into that recovery amount. And that is not in that figure, so. [LR270]

SENATOR BLOOMFIELD: And does that \$4 million statewide sound about right for the cost (inaudible)? [LR270]

SHAWN HARVEY: Yeah, it's right at...it's just a little over \$4 million is what our expenditures and what we generate in revenue. It's pretty even. [LR270]

SENATOR BLOOMFIELD: Thank you. [LR270]

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SHAWN HARVEY: Yep. [LR270]

SENATOR JOHNSON: Senator Schilz. [LR270]

SENATOR SCHILZ: Thank you, Senator Johnson. Good morning. Thanks for coming in. As you look at the registered feedyard program, first question, if that wasn't there, could you physically keep up with everything that you'd have to inspect? [LR270]

SHAWN HARVEY: No, just for the fact that if those registered feedlots...are you asking if they would have an exemption or they pay nothing? Or if they just... [LR270]

SENATOR SCHILZ: No. If they had to bring an inspector every day to ship cattle, how many more inspectors would you need? [LR270]

SHAWN HARVEY: We would need...numberwise I have no idea, to be quite honest with you. In the central part of the state where our registered feedlot program is probably, you know, there are more of them in that area, I don't know that I could give you that figure right now how many. It would take several. [LR270]

SENATOR SCHILZ: And then how would you work out...just a question for you. How would you work out priorities of as to where you go first? [LR270]

SHAWN HARVEY: Right. You know, our priority is whoever calls first. That's who gets the, you know, when those inspectors are setting up their schedule from daylight until dark, they're, you know, that's who gets the priority of who gets inspected first, if that's your question. [LR270]

SENATOR SCHILZ: And then, yeah. And then the last question I have, and I don't know if you know the answer, but compared to the registered feedlot program and how that charges for the inspections or the audits that go on, compared to charging the full rate for every head of cattle, would you actually make more money in the end by inspecting every head of cattle or actually lose money because you have to have the people physically there doing it every single day? [LR270]

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SHAWN HARVEY: I think we would actually make money simply because...I mean, we would need more inspectors, but I think the total amount there...if we inspected every animal, you know, that shipped out of a registered feedlot, like we do our nonregistered lots--and we actually have more nonregistered feedlots in the brand area than we have registered feedlots, you know, there's...that \$750,000 that we probably generate from the registered feedlot program would double or more. So we would be looking at \$1.5 million or more. And I don't think it would take \$750,000 in revenue to pay for the inspectors. [LR270]

SENATOR SCHILZ: That's if you had all the people that you needed to do it. [LR270]

SHAWN HARVEY: Right. [LR270]

SENATOR SCHILZ: How many do you have on the waiting list now to be confirmed or being trained as inspectors? [LR270]

SHAWN HARVEY: We have three training centers...as far as inspectors? [LR270]

SENATOR SCHILZ: Yeah. [LR270]

SHAWN HARVEY: We have three training centers and we... [LR270]

SENATOR SCHILZ: How long is your list of people that want to get in on the program? [LR270]

SHAWN HARVEY: We don't have a list. When we have someone that leaves the training center, we advertise. And you know, in the past, we used to have 30, 40 people that would apply. Now we're struggling to get 4 or 5 for one opening. Our wages have a lot to do with that. We've actually done some work to raise that. We need to do that some more to stay competitive. And that's not only just so they make more money, but to get qualified people. We find value in what we are doing, but we want the producer to find a value in that... [LR270]

SENATOR SCHILZ: So what...yeah. [LR270]

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SHAWN HARVEY: ...and they trust who that person is...whoever's doing that inspection, they need to trust that they know what they're doing. [LR270]

SENATOR SCHILZ: So what you're saying today is that if all things were equal, wages today, had plenty of people to do it, and everything else, you would bring in more money--probably if every animal was inspected. [LR270]

SHAWN HARVEY: Yes. [LR270]

SENATOR SCHILZ: But if you have to raise the wages and go out who knows to what level to find the people to do that, you just don't know where you'll end up on that, necessarily? [LR270]

SHAWN HARVEY: Right, right. [LR270]

SENATOR SCHILZ: Okay, thank you. [LR270]

SENATOR JOHNSON: No other questions? Thank you, Shawn. We have one more, I think, that's got a green sheet at least. That will be our last testifier. While...so I don't forget it, on the phone this morning, I did receive a letter testimony from Pam Potthoff with Women Involved in Farm Economics. I don't have the ability to print that off, but we will send it back, get it printed off, and the committee will have a copy of that. Thank you. [LR270]

JOE PONGRATZ: My name is Joe Pongratz, J-o-e P-o-n-g-r-a-t-z. I'm a rancher from Holt County, and I also serve on the Nebraska Brand Committee. I just...and I understand the frustration on both ends. We do have a survey that we compiled back in 2012, and it's a pretty good survey--there's about 4,300 returns. And I used to know the number, I know it's over 50 percent return on the survey. But I use that a lot when I make decisions on the Brand Committee. And that survey is pretty heavily in favor of the way the Nebraska Brand Committee is operating today. In regards to the \$4 to \$1, how much crime is committed in the state, whether it be speeding or whatever? And you know, if you're going to do that, is there a need for police? Because that's essentially what, you know, we're kind of the police of the cattle. So do police deter crime? You know, how much money is lost due to crime, and how much does it cost to

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operate police? I don't know the number, I'm just trying to compare that, you know, to express that. And I'm sure police are worth it. I think it's worth it to have brand inspection. Another thing, on the shrink, we drop our calves off at a sale barn the day before the sale. They have no one around them that they've been used to. You know, they're used to dad and I, when we walk into a pen they don't get jittery, they're used to us. My wife walks into a pen--don't tell her this, but they get jittery, because they're not used to her. At a feedlot, I would assume they're used to the same people; and when our inspector comes in, I'm sure it makes them jittery. But when our cattle are dropped off at a sale barn, they're walking by two guys that they have no clue on who they are, they're in an unfamiliar place, they just got loaded up and hauled. We have shrink, too. So there's a loss of value for us, in the sense of the shrink and handling from different people. So those are just a couple things. And I mean, I really appreciate you doing this hearing. I took a lot of notes--I didn't bring enough paper, so I scrunched it in there, but I would...if any of you need that survey, I think we've handed them out before. If you want that survey to see what the producers said...and that's...those people that filled out that survey are members of Farm Bureau, they're members of Farmers Union, the Cattlemen, the ICON, and they are members of none of them, and we represent on that brand committee all of them--all those groups and all those who do not pay dues to anyone. And I try to use that survey as a guideline. And I'll take any questions if I can answer them. [LR270]

SENATOR JOHNSON: Senator Bloomfield. [LR270]

SENATOR BLOOMFIELD: Thank you, Senator Johnson. Mr. Pongratz, I started asking a question before about the importance to cow-calf guy versus, you know, feedlot. Is this more beneficial, do you think, to the cow-calf guys? Is that where the loss would occur in your experience? [LR270]

JOE PONGRATZ: I wouldn't feed cattle east of the brand line, because there's no third-party inspection. I would feel much more comfortable doing business with a feedyard if I was going to, you know, put them in that yard and have them...retain ownership. I would feel much more comfortable with...I wouldn't do it east of the line, because there is no third-party verification. And I don't know if that answers it, but I mean, I would think...and another thing is the Brand Committee, we're here to protect everybody. So an ear tag falls out or somebody...some worker

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from a feedlot steals cattle out of the feedlot, you know, we're there--we are here to protect everybody's cattle. So if the pen next to somebody that, you know, in a feedlot, we're there to actually protect those cattle, too. I understand they have management systems, but we are the third-party verification on the west side of the line to make sure that everything is going the way it's supposed to. [LR270]

SENATOR BLOOMFIELD: Okay, thank you. [LR270]

SENATOR JOHNSON: Thank you--12:30, we have completed our time frame at least. I appreciate everyone for coming in. We are not a set of judges, although we will exit through the door behind us to go to lunch. But I'm sure some committee will be able to, you know, come out and thank those accordingly. But I do appreciate all of your participation in this, and I think it was well presented. And we will take this into account, as we look forward to what type of legislation we might be bringing forward. So again, thank you--thank you to the committee members for being here. And this will conclude the hearing on LR270. Thank you. [LR270]

