

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

HALLORAN: Welcome to the Agriculture Committee. I'm Senator Steve Halloran and I'm from Hastings, Nebraska, and represent the 33rd Legislative District. I serve as Chair of this committee. I ask that you abide by the following procedures to better facilitate today's proceedings. And I got to say this is about five pages shorter than it used to be when we had COVID protocols, so this won't take too long. Please silence or turn off your cell phones. When you come up to testify, please speak clearly into the microphone. Tell us your name, and please spell your first and last name to ensure we get an accurate record. Committee members with us today are few and far between, but they're quality. To my far left, introduce yourself, Tim.

GRAGERT: Senator Tim Gragert, northeast Nebraska, District 40.

BRANDT: Senator Tom Brandt, District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster.

HALLORAN: Senator Brandt is the Vice Chair of the committee. Far right, Senator Groene.

GROENE: Senator Groene. Been here seven years, if they don't know who I am, it's about time they did.

HALLORAN: Well, just so your mother knows who you are, Senator.

GROENE: She used to.

HALLORAN: To my right is committee research analyst, Rick Leonard. And to my far left is committee clerk, Rod Krogh. And we have a couple of pages with us today, Bobby Busk and Jason Wendling. Did I get those right?

_____ : Yep.

HALLORAN: OK. All right. Well, welcome, everybody. This preliminary brief statement here, this is the Brand Committee briefing on the e-inspection, which was-- was required by LB572. This is a public briefing and it's invited testimony only. And so we invite you to come up as-- as-- as we start this briefing and process. And I think we'll probably-- we shall lead off with John Widdowson. Let me make a preliminary statement. This comes from the bill, so give everybody an understanding what it is and for the record. On or before December 1 and we missed that deadline a little bit but 2021, the Brand Committee shall report to the Legislature any actions taken or necessary for

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

implementing electronic inspection authorized by this subsection, including personnel and other resources utilized to support electronic inspection; how the brand committee's information technology capabilities are utilized to support electronic inspection; the listing of approved nonvisual identifiers; the requirements for enrolling cattle identified by approved nonvisual identifiers; current and anticipated utilization of electronic inspection by the livestock industry; and the fees required to cover or recover cost of performing electronic inspections. Welcome, Mr. Widdowson.

JOHN WIDDOWSON: Thank you, Mr. Chairman. My name is John Widdowson, J-o-h-n W-i-d-d-o-w-s-o-n. Thank you, Mr. Chairman and fellow senators, for having the Nebraska Brand Committee here today to update you on the progress of the e-inspection project in LB572. I would just to-- good afternoon, Senator. I would like to just maybe back up just a second and give you a little bit more update on a few other things in LB572 so you just know the progress of that. On September 1 in LB572, we had a 48-hour notice on September 1. That was implemented within the agency. That has been very successful and has been a huge benefit to our staff, and the producers seem to have grasped that 48-hour notice fairly well. Going to October 1, we did implement the fee reduction on inspection from \$1 to 85 cents. So that was implemented on October 1. On November 1, we implemented the waivable citation for all those violations, so that was implemented on November 1. And the committee has just decided and we will have an implementation day of January 1 of 2022 for the new brand research fee of \$50. So that kind of gives you an update of certain items that were in LB572, the timelines of when they were implemented and how that progress is going. Obviously in LB572, we have the ability for e-inspection. And that's the primary reason that we are here today. We also had in LB572 the mileage of converting our surcharge fee to mileage. At this point in time, we're still working on all of the equation for that; and the committee's thought process is to pair that with the inspection process or maybe a little bit before that. So that's where we're at on the mileage to kind of work those things hand in hand. Today we have three committee members with us and we also have our IT coordinator with us. And so we will kind of tag team on-- on some questions and answers for you guys and also a little bit of report. We all have different roles and strengths on the e-inspection. So at this point in time, you've gotten our report. I don't want to go word for word and read it to you. I don't think that's what we're here for. We are in a process. We, as a committee, we decided that it was very, very critical and very important to have producer input. And so