SENATOR KOLTERMAN: Well, it's 1:15, we're going to go ahead and get started. My name is Mark Kolterman. I'm here as Vice Chair to the Agriculture Committee, and I'm going to start chairing this hearing, simply because our first testifier is making a presentation to Senator Johnson, here in a few minutes. Pleased to be in Grand Island, today. Thank you for all attending. To my left we have Senator Bloomfield, Senator Riepe, Senator Burke Harr. Travis is our legislative counsel... [LR214]

TRAVIS MOORE: Clerk. [LR214]

SENATOR KOLTERMAN: ...clerk. And we have Rick here, who's our legislative counsel. To my right we have Ken Schilz. Also joining us will be Senator Gloor, I believe. He's not on the Agriculture Committee, but he's been sitting in. At this time, I'd open it up, Senator Johnson, which we're going to talk about LR214, which deals with dairy and the Department of Agriculture. And I appreciate all of you being here today. And, Senator Johnson, please come forward. [LR214]

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SENATOR JOHNSON: Thank you. My name is Jerry Johnson, J-e-r-r-y J-o-h-n-s-o-n. Thank you, Senator Kolterman, for acting as the Chair and to the members of the committee. Thank you all too. Guest Senator Gloor, I'm pretty sure he will be entering later. I introduced LR214 to provide a forum to allow discussion on the dairy growth and development study that the Department of Agriculture completed last November. My staff has provided excerpts from the study, relevant to LR214, in the briefing items that are in front of you. But I thought I would urge my colleagues and everyone to listen, as it's not already been done, to take some time to review the report. There is a tremendous amount of detail and information in that report, that provide a very thorough picture of where the industry has...dairy industry stands today, how it compares to other states, and what are the opportunities for growth. My predecessor as Chairman, Senator Schilz, introduced LB941 during the 2014 Legislature session, and that bill was designated as priority bill of the Ag Committee and enacted by the Legislature. LB914 directed the Department of Agriculture in providing the Legislature a comprehensive analysis of dairy production and processing in the state, to assess the abilities of the state's natural resource, agricultural institutional assets, and to accommodate expanded milk production, to provide an analysis of milk marketing opportunities available to the master producers, and to examine constraints and growth in our dairy sector, in our efforts to stimulate investment in milk production and processing with those surrounding states. Unfortunately, Nebraska has experienced a steady attrition with dairy producers. Nebraska once had over 800,000 dairy animals, that was back in 1934. In the past 20 years, we have witnessed a decline of 31 percent in our cow numbers, with around 55,000 milking cows remaining in Nebraska. In the last 15 years preceding the report, we lost 75 percent of our dairy operations in Nebraska, with under 200 licensed producers remaining. With the decline in dairies, we have also lost some of our processors. I believe it was the closure of Leprino mozzarella and string cheese plant in Ravenna, which removed the only local market in central Nebraska. That stimulated the interest in the Ag Committee to pay more attention to the dairy sector, and what avenues might be available to the state to revise the dairy industry. But it's not all bad news. While we have lost dairy farms and dairy cows, our milk production has remained relatively steady. Remaining farms are larger and more efficient, and our producers have kept pace with productivity. I believe there is economic factors at play that may support growth in eastern Nebraska; and as the report pointed out, there is increasing opportunities in milk and milk product exporting. I believe witnesses here to follow will confirm about that this year, as we've seen a relatively small increase in the number of cows.

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I want to conclude by calling attention to the recommendation contained in the report. That excerpt of the report is that the materials that are in front of you. The recommendations are self-evident, going into detail regarding the need to retain and grow existing farms, to recruit new dairy producers in the state, and the need to attract additional processing capacity, with a particular need to bring processors into the central part of the state. Last session we did take actions to implement part of this set of recommendations with the enactment of LB176. Committee amendment to that bill, adopted by the Legislature, clarified the definition of livestock operations eligible for the Nebraska Advantage Act livestock modernization tax credits, so that dairy operations are not excluded. One of the existing things to me is that it may help stimulate some more technology to be used, such as robotic milking, that is a proven practice most useful in stimulating small and medium size dairy expansion. I think it is important that we maintain a strong dairy sector. We need to maintain the diversity in our livestock base. It is estimated that every dairy cow has a \$5,000 economic impact, and our 55,000 cows then generate \$275 million in economic activity to the state. Dairy production generates synergies that add value to other aspects of agriculture. I am hoping that this resolution will help stimulate discussion initiatives and help us to maintain and grow the dairies industry sector. With that, I close with my opening. If there's any questions, I would try and answer them. [LR214]

SENATOR KOLTERMAN: Senator Riepe. [LR214]

SENATOR RIEPE: Thank you, Senator Kolterman. Senator Johnson, one of the questions I have in terms of looking over some of the documents--Colorado's dairies...is having a recent significant growth in the dairy business. What are they doing that we're not doing? Is it legislatively or incentives? Or why is (inaudible)? [LR214]

SENATOR JOHNSON: I'm not sure that...if it's by state or not, but what I've heard from one of the dairy producers that's been on some tours of other states, they...and I'm not saying our Governor is not involved, but they can go there, and in a tour with elected officials, somebody has interest. And they would say, okay, we've got a spot for you, we've got the ground ready, we've got everything in place, so all you've got to do is be there. We're not there. We are having some luck at attracting the cows here--milking cows, but now we're at the point where we're short on the processors. So we probably have to have the whole process in place, not only

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production, but processing, and be ready to say, we've got processors lined up as soon as you come with the cows. So that might...but I don't know if that's the case in Colorado or not. [LR214]

SENATOR RIEPE: Does it go beyond processors to a labor issue as well? [LR214]

SENATOR JOHNSON: Oh, I'm sure that's part of the package I think that has to be out there, because the labor can be very intensive. So we had to look at labor market, too. [LR214]

SENATOR RIEPE: Thank you. [LR214]

SENATOR KOLTERMAN: Any other questions? Senator Johnson, thank you. [LR214]

SENATOR JOHNSON: I'll return up to the front. [LR214]

SENATOR KOLTERMAN: And just so you're aware, Senator Johnson's going to take over, I've got to leave a little early today. [LR214]

JESSICA KOLTERMAN: We'll give Senator Johnson a chance... [LR214]

SENATOR KOLTERMAN: We need your green sheet up here, young lady. [LR214]

SENATOR RIEPE: Giving her instructions (inaudible). [LR214]

JESSICA KOLTERMAN: Usually, I'm the one giving the orders (Laughter), so. Senator Johnson, members of the committee, my name is Jessica Kolterman, J-e-s-s-i-c-a K-o-l-t-e-r-m-a-n. I serve as the director of state governmental relations for Nebraska Farm Bureau, and we're here today in support of the study, and in support of some of the things that Senator Johnson shared with you. As you already know, our members are strongly committed to growing the livestock industry in the state, and dairy is a big part of that. I could go through some of the economic benefits that are going to be helpful in terms of if we grow dairy what that would do to our state, but I think there's a lot of people behind me that are more qualified to do that than I

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am. My limited dairy qualifications is that I'm a granddaughter of some dairy farmers, and they had a whole whopping 88 head of cows that they milked, and I got to be a part of that when I was really little. But I want to share with you basically what we did when we heard about this hearing. We reached out to our neighboring states who also have Farm Bureau organizations and asked them to share with us what they were doing to grow dairy in their states. And I think the thing that would be most helpful for me to share is some of the feedback we got from them. And so one of the states that we talked to, Missouri, has recently passed what they are calling the Dairy Revitalization Act. And although they didn't pass funding for it this year, they're hopeful that it will come in the near future. This act had three parts, and what those parts were: one of them was a reimbursement program that reimbursed dairy producers who enrolled in the Federal Margin Protection Program up to an identified maximum. Now, I am not the person to talk to about the federal dairy program, but my basic understanding of it is that it's an insurance program, and it does have some cost to the producers. And so this was an opportunity for the state to reimburse them for some of that, if they enrolled in that. And when you're doing that with new dairies that have just maybe developed in the state, that's a way to help them offset some costs. The second part of the program is a scholarship program, which when I kind of dug into a little bit, kind of reminded me of what we have as our RHOP program, where we provide monies as a state, or reimbursement, or waiving of maybe some student debt for students who major in an area and go back to that rural area and work in that field for several years. So I believe, like in the RHOP program that we have, if you are a medical professional that goes back to a rural area and serves an underserved area, you get some credits or some reimbursement of your tuition. This would be a similar program that they did in Missouri, except it was specific to people who went back to work on dairies. So that might address some of the labor things that you were asking about earlier, Senator Riepe. And the third part is a collaboration with their local universities that would require the University of Missouri to submit an annual report on new innovations that are coming out in the industry. And then what they would do is they would take those innovations and they would maybe incentivize local dairies to implement some of those innovations that could help them save money and become more efficient. So that's a program that's in Missouri. South Dakota has a program through their Department of Agriculture where they have a specialist on staff...actually, several specialists, who will go out into a county and help those counties at the county's request. So this was not something that was, you know, forced upon the county, but if a county said we really want dairies, the Department of Ag would