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

the committee instructed me and Danna Schwenk, our IT coordinator, to coordinate and develop a group of producers that would give us some insight. And so we have formulated the e-inspections subcommittee. That's a group of 10 individual producers. They represent themselves and their-- their operations that they're associated with. As of today, we've had two of those subcommittee meetings. And basically what these producers are doing are just giving us their feedback, their understanding of how EIDs and potentially the use of e-inspection could affect their operations or the segment of the industry that they represent. From that perspective, we have people representing the dairies. We have multiple of the 10, multiple that are representing the cow/calf sector, the feedlot sector. We have a veterinarian on-- on that. We have the option markets on there. So our goal as a committee and staff was that this e-inspection is a very major important part of what we're going to have happen to our agency. And we felt like it was very important to have the stakeholders that are going to be involved in this to have a definite hand in developing and telling us what they want from the product and how it should work. I will probably at this point in time pass it, pass on to Danna Schwenk or Duane, whoever wants to come up, and touch base a little bit more on that. If you would have any more questions for me at this time. Danna is probably going to go through the process of the steps a little bit more in depth of where we are. She's more of the expert on the IT side. So are there any questions for me before?

HALLORAN: Any questions at this point? We can always bring you back if you'll sit close to the front after everybody else has had a chance to testify or make a presentation. And then we can ask questions and direct them to whoever most pertinent to answer them. Any-- any questions now, though? Seeing none, thank you.

JOHN WIDDOWSON: Thank you, Chairman.

DUANE GANGWISH: Good afternoon, Senator Halloran, members of the committee. My name is Duane Gangwish, D-u-a-n-e G-a-n-g-w-i-s-h. I live in Lexington, Nebraska, and currently work for Darr Feedlot. I'm also a member of the-- the Brand Committee, recently appointed by Governor Ricketts here in late, in 2021. I have been asked to be the committee member leading the charge on the e-inspection process. As John said, we've had two meetings so far and he's kind of described the makeup of that subcommittee. I'll elaborate just a little bit. The members of the subcommittee bring a pretty diverse personal experience, some of them many decades long, some of them generations. One of our members is a dairy producer. They have seven dairies that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

own Oshkosh Feed Yard. Those seven dairies are located in Wisconsin. They bring two- and three-day-old calves from Wisconsin to Kansas on a health paper. Then they move from Kansas to Nebraska on a health paper. They're developed at the Oshkosh facility, potentially bred there, and then moved back to Wisconsin on a brand inspection in and out. And there's no change of ownership. They just slick-hided cattle and they're all Holsteins, so they tend to look a bit alike. So we consider that as a low hanging fruit. Another member of our committee is a cow/calf rancher from Cherry County, who owns his cattle from ranch to rail. He owns them all the way to harvest and has used EIDs in his management facilities for several decades. And those are kind of the two extremes. But as John alluded, we-- we brought this group together to bring their personal experience of both successes and failures of using these technologies. LB572 specifically addresses nonvisual identifiers. Today, we have a lot of maybe innuendo, maybe a misunderstanding, maybe lack of knowledge that that all surrounds a little electronic EID, and that is not the case. We are trying to craft a methods and procedures that will be effective regardless of the platform of not-- regardless of the type of nonvisual identifiers. There are some that are specifically eliminated in LB572, but there are many today that we don't know. I'm familiar with an organization that is currently working on facial recognition for cattle. We know that that exists in-- in our society and our world today, used on people. But the same principle is the case, and they're wanting to include that in a blockchain format, from birth to harvest. So that is the technology again and on-- we could say it's a visual because it's facial recognition. But in any case, how might the policies, procedures, and methods within the Brand Committee and specifically e-inspection adapt to new such technologies? So the process that we're at at this point is trying to gather information, gather understanding of how these may impact the different segments of our industry both the-- the traditional cow/calf ranch in the Sandhills of Nebraska; yes, feedlots even harvest facilities eventually. The committee has focused our intent with the use of the e-inspection initially to be in nonchange of ownership types of inspections. We want to learn to crawl before we walk and learn to walk before we run. So eventually, it is our intent and our intention beginning to have e-inspection for change of ownership. But prior to that, we want to make sure that we work out the bugs, work out the issues that are part of that process for nonchange of ownership. So that is the-- the makeup, kind of a broad makeup of the committee. It's wide and varied. We are gathering, as I said, information on the successes and failures. I personally have been involved in probably 300,000-plus EID transactions in my career,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

both at Darr Feedlot and prior to that, working for Verified Beef, which was the second largest PVP company in the U.S. So those are having to verify the characteristics of cattle all the way from birth to harvest, and that is all done with, in that case, is done with an EID, possibly the little round ones or a different type of tag. So I've survived several USDA audits in that process, but broad experience with that. That's kind of an update of that makeup of that committee and what our-- our focus and what our intents are. I will tell you that based on the first two meetings that we've had, I fully expect that this process will take 18 months to 2 years before that subcommittee brings back recommendations or ideas to the five Brand Committee members for consideration. So my caution to both producers and to others is be patient. We want to make this be right. We want it to work for everyone, and we've only just begun the process of working on this endeavor. So with that, I'd be happy to answer any questions that you may have.

GRAGERT: I think I have one.

HALLORAN: Senator Gragert.

GRAGERT: Just clarifying for me. Thank you for your testimony. Thank you, Mr. Chairman. The Brand Committee, the primary responsibility of the Brand Committee is ownership, right? I mean, that's your whole mission is who-- that individual owns those cattle that he's about ready to sell.

DUANE GANGWISH: The statutory responsibility for the Brand Committee is to enforce the statute, sir. A part of that is identifying ownership, hot iron brand or a freeze brand, which are prima facie evidence of ownership, much like the title to your car. Once I have that, that is a title to my animal. Also, as part of the responsibilities of the Brand Committee, if I-- if I move those cattle from this location to another location, I still own them. Say I move them to summer-- summer grazing, or if I'm in the Sandhills and I move them to the Platte Valley or somewhere else for cornstalk grazing, that's a nonchange of ownership transaction. So that's a part of the responsibility of the Brand Committee as well.

GRAGERT: So just basically boils down to ownership.

DUANE GANGWISH: Yes.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

GRAGERT: With the EID then, what will the cost be for software? You're not going to go above, get more technical about what you're tracking with this new EID and the computer, are you?

DUANE GANGWISH: I think Ms. Schwenk will be more--

GRAGERT: OK.

DUANE GANGWISH: --versed to answer that specific question. But in general, the technology and the software, etcetera, that is used in the industry today per se, I read every EID that arrives at the feedyard and every EID that leaves the feedyard. And that's-- those technologies and those-- those costs and that software is already present throughout the industry. There may not be on-- on some operations. They may not have that technology or software at this point, but the cost of entry is rather insignificant.

GRAGERT: OK, thank you.

HALLORAN: Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Thank you, Mr. Gangwish, for your testimony. So at the Darr feedyard where you've used the EID for a long time, what percent of the cattle typically will lose that button? They get it snagged on the fence or panel or something like that?