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send out these specialists, and they would say, okay, let's find those places where those dairies can go. And let's develop that and get that all ready to go, and then let's help you market that to dairies in other states that are looking for places to come. And so that was something that South Dakota had that we thought was a good program that somebody might...we might want to look at. And I know we have some similar things with Livestock Friendly, but this was just maybe something specific to dairy. In Indiana, they've really used their proximity...and this is something that, you know, we are east of the Rockies, but they are closer to the East Coast, and so they really said we're right in the center here, and so let's use that proximity to really market milk from here kind of everything east of the Rockies. And so they've also used some of their local business incentives a lot more in focusing on bringing in dairy and agriculture. Finally, I think something that we as an organization have talked about a lot is that we have a great relationship with the Department of Ag working on these issues. But from our understanding, processing facilities, which is tied to this industry...but from our understanding, is they're not falling directly under the purview of the Department of Ag. They're falling under the purview of the Department of Economic Development, and so it's really important to us as an organization to see the Department of Economic Development really start putting the emphasis on bringing those processing facilities in and focusing on that. And so we would just encourage the committee to encourage the Department of Ag to start doing that a little more, because we believe if we have those processing facilities, we're going to be in a lot better position to recruit dairies. So with that, I will close my testimony, and I'd be happy to answer any questions you might have. [LR214]

SENATOR JOHNSON: Any questions? Any questions? Seeing none, thank you. [LR214]

JESSICA KOLTERMAN: Thank you. [LR214]

SENATOR JOHNSON: Welcome. [LR214]

BILL THIELE: Thank you, Senator Johnson and members of the committee. I want to express my appreciation for your investigating and delving into the issues that we face. [LR214]

SENATOR JOHNSON: Would you give your name and then spell it? [LR214]

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BILL THIELE: I'm sorry, yes. Bill Thiele, B-i-l-l T-h-i-e-l-e, Clearwater, Nebraska. [LR214]

SENATOR JOHNSON: Thank you. [LR214]

BILL THIELE: Okay, I'm president of the Nebraska State Dairy Association. We...I'm a member of a family dairy in northeast Nebraska--Clearwater, Nebraska: two brothers and their families. My mother still lives there, and I have two nephews and their families that are back in business now. So we farm, we dairy, we also run beef cattle. But dairy is central to who we are and have been. As someone asked me a little bit earlier, we're the fourth generation on the farm there. I'd like to speak a little bit directly to the questions about what's going on in other states and compared to Nebraska. For the last 10 or 15 years, being involved in our NSDA, we've been asking that same question. I've got a graph in front of me that shows our neighboring states of South Dakota and Kansas and Nebraska, and I know that it also speaks the same for Iowa. And when we got into the mid 1990s, the number of dairy cows in all of our states was falling. And then an interesting trend developed after that, that South Dakota and Kansas started gaining cow numbers and Nebraska continued to fall. So we all asked that question, well, what can we redo...how can we reverse the trend, and what are those other people...other states do? Well, a couple things happened. In Nebraska, we used to be a state that had several creameries and cheese plants in a number of our towns. And no, I can't name them all, but I can speak that we had one in Orchard, which was 10 miles away from us, where we used to market our milk. We had one in Dodge, we had one in Ravenna, we had one in Hartington, they were scattered across the state. And over a short period of time, they all closed down, because they were bought out and milk went through one processing cull, in this case, that I'm aware of. But that changed the dynamics of the industry. Prior to that, I know for example, that our family milked cows because we had the creamery there that would readily--if you wanted to milk another 10 cows, they'd come out, they'd go to the bank with you, and they'd sign on the bottom line with you, because it was good for the plant. And we had new homes being built in Orchard, Nebraska, and Antelope County was the second...or excuse me, third leading milk producing county in the state. Now I think we have three dairies left in our area. And the same thing happened in these other towns, okay? The difference in Nebraska is, in South Dakota they had a couple creameries...or excuse me, cheese plants, and Kansas had the same thing, so they had less to close down than we did. So that had a direct impact to us here. Now what happened in Kansas is that some plants got

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built and the state got involved in recruiting. And seeing the viability and the money that was generated and how it influenced downtown in our small communities like Clearwater and Hartington and Ravenna and so forth, so they made an effort to try to revitalize that. Unfortunately, Nebraska didn't. South Dakota, about the same time, at least by the early 2000, had a governor who got innately interested in promoting dairy. And at that time, they appointed a specialist to...that's what his job was, and he's still there, was to find out, okay, what do we got to do to promote dairy here and to grow the industry? Looking at my notes here, in South Dakota in 2000...South Dakota, between then and now, has added approximately 30,000 cows, where we are on a flat trend. But actually, if go back to 1980, we have dropped the number of cows almost in half--120,000 down to about 60,000, where we presently are. So as a result of the effort, South Dakota put together plans that was alluded to a little bit earlier. If you wanted to go to South Dakota, you had a definite advantage being a dairyman. First off, you paid a heck of a lot less taxes, but that's not the same in Kansas, and it's not the same in Iowa or Minnesota. Those are comparable, and I don't believe those are roadblocks for us. But when they put the recruitment in, they not only started the dairies in the area where the plants were, of those cow numbers starting to be added, but they actually started bringing dairies that came in even from foreign countries, and not corporations, but individuals who are willing to put up 1,500 and 2,000 cow dairies. And magically, as soon as that happened, the first plant got built again, another one went up behind it, another one went in behind that, and a dairyman built a plant that he needed 50,000 cows to fill their needs. So it's been common knowledge for years--they've been needing another 50,000 cows. The corridor for dairy industry in the United States, the number one place for dairies wanting to come to milk cows now is where the feed is. It's known as the I-29 corridor of the Midwest. If you go from South Dakota--to Brookings, South Dakota, you can find another big plant every few miles, okay. You literally pay very little for freight. As an example, in Nebraska, our milk goes to Le Mars, which is a 135 miles for us. If I had a plant in Norfolk, as an example, where our one small dairy, our just net difference daily would be close to \$700 in income per day difference if we had a plant in Nebraska. But all of our milk and all of our economic benefits go out of state, go to South Dakota or on that I-29 corridor. We've lost some of our infrastructure as far as vets and dairy supply people. But central to all of that is the fact that we need to expand the few processors that we have here and try to recruit them to Nebraska. I am 100 percent committed to the thought...I used to think it was a chicken or an egg story, do you get the cows and then the processor comes, or do you get the processor and then the cows