DUANE GANGWISH: It's an excellent question, and it varies. But I'll give you specific examples. Generally, inbound cattle, we-- we feed cattle for-- Darr is a commercial feedlot, so we don't-- I personally own cattle at the feedyard, but the company itself may only own a couple of hundred. So-- but we feed cattle for one particular customer, about 35,000 to 40,000 head per year. As those cattle arrive at our facility, they all have to have an EID prior to arriving. So at some point they've been in the sys-- in a system. And it's in the neighborhood of a half a percent or less that will arrive without, that are torn out or have fallen out or have in some way been removed. So that's--- and on outbound cattle, we've had situations. We had a particular packer call us and tell us that only a third of the EIDs were reading, and it was later discovered that they had a software issue. The tags were present. Industry standards that are the ISO standards for the manufacturers require that they have less than 2 percent failure rate or less than 2 percent fall out.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

BRANDT: So then what's your standard procedure? You've got a pen of 100 cattle and a couple lost their EIDs. Do you just enter those as no EID because they won't have a hot iron or freeze brand on them?

DUANE GANGWISH: They may or may not have a brand on them, depending on our customer and where they come from; and if they come from a western state, they will have a brand on them. If they come from an eastern state, they may or may not, mostly not. In every one of the PVP programs where they are identifying those animals for export, whether it's to Europe, to Asia or some other location, those all require specific characteristics to follow those animals. And the USDA AMS oversees all of that. All of those programs require if you're going to-- if you have a lost EID they require a secondary identifier. So I spoke of the one customer that we feed 35,000 to 40,000 head, those animals all have a secondary identifier and those are identified prior to our arrival. And if they're not prior to our arrival at our location, we record them. So if an EID were to be torn out or lost, we can replace it as long as we have a secondary identifier. So that's the case in a-- in a feeding operation, how we handle that particular situation.

BRANDT: All right. Thank you.

HALLORAN: Mr. Gangwish, when was the last-- what was the date of the last committee or subcommittee meeting that you had?

DUANE GANGWISH: I believe it was December 17-- November 19, December 17 hasn't come yet.

HALLORAN: I don't know about other members of the committee, but-- but I'm guessing they've gotten a lot of emails and phone calls on the question about the-- it being not open to the public and to the press. So I'd like to ask you to address why that was the case. I think if you noticed and I made a special emphasis of it when I opened this meeting that it was a public briefing, open to the public, invited testimony only, but it was open to the public. And clearly the reason we do that here is because everything we do here is very dependent upon trust of the public, right? And transparency builds that trust. And whether or not there's anything going on that-- that's underhanded or not doesn't matter. The perception becomes reality sometimes, right? And so it's to me, it's so important that everything is done to the public, press invited. And just-- and I mentioned this to Mr. Sawyer previously that, you know, when you have the press there, I invite the press. The press is at every committee hearing that we have

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

here. And when we go into Executive Session, granted, the public's not allowed in there because we're talking about the bills and talking about forwarding those to the floor. But the press is always there. And what we tell-- direct the press, we give them some direction on that. We ask them not to quote anyone of the committee members. If they want to quote them, they need to ask them personally if they can quote them. But that being said, I wish you would address why it was chosen not to have this open to the public.

DUANE GANGWISH: Thank you, Senator Halloran, for the question, and I'll-- I will address it very directly. 84-1409(1)(b) specifically allows subcommittees, working groups, or smaller groups of a state agency to have discussions to gather information. And it was chosen to do the-- this subcommittee, specifically in an environment where there was a freedom to share information, successes and failures. Not everybody wants to confess their failures openly and widely to the public. There's also been some privileged business conf-- business information that has been shared within the organ-- within the subcommittees that it was felt that it was better to allow that kind of conversation open and wide without it being publicly printed, publicly shared. When I say privileged business information, I mean the number of head of cattle on feed, the number of who the customers were, what their particular business transaction types, methods, locations were and how those excesses and failures of using EIDs might impact their business or impact their customers' business. That is the why and the-- the committee, the subcommittee is made up of a very broad spectrum of stakeholders within the industry. And so therefore trying to-- there's nothing to hide. The intent of having a wide group of people is bring broad information, broad perspective. And as I said a few moments ago, we fully expect this to be a one- to two-year process to try and bring this back to the full committee for consideration. So the intent of the subcommittee is, I'm being redundant, but gather information, gather ideas, discuss successes and failures before it would ever bring a recommendation or a suggestion back to the official Brand Committee for initial consideration.

HALLORAN: Senator Groene.

GROENE: I'm still trying to grasp how this e-inspection has anything to do with the Brand Committee's mission. It seems like it's an inventory control between the buyer and the seller and the consumer who wants e-inspection. So I'm looking at being a brand Inspector. A thousand head show up at the packing plant for ship. You said 2 percent failure, so 20 of them don't have a-- should the brand

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

inspector think those were stolen because there's no identification? The-- the tag or whatever is gone. How does this prove ownership when you have a failure rate of a little tag that can be removed by anybody? I could go into your lot and take one, load it up, take it home, clip the tag off. So how does this help the main mission of the brand?

DUANE GANGWISH: I think the best way to answer your question for myself, there may be others behind me that would answer that possibly differently, the Brand Committee today is also required to identify slick cattle. The brand inspect slick cattle. For the benefit of the committee, slick cattle is those that carry no brand. They are-- there's no, no permanent physical [INAUDIBLE]

GROENE: I understand that. Mine are not branded

DUANE GANGWISH: Correct.

GROENE: So if you got a tag in the ear and that tag disappears, they're a slick cow.

DUANE GANGWISH: Yes, sir.

GROENE: But you tell the packing plant these were all owned by you and they all had or you-- or your customer and had a tag in it. So 2 percent of them don't have the tag, so therefore, how are they-- how are you to prove that those are yours because your identification isn't there? You don't have a-- you don't have a brand.

DUANE GANGWISH: Correct. As-- as I mentioned earlier, what our intentions are to begin with the nonchange of ownership and prove up on that first. It-- it's entire-- I agree with you that a tag can be removed. If it's an 840 tag, if the first three numbers of that tag are 840, that is a USDA tag and it says right on it, unlawful to remove. That's a federal offense.

GROENE: Unlawful to steal a steer, period.

DUANE GANGWISH: Well, it's--

GROENE: [INAUDIBLE] removing the tag.

DUANE GANGWISH: I believe it's unlawful to steal anything. However, that still happens. Your specific example is cattle going to a packing plant.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

GROENE: From your lot for a certain customer.

DUANE GANGWISH: From our lot, yes.

GROENE: I'm assuming what you like this-- about this is it's inventory control. You can just-- cattle can mingle; two lots could get together. You can separate them easily with their electronic scan, which one is, belongs to who.

DUANE GANGWISH: That is precisely true, and I do that every single day, Senator. Specifically, yesterday we had one heifer come in with a group of 800 steers. We saw that it was a heifer. We put it into another group. The paper trail didn't-- internally, the paper trail didn't follow that one animal. We scanned those animals. I saw that that was from one animal in that pen, from a particular ranch, and all of its cohorts were in another pen. So to your point, can it be used as an inventory mechanism? Yes. At Darr Feedlot, we use it as an animal-- as an inventory tool. We also used it as an animal health tool. I can tell you which animal has been received, which medication, when it was sick, what day it was sick, did it recover, did it die.

GROENE: How did you-- how did you do that? You, you update that tag all the time, the information on it?

DUANE GANGWISH: We attach information to that EID internally in our software in our business.

GROENE: So all you're scanning is the EID and then it relates back to the [INAUDIBLE]

DUANE GANGWISH: But there are two other identifiers that we also use in case that one is missing. We can identify that animal specific to harvest facility. We have to ensure that there-- there are no drug residue withdrawals. Antibiotics of different kinds have a different withdrawal period, and we have to prove that every time that we ship.

GROENE: So in the future, could a rancher have this EID and he could just run a drone and check his inventory and can the EID be scanned remotely?