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come? It's not the cows first, guys. We got to have processing. We absolutely do. The growth what we have had in Nebraska or what we've been able to maintain is in the northeast quadrant of the state. We still raise the same feed, the same corn, the same alfalfa, the roads are the same for the most part in every part of the state, but it's what does your freight cost you. We have all the economic advantages and then some, in my opinion, that South Dakota or Kansas or Iowa-- for example, you probably got to pay twice as much for your farm ground in Iowa as we do in Nebraska, if you want to start up. We have better water resources here in Nebraska, which are central to building a dairy in Nebraska. Feed source and how close you are to the plant influences, too, by far and away the decision on somebody, whether they want a dairy in Nebraska. And so then the question is, okay, do we actually have people who do want to build and be involved in dairy in Nebraska? And I absolutely believe we do. We've had dairies come in by Rising City and Shelby and Wayne and Wakefield and Emerson. We have a dairy in Leigh, Nebraska, that's gone from 300 to 1,600 cows in the last 10 years. Ourselves, we've gone from-- when my brother and I started, from 100 cows to 1,600 cows. So we still got people that would like to not only either grow internally or are willing to move here. And especially in light of moving here to build our industry, it's getting tough everywhere else. If you want to dairy, you need feed and you need water and you need processing those things. We don't have the processing. The biggest state in the nation for dairy was California. It's falling like it's going off a cliff, because of lack of water and to operate. And the same thing has happened all the way across southwest United States. They can't wait to come this direction. In fact, we've had two large dairymen come to the state this year that wanted to relocate here and were very close to signing. And my understanding is ready to sign--to purchase land, and all of a sudden, they could not get any buyer to buy their milk, because they had enough, the plants are full, okay? Now there is a lot of milk in the world right now, but everything cycles. If anybody's been in business, they understand there's going to be up and down, and probably in agriculture more than anyplace else. If you feed cattle, at one end you might be better off if you're selling feeders, the next time you might be better off if you're selling fat. But milk will cycle again, and in fact, it hasn't dropped as far as it was expected to. Personally, and from a NSDA level, our producers believe when we're told that the world is going to multiply many times in the number of people we need to feed. And where that has to come from, how to feed these people and provide protein is from the breadbasket of the world. In the United States, that's right here, okay? We're not taking advantage of what the opportunities are for the development economically of Nebraska, because

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we have to start at the top. The NSDA and Midwest Dairy and some of our dairy people have been fighting a battle for a number of years. We go to the World Dairy Expo in Madison, Wisconsin, and we go to California to Tulare, which is the largest dairy show out there. And we know that people want to relocate. We have people in Wisconsin that have now bought feedyards in western Nebraska to feed their heifers out here, because the feed is here. The same thing can absolutely happen to the people milking the cows, and to Main Street in rural Nebraska, if we can somehow build processors or expand the processing plants that we do help. But the dairy industry can't do it themselves. It has to come at the state level that we make a conscious decision that this is good entity, it's a good enterprise, it makes money. And it's...when we talk about \$5,000 per cow, for the direct center, if you used, say for instance, University of Iowa's number, they expand that out in the circle to reflect closer to \$15,000 and \$18,000 that has a direct impact on the economy per cow. You can do the numbers, if you've got a 2,000 cow dairy or a 5,000 cow dairy, how much that has a direct economic impact on our local communities. Once again, the latest thing that's happened--for instance, our dairy in Rising City and Shelby, they were ready to build, the question came up a little bit earlier--privately, what's going on over by South Sioux City? Well, they couldn't find somebody to buy their milk. There was another person they were ready to build another 5,000 cows right there again in that quadrant of the state because it's close to the processors. But the plants, they no longer had a need for more milk, they were full, they were at capacity. It's not that we can't use more milk in the U.S., but we got to be able to process it somehow, somewhere. And so what he has done as a result, is he's in the process of permitting in Wisconsin. That dairy will be built within a year up there, rather than in Nebraska. We got to fix the problem. He's already got one out there and he's going to build another one now. He'll build the next one in Wisconsin, rather than Nebraska, only because we can't process the milk here. Someone brought up the question about what happened in Colorado, it's exactly what happened in Colorado. There were very few cows in Colorado, and what there were, they were in the Greeley area of Colorado. A large co-op went out there and they built a plant that needs milk from a 120,000 cows per day. And they built it and the cows came. You can literally get in your car out there. I spent last...about a year ago at this time, I went out there and spent about three days touring it. And within 10 minutes of getting out of your car at one dairy, you can move to another one, and they range from 1,000 cows to the largest one I was on was 6,000 cows. They've transformed the area completely out there, and it's very economically viable

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business out there. The same thing can happen in Nebraska. We got to bring the plant, we got to bring the processor. And so with that, I would entertain any questions that... [LR214]

SENATOR JOHNSON: Any questions? Senator Riepe and then Senator Bloomfield. [LR214]

SENATOR RIEPE: Thank you for appearing in front of us today and sharing. I think it's very helpful when we have someone who's had four generations, and so you fully understand the details and/or concepts which are very helpful for us. I also am very much interested in economic development. And being the state senator from Ralston, I'm much more interested in milk processing than I am arenas (Laughter). (Inaudible) where would we start, how would we start? Would we start with existing processing and try to expand there, or is the placement of a new processing so that you get new technology? Sometimes hanging more to the past is not the best answer. [LR214]

BILL THIELE: I think it will take both. I think we need a dedicated individual appointed by the state for economic development, and I'll let Rod touch on this for the dairy industry. But we'll have to explore all venues or possibilities of that. We're...the market is somewhat saturated for milk as a milk jug product. The future of the dairy industry is in the processing of it into manufactured products. For example, the plant we have in Norfolk that's running now, the last I know, they're making protein bars out of there. And if we can somehow take in milk to existing plants, if we can help them expand whatever they happen to be making right there, that's an option I would agree. The University of Nebraska, in the whole new ag center that's built, they're working on all of these product developments. You know, that would be beneficial if we can push more towards there--okay, what are new products that can be developed more in the line of milk? But direct answer to which one is the best or where do you go to do it. I'm one individual, all I can say is okay, if somebody said Bill Thiele, you have to go figure out how to get somebody to come process milk, might start out with a list of vendors from across the nation. Whether it be cheesemakers--there's hundreds of different flavors of cheese, and a lot of them are very small plants. Okay, who can we see, whether they be in Wisconsin or South Dakota or Kansas or anyplace else, and find out just...okay, do you have interest in growing your business? Do you see an opportunity? In some cases, labor is an issue, not just for dairy or whatever, but they probably have...I think of Smeal, for example, in...I can't even think of their town right now.

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But they relocated their second plant to Neligh next to us, because they had kind of used up all their resources in that area for employment opportunities. And so I think the same thing is out there with plants in existence. Some of them get locked in, you know, just landlocked or they're too close up here. In Wisconsin, for example, where if I'm selling milk I've probably got five choices of where to send my milk down the road, within 25 miles. A number of those are smaller plants, and they have next generations coming up too. So it might not be in the cards to immediately talk someone into building another plant for 100,000 milk cows, but you know, if we could handle...if we could get somebody here that could expand their plant to handle a few thousand more, it's a start. But I think it will take all. And that's not a direct answer to your question, Senator, but another thing that has hurt us in Nebraska here, things that have hurt the industry, is if you take, for example, what's happened at the university in the last 10-year period, we went from having a research dairy farm at the university, it was completely shut down. They sold off most of the herd 15 years before that when it was a viable enterprise. Then it only became research. And now, I think, at the university, we've got less than 10 cows down there. They've closed down the entire area as far as dairy, and it's back on East Campus what research we do there. I am encouraged though, that that trend definitely seems to be changing. We now have a dairy extension educator who has been hired. I think probably...things look optimistic. I think we're putting some pieces in place that will help in that regard. [LR214]

SENATOR JOHNSON: Thank you. Senator. [LR214]

SENATOR RIEPE: May I ask a follow-up question? [LR214]

SENATOR JOHNSON: If it's a quick question and a short answer. [LR214]

SENATOR RIEPE: I can only choose the question. My question is this, my experience is, is that every good project needs a champion. Is that best champion the Department of Economic Development or the Department of Agriculture? [LR214]

BILL THIELE: To be quite honest, I don't know that I'm qualified to answer, because what you're seeing here is about the extent of my political savvy. At this point, it's limited here. I would suspect that it would have to be a joint venture that it takes. And we have kind of a saying

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that said all cow milkers need all cow milkers. It doesn't matter if you're milking 50 cows at home or you start robotics and you're going that road or you are milking 5,000 cows. We're all in it together and we need each other. So where that person or who's going to champion from has to be dealt through. And NSDA would certainly love to be part of that conversation or help in any way that we could. [LR214]

SENATOR RIEPE: Thank you. [LR214]

SENATOR JOHNSON: Senator Bloomfield. [LR214]