DUANE GANGWISH: Depending on the type of technology. The-- the low frequency tags have a read distance of 18 to 24 inches. We have alleys that are just wide enough for cattle, and we put two antennas, one on each side and so that we're assured they're reading properly. I could not read one of those types of tags at a distance of three feet. So to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

answer your question directly about a drone, no. If the technology being used was high frequency, that read distance is approximately 20 to 30 meters. And I do use that type of technology at our facility for our-- in our harvest situation. I put a UHF tag in a silage truck or a high-moisture truck. When it comes across the scale, I can read that tag. It's just a number, but it's associated with a producer and a commodity and a price and etcetera. So if the technology was high frequency, could it be read with a drone? I would have to say yes. But again, the distance of 20 to 30 meters. So at that point, you're going to create a significant amount of excitement [INAUDIBLE]

GROENE: [INAUDIBLE] question. When was the last time the Brand Commit-- the brand office recovered stolen beef from your pack, from your yard or helped you identify loss?

DUANE GANGWISH: I have only worked there about-- it'll be four years in April. Never.

GROENE: You never turned one in that you had something?

DUANE GANGWISH: We had one lost and they did recover it.

GROENE: Who did?

DUANE GANGWISH: They were Brand Committee. The brand office notified us. We unloaded some cattle late at night. The gate got left open. About 20 or so black cattle made it, meandered by the night watchman. We fetched some of them out of the irrigation canal, some out of some cornfields, but we couldn't find one. And about two and a half months later, somebody brought a steer in that was not branded, brought a steer into the Lexington sale barn. The brand inspector started calling, making phone calls. They were able to read the EID, and that EID tag matched our tag manifest, and so they returned the animal to us.

GROENE: There's one example where the EID card came into effect.

DUANE GANGWISH: Yes.

GROENE: Thank you.

DUANE GANGWISH: It wasn't-- your question was stolen. I apologize. I was parsing words.

GROENE: It got lost.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DUANE GANGWISH: It went on a walkabout.

HALLORAN: Senator Brewer.

BREWER: Thank you, Mr. Chairman. All right. Here's the dilemma that we're in. From the time that most of us came into this body, there's been a push to just collapse and do away with the Brand Committee. So when you guys have and I understand that you claim that there's nothing to hide and that can be perfectly true. But what we live with is perception. And I don't think you could have done anything to cause more of an uproar amongst those who are absolutely convinced that those sitting on the brand commission right now have one purpose in life: to do away with that iron brand and to come up with these E-tags that are going to be the miracle to all the future for cattle. And that's exactly what they think happened in this meeting. Now I'm-- I'm pretty sure that's not what happened in that meeting. But unfortunately, perception is reality and that's the reality we're dealing with. So as much as you'd like to keep quiet, whatever you want to talk about or prevent someone from having to speak openly about things that they don't feel comfortable with, you have more of these secret meetings, and I guarantee we're going to answering more questions here about why you want to do that when we get beat up here every time we try and do anything that's perceived to be not transparent. And-- and so just, you know, understand that that makes it hard to answer because at the point and maybe this is the question I need ask you, is the end state for all the research and all the work that's being done on EID to change from the hot iron or freeze brand being the way to recognize ownership of cattle?

DUANE GANGWISH: No.

BREWER: OK, that's good. That-- that helps us to hold at bay those who think that indirectly that is the end goal of all this. But you know, that's-- that's the mail that we have to answer that. You know, it's awkward because you don't have an answer on why the meeting had to be, you know, not only not open to the public, but to the press also. So I guess that's-- that's what I just want to share with you is that it puts us in a position where we don't have answers. Thank you, Chairman.

DUANE GANGWISH: And I would to-- you didn't ask me a question if I could elaborate. It was me who asked the press to leave.