SENATOR BLOOMFIELD: Thank you, Senator Johnson. Mr. Thiele, you mentioned earlier and I think we're all vaguely aware of California's issues with water (inaudible) feed and water the cattle. How about the processors out there? Is there any problem that you're aware of that some of those guys maybe (inaudible)? Do we need to incentivize them to move here? Because if they're not opting to have the cattle, they don't want to be paying the processors. [LR214]

BILL THIELE: Right, I completely understand that. I might let our...what I assume will be the next speaker, address that a little bit more. We did have what we thought was a possibility of somebody coming into the state here, just until recently. And just in the last week the plug kind of got pulled on that and we were advised that that's not going to happen. [LR214]

SENATOR BLOOMFIELD: I'll gladly wait down (inaudible). Thank you. [LR214]

BILL THIELE: Okay. [LR214]

SENATOR JOHNSON: Any other questions? Seeing none, thank you. [LR214]

BILL THIELE: Thank you very much. [LR214]

SENATOR JOHNSON: Welcome. [LR214]

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DAVE MURMAN: (Exhibit 1) Thank you. Good afternoon, Senator Johnson and members of the Agriculture Committee. My name is Dave Murman. I am a farmer and dairyman near Glenvil. We have about 500 calves, heifers and cows, and I'm in partnership with my brother, Jim. While I'm a member of several farm organizations including past president of the Nebraska State Dairy Association, National Resolutions Committee, Dairy Farmers of America, Farm Bureau, National Corn Growers Association, I am appearing before you today on my own behalf. I fully support responsibly growing the livestock industry in the state, as well as my own local community. Specifically in the case of growing the dairy industry, I believe that a rising tide raises all ships, as Bill mentioned. Meaning, as a small dairy producer like myself, I benefit from increasing the number of dairy cattle in the state. By doing this, we can also increase the infrastructure related to the industry, such as dairy processors, veterinarians, feed dealers, equipment dealers, truckers and other suppliers that are vital inputs to my operation. Moreover, dairies have a higher economic multiplier effect than any other sector of the ag industry that I'm aware of. Nebraska has an abundance of feed, water, clean air, open spaces, and hardworking people. These are exactly the resources that are sought after by any dairy that is looking to either expand or relocate their operation. Nebraska needs to market our advantages, and this is why I support efforts to grow the dairy industry in our state to benefit all Nebraskans. It also is a good way to broaden the tax base. There are several dairy processors that have built plants in recent years in areas where there was not enough milk to supply those plants, but potential for the expansion of dairy farms was there. We talked about some of these a little bit earlier, and some of the examples are the Leprino plant in Greeley, Colorado, and the DFA plant in Fallon, Nevada, and the new plant in Brookings, South Dakota. I was recently asked to help the local chamber of commerce to encourage a processor who was interested in building a large plant in south central Nebraska. My point is that some processors are interested in coming into the state and into the central part of the state. Thank you for your time, and I'd be happy to answer any questions. [LR214]

SENATOR JOHNSON: Any questions? Senator Bloomfield. [LR214]

SENATOR BLOOMFIELD: Thank you again, Senator Johnson. Why have other people who would want to come into central Nebraska, the south side of Nebraska, why do they change their mind about coming? [LR214]

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DAVID MURMAN: I should have looked into that more, that was just a few weeks ago. I'm not sure. I think they're still looking at locating just a little further west than the Hastings area. I think they're still looking at central Nebraska, as far as I know. [LR214]

SENATOR BLOOMFIELD: We as a Legislature made incentives available for big industries. I mean, what do we need to do in your opinion to attract some of these people? [LR214]

DAVID MURMAN: Well, I know a few years ago, we talked to the...when I was president of the Nebraska State Dairymen, we talked to the economic development people in...the head of the economic development in the state. I know that would be important and also the Department of Ag. I think what we're doing today is a good step in the right direction. But I don't know specifics. I think you'd have to talk to them. [LR214]

SENATOR BLOOMFIELD: Thank you. [LR214]

SENATOR JOHNSON: Senator Riepe. [LR214]

SENATOR RIEPE: Thank you, Senator Johnson. Your emphasis here is on south-central Nebraska, at least in your (inaudible). When we heard that the...I think we just heard that the primary corridor is I-29. Is it your contention that the I-29 corridor is served by the Brookings, South Dakota, plant, the new one? [LR214]

DAVID MURMAN: Well, there's several plants in the I-29 corridor. I think the Brookings plant is probably just the newest one--and one of the largest, but the central part of the state has some dairy farms and they would like to expand. And there's some that would like to move into the state, but I think...you know, I'm just like Bill. I used to think, well, first we have to have more production, and then we'll get the processor. But you know, some of the plants that have been built recently, the most recent newest ones in the country didn't have the cows that they needed there when they built the plants. And we have the great potential, like you know, like water is one of the most important ones and feed and labor, and we've got that all in Nebraska. But I think we're just, you know, just waiting. If a plant would build, it would expand. It takes two

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years to build a big plant; and by the time it was built, there would be dairy farms moving in and expanding. [LR214]

SENATOR JOHNSON: Senator Harr. [LR214]

SENATOR HARR: Thank you. Do you know what's going on with the plant in Kearney? And I know about 10 years ago there was a couple. Is that still there or has it been torn down? [LR214]

DAVID MURMAN: No, I really don't know. Maybe Bill Thiele, who was just up here would. That's not my...you know, I'm Hastings area. [LR214]

SENATOR HARR: Thanks. [LR214]

SENATOR JOHNSON: What is maybe a reason we don't have anything ready? What...how big a factor is the zoning issues in Nebraska? Is that a factor, and the fact that we have a lot of diversity, a lot of different ranges in our zoning, it's hard to tell them this is what zoning is? How big a factor is that? [LR214]

DAVID MURMAN: I really don't know. I'm sure it could be a factor. [LR214]

SENATOR JOHNSON: You've not had an issue with... [LR214]

DAVID MURMAN: It never has been in our local operation, but... [LR214]

SENATOR JOHNSON: Okay. Thank you. Any other...seeing none, thank you. [LR214]

DAVID MURMAN: Thank you. [LR214]

ROD JOHNSON: (Exhibit 2) Good afternoon, members of the Ag Committee. I appreciate the chance to be here and speak to you again. This is Rod Johnson, director of the Nebraska State Dairy Association. I've got a few things to mention, and I've also got a few answers to some of the questions that have already been brought up. And everything else that I can't answer, I'm sure

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Director Ibach can answer as soon as he gets up here. So first off, Nebraska State Dairy Association recognized that...first I'll back up. We represent about 80 percent of the cows in Nebraska, and we recognize the fact that in order to grow the dairy industry, we needed to become active at that. We formed a coalition between the Nebraska State Dairy Association, A-FAN, the Alliance for the Future of Agriculture in Nebraska, and also with the Nebraska Department of Agriculture. We call our efforts Grow Nebraska Dairy. And recently now, with the new extension person at the university, why the university is going to be working closely with us on this as well. What I passed around to you are the results of a Grow Nebraska Dairy summit that we had in May. We brought together about 85 representatives, people...stakeholders in the dairy industry, and we talked about the industry, presented some of the facts and ideas, and some of the issues and challenges. And the sheet that I passed around to you is the...basically the six results that we came out of that. Top--number one item on there is processing. As has been mentioned, we had opportunities to bring cows to Nebraska over the last few months, and as the I-29 corridor and the milk supply in general filled up, why, we lost the opportunity to bring those cows in because there was no market for the milk at that time. What we have done over the last two or three years is go out and concentrate...from the study, as Senator Johnson mentioned, retain, recruit, and process were three of the key things in the study. The retain side of things, I think Director Ibach will talk a little bit about some of things that are going on there. But we are seeing growth within our existing producer base at this time, and we're looking for ways to improve on that. The recruitment side: We have been to the major dairy shows, talking about the advantages that Nebraska has, and we have results from that. We have producers coming to Nebraska, looking for places to build. We found them sites and they were moving forward until all of a sudden the market pulled the plug out from under us. We recognize this is a bump in the road. It's not a permanent thing, and we're looking forward to things turning around and moving forward. But that takes us to the third bullet point: processing. We are putting our emphasis into the processing side at this time. We have been working with the DED, Department of Economic Development, working with the Department of Agriculture, and working with some communities. We've been working with NPPD, and over the next...actually, in the next month, there will be a team going to Chicago to a processing convention to talk specifically to the dairy processors that are there looking for opportunities to entice somebody to come and take a look at Nebraska. The end of the month, we'll be in Wisconsin at the World Dairy Expo, which brings anybody and everybody from around the world in the dairy industry together to talk about what's

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going on. And we're going to actively be looking up there and spreading the word about the opportunities in Nebraska. So I think we're taking that portion--that bullet point very seriously as we move forward. We know that this is what we need, because we've seen it happen--build it and they will come. Some of the things that have happened out in Greeley, Colorado, for instance, when they built that plant, they had 60,000 cows in that county--the Leprino plant there. Unfortunately, the plant that we had in Ravenna, just up the road here from Grand Island was a Leprino plant, and they ended up moving their production out to that Greeley and Fort Morgan area. So we lost that one, partly because we didn't have the cows here that would support the plant that they had. So we're moving forward to see what we can do to identify processing plants. And I think we have a very strong effort going in that area. So I feel good about that...at least that we're moving that direction. One of the things that I have seen happen, Bill talked a little bit about the growth of dairy in South Dakota. One of the people that is on the staff in South Dakota is a dedicated food processing recruiter. When anybody calls the state of South Dakota and wants to talk about a food processing facility, they have somebody in a position that understands agriculture, knows the difference between a black and white cow, and a white and a black cow, and they know what needs to be done to recruit a food processor and can talk the talk so to speak. I guess I would like to suggest that that be something that be considered. This could work hand in hand with the Department of Agriculture, with the Department of DED and be dedicated to the largest industry in Nebraska. Agriculture is Nebraska's number one industry; but yet if somebody calls the DED at this point, it's kind of who gets the short straw that has to deal with it almost. It's...I may be stretching a little bit, but it's a whole lot different to recruit a food processor--someone that will help the ag industry. It's a whole lot different than recruiting a call center or a data center. It takes a whole different mindset. And I think we need somebody dedicated to that every day when they go to work--what can they do to grow food processing in Nebraska? I know you're going to say how are we going to fund something like that? My quick and easy answer is there's a rainy day fund and the dairy industry is in a drought right now, so we need some way to make something happen. And we don't need it to happen 20 years from now, 10 years from now. We need the wheels to start moving right away. We've got, you know, one shot to get a lot of these families to move that are going to move to Nebraska. We've got one shot to do it. When they build someplace else, why, they're established again for a few years. So the dairy industry is a very small industry--everybody knows everybody. And so when we had people coming here, one of the guys that was looking to move to Nebraska, his last comment to

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me was, well, if the Midwest doesn't want us, I guess we don't want the Midwest. And that message moved around, a lot of people heard that message, so that's just one more little strike we've got to move against...got to move through. But it wasn't just Nebraska, it was the entire I-29 corridor. What's wrong with developing an I-80 corridor in the dairy industry? We've got transportation east and west--rail, interstate. I see that as an opportunity. If we could just get the ball rolling, I think we could make something happen. We have, as has been mentioned, we've got all the resources. We've got everything we need. It's just a matter of getting that processing plant in there. As far as the comment about \$5,000 per cow, that is a number that we've been using a lot. I just picked up a report out of South Dakota again, but in their latest report, they're using the value of the number of \$7,037.35--I'm not sure how they got that accurate, but that's the number they were using per cow. But that's just the farm receipts. By the time they took the thing all the way through their processing and the rest of the industry up there, they came up with the number of \$26,293.76. So when you add processing and you bring that into the whole picture, it adds a lot to the economic base for the whole state. We might be able to rebuild some of that rainy day fund if we could get something like this going. Some of the questions that were answered...or questions that were asked...zoning. Zoning is not the biggest problem we have in Nebraska. We can work through it. It's not that much different than South Dakota and other places. The program that was mentioned where they're identifying sites and things like that...I think they have 65 counties in South Dakota, and better than 30 of them have signed up for that program. They went out and they identified almost 4,000 sites in those 30 counties that would be acceptable, meaning it was close to hard surface road, it had access to water, and it had access to three-phase electricity. That does not mean that they contacted any landowners. They just went out and looked at the area. And the other thing was that it fit within the zoning regulation. Their comment on that was it was their way to work with local zoning to just identify the sites that fit. I see that this is a maybe advantage or something we can work on with the livestock friendly counties, maybe give them a little service that way to help them figure out what could happen in their county. So that's an area that I think could be looked at, could be considered down the road. I guess I mentioned the Colorado thing. Omaha has Highland Dairy, which is the only milk bottler in Nebraska. I think the biggest challenge with Highland right now is their location. They're settled right in there next to Creighton University, and I think they are looking to doing some expansion--they're doing some upgrading in that plant, but I don't see a major expansion or major growth in that plant, in that facility. So as we look to what can our existing plants do to

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grow, why, that's the biggest processor in Nebraska and they're not going to probably grow to any significant amount. Leading back to what Missouri is doing with their Margin Protection Program and reimbursing their farmers on that, you know, that is something that I don't see a lot of...that's not going to grow the industry in Nebraska. I just don't see that as being a major contribution to the growth in Nebraska. We were at one time, during the sign up, we were pretty much this last year almost leading the nation in percentage of dairy farms that signed up with the program, so we had good participation in the program. It's as I have mentioned earlier in the private conversation, it's kind of a...similar to a crop insurance type of program, but it's catastrophic coverage is what it is. And a year ago, the dairy industry had record prices. This year it has fallen off considerably, but it still is not a situation where the Margin Protection Program would have really done much for producers. So while it's a good program--we encourage people to participate in it, it's not a situation that's going to bring a lot of new dairy to Nebraska. I guess maybe that's what I wanted to mention. I'd certainly answer questions.
[LR214]

SENATOR JOHNSON: Senator Riepe. [LR214]

SENATOR RIEPE: Thank you, Senator. I very much liked (inaudible). You mentioned a producer or a processor that had expressed an interest in things but turned it down. And I'm assuming maybe that was in 2008 or 2009 when the economy turned down. Have we considered going back to that same processor to see if there's still some interest in coming in with the free market rather than having (inaudible)? [LR214]

ROD JOHNSON: I guess what I would...anything connected to the processing situation right now, I'll defer that to Director Ibach, and he can kind of address that issue if that's okay. [LR214]

SENATOR RIEPE: Okay, sure thing. [LR214]

SENATOR JOHNSON: Senator Bloomfield. [LR214]

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SENATOR BLOOMFIELD: Thank you. You mentioned during your presentation Ravenna. They moved (inaudible) Colorado, moved the plant out there. Is that because there weren't enough cattle around, or no cows around? Or... [LR214]

ROD JOHNSON: That was the story in the paper when they announced their closure, that there was not enough local milk that would support that plant. The other side of that picture is they were expanding rapidly out in the Greeley area, and I think they actually moved this production that was here to Fort Morgan, which is just down the road from Greeley. But it was kind of moving their base of operation together out there, so. But more cows here would have helped I think. [LR214]

SENATOR BLOOMFIELD: You know, I don't live too far from the town of Bloomfield. We lost a processor up there just a few years ago as well. And that kind of seems to be like the idea that if you had the processing plant, the cows would come. But we've had the processing plants and they've had to close because there weren't any cattle. Something doesn't seem quite right there. [LR214]

ROD JOHNSON: I think in a lot of cases, the plants that closed over the last 10 years...in a lot of cases it was a business decision that was made by the co-ops and by the processors in general, as there was some consolidation going on. And there was...the emphasis on growing the dairy industry in Nebraska wasn't really happening at that time. I think what we have learned since then, that as the focus on this upper Midwest has come along, why, we're starting to see the interest there. And there are, you know, the growth internally with our existing producers is important, but to get major growth, it's also going to take some relocation of producers...from dairies from other areas, and that is happening now, so. [LR214]

SENATOR BLOOMFIELD: Okay, thank you. [LR214]

ROD JOHNSON: And the new plants are going to be modern, efficient type of plants, as compared to what we had at that time. [LR214]