BREWER: OK.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DUANE GANGWISH: It was me. It was not some other person. It was me. I was familiar with the statute. I was familiar with the case law that is supporting the statute. And I was also familiar with the task at hand assigned by this LB572 to develop these processes. To your point about being secret, we had a open meeting December 1 that was public notice that was available for anyone and everyone. We had a-- an agenda item specific to public comment on the e-inspection subcommittee. We opened the meeting to that session of the portion of the agenda and it was silence. There was not one voice that was raised. There was not one question. The next day, Mr. Widdowson and Mr. Sawyer were invited to the Nebraska Cattlemen's Convention, to the Brand and Property Rights Committee to give an update. They gave an update about the e-inspection, about the other items required and enabled by LB572, and it was opened up to questions. There was not a single question or comment about e-inspection. So to those of you who have the opportunity to receive fan mail and phone calls, I would return to them and say this is going to be a long process. There are no secrets. There are no issues to be held in secret. It is a matter of finding ways to use technology to assist the Brand Committee in enforcing the statutes of the state. Just as with hot iron or freeze brands, which are voluntary, so will be e-inspections voluntary. So they are welcome to use them. They're welcome to not use them. I personally own a brand. I do brand my cattle. They are in the brand inspection area. I could choose not to. That is my privilege. So I would encourage each of you as you receive those questions and those concerns to state the facts that there are no secrets and no one other than a couple of individuals have raised their hand in concern.

BREWER: Just as a follow up to that then, do you anticipate any time in the future having any more meetings that are not open to the public or to the press?

DUANE GANGWISH: I anticipate that there for the remainder of the e-inspection subcommittee, the life of that subcommittee, that they will not be open meetings.

BREWER: They will not be open meetings?

DUANE GANGWISH: Will not be open meetings.

BREWER: All right.

HALLORAN: Senator Groene.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

GROENE: I was at a friend's feedyard the other day and I asked him what the brand inspector, how do they inspect your feedyard? Well, I got to fill out this little form every time when a load comes in and a load goes out, little sheet. Do you know what I'm talking about? You do that?

DUANE GANGWISH: He was incorrect, sir.

GROENE: All right. Explain to me what you do.

DUANE GANGWISH: If he was a-- if he was not a registered feedyard--

GROENE: He's registered.

DUANE GANGWISH: If he, OK, he is a registered feedyard. Upon arrival, those cattle, those animals have to either arrive, if they come from a nonbrand state, they have to arrive on a health paper.

GROENE: Yeah, a health paper.

DUANE GANGWISH: But they do have to be brand inspected in.

GROENE: All right.

DUANE GANGWISH: OK, that is done by a brand inspector during daylight hours with a 48-hour--

GROENE: I understand.

DUANE GANGWISH: --notice, etcetera, etcetera. Because he's a registered feedlot, he is able under the statute to ship cattle to harvest direct to harvest without inspection. And yes, he fills out a form that is quadruplicate. And one-- one copy goes with the cattle to the harvest facility-- two copies go with the to the harvest facility, one is retained on site, and one is submitted to the Brand Committee.

GROENE: He had a whole stack of them. All right?

DUANE GANGWISH: Yeah, I got boxes of them, sir.

GROENE: All right. And the Brand Committee or not the committee but the brand inspection people, they come out and look at those?

DUANE GANGWISH: Quarterly we have a person from the Brand Committee comes to our facility. They-- we have a paper file of many, many

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

filing cabinets. They pull those at random and they look for the proper documentation. And that's-- that's done quarterly.

GROENE: All right. So that's 1890. And now you're looking at 2020 with the E. Are you trying to eliminate that? What's the-- what's the reasoning? I'm talking about the Brand Committee, not about your inventory, about [INAUDIBLE] before you managing your inventory or sales. Are you going to get rid-- is the plan to get rid of those forms? That you-- that the Brand Committee can just rely on that e-verify or whatever you want to call it, "e-cattlefy." Right now, the statute says they have to fill out this form. All right? That's how they keep track of your--

DUANE GANGWISH: I don't believe the statute says that, but that is in the rules and regulations that they have to.

GROENE: All right, rules and regulations.

DUANE GANGWISH: Yes, sir.

GROENE: So we already have a system in place.