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SENATOR JOHNSON: Kind of to follow up on that answer...it's a question and a comment I've heard, probably the Ravenna plant, if there was a lot of production there right now, that plant's probably outdated enough that they're... [LR214]

ROD JOHNSON: It's now a dog food processing plant or something else. It's not sitting there... [LR214]

SENATOR JOHNSON: It's not recapturable for dairy? Okay. [LR214]

ROD JOHNSON: No, they didn't put in mothballs. [LR214]

SENATOR JOHNSON: Okay. Any other questions? Seeing none, thank you. The man we've heard about. Welcome, Greg. [LR214]

GREG IBACH: I think maybe I should have stayed at the best burger contest. We got done with that, so that was fun, but anyway--so I'm sorry for being tardy, because I was finishing up with some responsibilities that I had volunteered for at the State Fair. Maybe I would just make a few brief comments. [LR214]

SENATOR JOHNSON: For the record, this is Greg Ibach. [LR214]

GREG IBACH: I'm sorry, yes. Greg Ibach, G-r-e-g I-b-a-c-h, and I'm the director for the Nebraska Department of Agriculture. Thank you, Senator Johnson, other members of the committee. It's great to see a good turnout. Many times when we have a hearing in outstate Nebraska, we don't have the good turnout, and so thank you very much for making the effort to be here because I think this a very important issue, not only to the dairy industry, but to Nebraska agriculture as well. And we completed the study at the Department of Agriculture last fall, and turned it over to the Ag Committee in the Legislature, as was mentioned by several of the previous testifiers, and that did identify three basic areas that we thought we needed to focus in, in order to be successful on drawing more dairies to Nebraska. Those three areas included the retention of existing and intending to grow existing producers' operations. And one of the big hurdles that was identified through the surveys that we did, in cooperation with the University of

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Nebraska, with retaining and growing had to do with many of our current dairy farms had no succession plan in place. Their succession plan was when I get ready to retire, I'm going to close down operations and be done. And so that indicated to us that not only did we need to talk to those farms about how they encouraged family members to maybe come back, but we also maybe started opening the dialogue that how we brought unrelated individuals into those operations. And we have some examples in Nebraska where we have unrelated individuals now cooperating either with the dairyman and woman to carry on the operation or expand the operation or pass it--keep it in production. And so I think that's important. And what we've done is we've worked and we will kick off here during Husker Harvest Days on the first of our succession planning seminars that we're doing in cooperation with the university and Nebraska Legal Aid to talk to producers and provide them tools to understand what kind of options might be out there for succession planning. We plan to continue those this fall to be able to address that issue. The other area that was identified was new dairy recruitment. And at that time we had many people when we would go and ask them what was needed, we'd have a pretty even split between we need more cows in order to attract new processors versus we need new processors to attract more cows. And as we've worked this year and had success in attracting dairymen to be interested in coming to Nebraska or expanding to Nebraska, what we found this summer is that we have willing dairymen to locate here in Nebraska; but when they start looking around for a market for the milk they will produce, there isn't one. So while that still needs to be part of...once we get a processor, we're going to need more cows, I really think that brings us to the third point, in that our number one priority needs to be how do we attract a processor. And that has been quite a challenge. We've worked very hard--NDA has worked with the State Dairy Association, UNL Extension, and A-FAN on both the concept of bringing cows and processing. And we have had some good leads that we've felt very confident about that didn't materialize or have fallen through. And so we find ourselves in a position now where we're regrouping again and looking at the processors around the country and trying to identify a new list of people to go out and recruit. In fact just yesterday, we sat down together with all those groups I just mentioned, and a couple communities and some public power districts to talk about how we work together even better to attend a couple different shows: one being a food show in Chicago, next week; and another one being a dairy expo in Wisconsin the following week. And so now we're still trying to focus on that and really feel that processing probably needs to be our number one consideration. When we worked with processors and talked to them, it's probably a three- to four-year window

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from the time they make the decision to come to Nebraska to when they would be up and operational. And so that means that we can't continue to kick this can down the road. We need to take action and get a processor located now in order to take advantage of the producers that are looking for new homes. And we want that new home to be Nebraska, to be able to be competitive in that discussion. So many of the things that I had highlighted in my comments have already been brought up: the numbers, the dollar amounts for what a cow represents without processing versus what a dairy cow with processing means; and the difference between \$5,000 or say \$7,000, and \$26,000--definitely makes you take notice. The most recent plant we looked at that was thinking about locating in central Nebraska would have been a \$500 million to \$700 million economic investment in central Nebraska. So with that, I would welcome any questions. [LR214]

SENATOR JOHNSON: Questions? Senator Bloomfield. [LR214]

SENATOR BLOOMFIELD: Thank you. Just a quick one, Mr. Director. Nebraska's been blessed to be the lowest unemployment state in the nation. How is that affecting our desire to bring in some of these (inaudible) already had (inaudible) low employment? (Inaudible). [LR214]

GREG IBACH: You know, work force is a concern with economic development right now, because of our low unemployment rate, but we also have some other things in our advantage. You know, we have a highly educated, we have a tradition of work ethic that's known across the country, and so many businesses--especially ag businesses, still feel that if they find the right location that they will find employees. And because these aren't low-paying jobs either, especially in dairy processing--they're very good jobs, and so that hasn't been the major hurdle that's been discussed on the processing side. [LR214]

SENATOR BLOOMFIELD: Thank you. [LR214]

SENATOR JOHNSON: Any other questions? Comments have been made about marketing within our own Nebraska system, having a person out there. A comment: if we had an ag-focused person out marketing for us, is there room for that within the Department of Ag, or

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would that be better maybe through DED or something like that? And you probably don't want any more jobs, but... [LR214]

GREG IBACH: So what...I'll tell you what we have done within the Department of Ag to try to address this being a priority. And you know, it's no secret the Governor, every stop he makes across Nebraska, every town hall meeting, he talks about growing Nebraska. He talks about growing Nebraska through agriculture, and agriculture has to be part of that formula for growing jobs. And so in the Department of Agriculture, we've heard that loud and clear. We have made it one of our top priorities. We've reassigned one of our ag promotion coordinators to kind of at a moment's notice if he needs to, to refocus and put together the numbers that either A-FAN or the State Dairy Association or Department of Economic Development would need. Because you know, with ag processing, a very key part of that is you have to know where the raw materials are located, you have to know where there's abundance of those raw materials, or a shortage. You know, we don't want to put a corn reliant raw material in an area where we might be short on corn or already have a lot of strong demand. We want to try to balance that and put it in a spot that may be more advantageous, not only for our producers, but for the company coming. And so that's part of the analysis that we provide into the mix, and we prioritize having a person. So between livestock-friendly county development and between this service that we're providing to be able to have the statistics available to present to potential candidates, that's about a full-time job for him. And so we've reshuffled his other responsibilities to other people. [LR214]

SENATOR JOHNSON: Any other questions? Seeing none, thank you, Director. [LR214]

GREG IBACH: Thank you. [LR214]

SENATOR JOHNSON: Welcome. [LR214]

DAVE BEHLE: Hi, my name is Dave Behle, D-a-v-e, Behle is B-e-h-l-e. Thank you for having this. I have a deep passion for agriculture and development, and so I appreciate you being here. My background a little bit: I am in the power business, I work for Dawson Public Power. My jobs--my two responsibilities I have are economic development and key accounts. And I will tell you from the key accounts standpoint one of our larger accounts is a dairy that's northwest of

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Kearney. And on the economic development side, it's important for us as a rural public power district that we are recruiting and developing businesses that thrive in our central Nebraska area, and dairy industry is a big part of that. A little more background, I actually am a transplant, and the main reason I'm speaking now is there was a number of questions that were brought up that I have some experience with that I'd like to share. I grew up on a dairy farm in southern Minnesota, so I'm a transplant. I've been in Nebraska since 2002. Prior to coming here, I was doing some of the same type of things in South Dakota, so I understand what their history was before they started getting into this. So I wanted to address some of these things, based on some of the questions you had. Going back to why Dawson Power is involved with economic development, we do it because marketing electricity in a public power state, it's not very sexy. But it's important for our businesses to thrive. If our businesses thrive, we sell more electricity, we thrive, we do better, our customers do better. And it all builds off each other. So part of that is we realize in a lot of our communities that we serve in rural areas, we're not going to be recruiting a lot of technology companies or anything else that will be coming to our area. And our area is from east of Kearney to west of North Platte, and we serve about 140 miles along the I-80 corridor, going both directions. We realize that a big foundation of our growth is ag based. It may not be all farming communities, it's a lot of other things. I look at the village of Eustis and the food processing that they have there, all done by entrepreneurs, it's part of the reason that they're thriving down there. So we really look for all those opportunities. We have a history of being involved with doing ag recruitment and development, and we realize irrigation is our number one customer. But it's important for our irrigators to have markets, not only the ethanol, but also in the feed side. We're very fortunate we have a lot of feedlots that are in our area, but we've seen some growth in the hog industry, and we also recognize that the dairy industry is very important. When it comes to recruitment of dairies, I have some experience dating back to the days...while we don't serve Ravenna, we serve around there. And we've had a history of trying to recruit dairies in that area, prior to Leprino leaving that area. And we've had large dairies from Iowa that were looking to expand there. We've had large dairies from New Mexico that were interested there. A lot of them were interested in the site because of the benefits of having the ability to pull distiller's grain from an ethanol plant that would be neighboring to it, which was very attractive. They had the ability to possibly use some of their methane, either directly on site with electric generation or selling that gas to the ethanol plant so that they could dry some of their distiller's grain and market it that way. There were a lot of synergies there that we were very

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interested in partnering with. One of the problems we have, though, is there needs to be a strong vision at the state level, because we need to have it at that level and working all the way through. There was confusion and debate whether there was need for more dairies in the area, and it appalled me at one meeting where one of the higher-ups at Leprino actually spoke up and said they didn't think they needed it. And there was a dairy farmer that had...from south of Kearney, that was very disappointed, because he knew that his future of selling milk at a local plant was important for them to have that ability to sell it at Ravenna. And they knew that DFA was looking for more milk, because milk was coming from a long distance away. Now I mentioned my history with South Dakota--one of the co-ops that I worked with up there, in between the two state capitals of North Dakota and South Dakota, they were 90 miles from the closest interstate. It's not a great place for economic development. But they had a cheese plant, and they recognized in the late 1990s that that plant was going to probably go. And this town of about 200-some people, that was their only employment pretty much. They found that they needed to do something, and there was a lot of push. And I would say that a lot of South Dakota's history dates back to recognizing that they were ready to lose an industry, not just a cheese plant in a small town. They were looking at losing that whole dairy industry, and so they made that commitment. And they've had strong investment at the university level into dairy processing and developing people into that side, but they also made that investment. And I would say that that vision that the state had 15 years ago, 20 years ago to make a move into the dairy industry has been the reason why they thrive. And it's amazing, I did a little research while we were sitting here, I thought for sure the cheese plant in that town closed. They are still making hard cheese for the pizza industry, and if you go to Little Caesars, part of their ingredients is coming from a small town that's 90 miles from anywhere. And so that's part of the reason there. I also wanted to address questions with low unemployment. Now you brought up we've got low unemployment. That is one of the big problems we have when it comes to recruiting. Every time we have somebody come in, they're always asking how are we going to find employees? This same issue is the same thing that they're having in South Dakota, and South Dakota is thriving. You'll notice that our employment levels the last 10 years we're neck and neck with South Dakota. It's no different up there than it is here. If you look at the dairy industry, what they've done there is they've been very innovative. The areas that are not near larger towns, where they're able to draw a pool of employees, they are using robotics, they're using other technologies. It would be great to have those employees, but they recognize it's costing them more money to have robotics, but

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it's the cost of doing business. And they're still seeing value there, and they're moving forward with it. I think we'll see more of those type of things happening. The other side of it, I'll say, is in Nebraska--and I grew up with this culture in my family, my family said there's no future in dairy farming where you're at. You need to go out and find another career, and so I did. We've had been very good at that with our families of telling people look for greener pastures. Well, there are a lot of opportunities for our kids in the state. And I'm excited one of my kids is a junior at UNL studying agribusiness with entrepreneurship. He is recognizing and is learning the culture at our state level here that they can create their own opportunities. They can do business, they can be innovative, and they can be successful here. And so we are already doing some things there, but we do need to have a vision at the state level, all the way down, with everybody partnering together and working. One other question I wanted to get to, I've heard a couple of you bring up, if we made some investment, is it better at the Department of Agriculture or the Department of Economic Development? I've been asking this question to not only our dairy people, but to economic development people like myself, and others, because it's a very important question. I felt bad for Greg having to answer that question, because he has to defend his own turf in a way, but he also has a priority of keeping that out there. From my perspective, you need to have one of those departments be a lead on it. And I'm in the minority of the people that view that, with people that have asked that question. But when it comes to recruitment, I like to have a contact with somebody at the state level that I'm comfortable with and I know I can count on. I've had tremendous success with both departments, but I will say when it comes to agriculture, I like to have that background. We've talked before that it's important to have somebody that understands what a black and white cow is versus an Angus that my son raises. There's a lot of big differences there, and a lot of people don't understand some of those differences. I really...my perspective, I would like to see one department be the lead, and have the other one work with them. Now that creates some vision and support from the Governor's level on down, to have their departments working together. And I'm not going to get into that, that's the Governor's business to handle that, but it's very important to have that leadership there. I will tell you that when it comes to dairy recruitment, I've had more success...and it's not just dairy recruitment, it's other recruitment for agriculture. The Department of Ag has been very responsive. I've really enjoyed my contacts with them. They're prompt, they give good input, they give us good direction, and they're always there for us when we need something when we're recruiting. I'll open it up to any questions that you may have. [LR214]

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SENATOR JOHNSON: Any questions? Seeing none, thank you. [LR214]

DAVE BEHLE: Thank you. [LR214]

PETE McClymont: Senator Johnson, members of the Ag Committee, Senator Gloor, for the record, my name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I'm the executive vice president for Nebraska Cattlemen. I'm simply here just to support all the great comments that have been made. Obviously the biggest growth potential in agriculture in the state is the dairy industry, and it benefits all agriculture, as well as the state of Nebraska. So any efforts that would include the Department of Ag, DED, Nebraska State Dairy Association, help you move this forward, the Nebraska Cattlemen would be strongly supportive and help in that regard. [LR214]

SENATOR JOHNSON: Okay, any questions? Senator Harr. [LR214]

SENATOR HARR: Thank you, Mr. Chairman. Just a quick question, and since we're starting football tomorrow, the saying is if you have two starting quarterbacks, you don't have a quarterback. Which would you recommend, DED or Department of Ag to be in charge (inaudible)? [LR214]

PETE McClymont: Well, if you...to go to the highest source possible, I'd say the Governor. I mean, if you have him pushing, then it will give the support to DED and the Department of Ag to get it done. [LR214]

SENATOR HARR: And I mean, that would be the contact person day in day out. And so, you know, who should we be recommending to be that contact? Who should have the contact person that really goes out and gets the businesses? [LR214]

PETE McClymont: I would support the Department of Ag, because they know the need, they know the industry, they know the people, they know where we can get sites to get things in conjunction with the industry. So if you were to ask me one, that would be my answer. [LR214]

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SENATOR HARR: And I appreciate that, because I truly respect your background. So thank you very much. [LR214]

PETE McCLYMONT: Thanks. [LR214]

SENATOR JOHNSON: Thank you. Any other questions? Seeing none, thank you. [LR214]

PETE McCLYMONT: Thank you. [LR214]

SENATOR JOHNSON: Any other testifiers? Thank you. I'll just make a closing comment. You know, we've got the report, here's a copy of the report. We know that the dairy industry and the Department of Ag is looking at it, and I think this helps the Legislature and helps us in the Ag Committee to review it--that's the purpose of this hearing. Maybe it's more of a forum, because we didn't really debate anything, we just talked about where we need to go. So with that, I appreciate everybody being here. I appreciate the senators for taking time out of their day. We did line it up with the State Fair, maybe that helped a little bit. But again, we will close the hearing--we're two minutes ahead, that's a good deal. Thank you for your time, and again thank you to the city of Grand Island for the use of this facility. Thank you. End of the hearing. [LR214]