DUANE GANGWISH: Yes.

GROENE: Why do we need this e?

DUANE GANGWISH: Those cattle are not brand inspected when they leave our feedyard. That is merely a notification to the Brand Committee that that many animals left on this day and time and this is where they went to. Those animals are then brand inspected at the harvest facility, depending on the state. If we ship cattle to and we do this-- the other night we shipped 39 loads to Creekstone. That's at Arkansas City, Kansas, southwest of Wich-- southeast of Wichita. We fill out the paperwork. Those cattle are all branded. We fill out the paperwork with that many cattle left. But Kansas is not an inspection state. So they were not-- by statute, we are allowed to ship those cattle on our brand permit and we fill out the paperwork and provide that.

GROENE: So this e, what is it? I'm talking about as a legislator and a government entity, the Brand Committee, as far as Senator Gragert said, it's ownership. How does this fit into it? We already have this form of system over here where we fill out the forms and we have the health certificates from out of state and they check it and double-check with-- make sure the packing facility got one of the

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

forms from the-- from the feedlot. Why am I here with this e? We already have a system. Are you saying this system is inferior that we have now and this new one-- we'll use this new electronic to replace that? I'm trying to figure where we're going with this.

DUANE GANGWISH: We are being asked by our clientele, producers in the state of Nebraska, to be able to use this technology and LB572 allows for nonvisual identifiers to be used. Our task at hand as a committee and specific to this subcommittee is to figure out the how, where, why, when, not the why, but how, where, when, and if so, there has to be methods and procedures to effect the use of these technologies. It might be a DNA sample. It might be a retinal scan. It might be a nose print. In cattle, a nose print is like your fingerprint. Or it might be facial recognition. I think there's a lot of concern going on that there's-- that this is going to change everything. Let me say once and for all emphatically, and you will hear Mr. Widdowson say this repeatedly, there is no intent, desire, nefarious or otherwise to do away with hot iron brands or freeze brands. This is merely a voluntary program that could be used. And we need to figure out the how can it be used so that it supports the statutory responsibility [INAUDIBLE].

GROENE: Your feedyard, how would it help your feedyard?

DUANE GANGWISH: It won't.

GROENE: You still plan on filling out those pieces of paper for every load?

DUANE GANGWISH: I'm required to do that by law.

GROENE: And you're doing this for commercial reasons, for business reasons, using the tag, identifying your clients like inventory.

DUANE GANGWISH: Not inventory, sir. We use it for disease tracking, for carcass data, for performance data. [INAUDIBLE]

GROENE: All right. So I'm your customer and I'm bringing in 10,000 head every month to you to feed taking it then to my [INAUDIBLE] You don't use it to help that client keep track of his 10,000 head?

DUANE GANGWISH: In this particular case, that client keeps track of them themselves.

GROENE: How?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DUANE GANGWISH: They have an API into our database, and they can know when we moved an animal to another pen. So that is a very advanced circumstance. They will call me and say, this animal's in a different pen. When did you move that [INAUDIBLE]?

GROENE: And it all started with that tag.

DUANE GANGWISH: It didn't start with that. They developed that system in the last year and a half. These tags have been around for 20 years.

GROENE: But how do they know it moved because you physically entered-- someone on your staff physically entered we moved this cow over here?

DUANE GANGWISH: Not a cow, sir. It was--

GROENE: Steer.

DUANE GANGWISH: --or heifer. We use them in a business sense different than what the e-inspection program is being designed to, not designed, is being evaluated to use. We're trying to be able to say if Senator Gragert wanted to move his calves from his place to summer grazing, today that would have to be done with a physical inspection. If the e-inspection program is brought into fruition, Senator Gragert enrolled his cattle. At this point, we don't even know the procedures and process to do that. But once we identify how to do that, Senator Gragert could provide a tag manifest, saying his cattle are going over here for summer grazing, and it would not require a physical inspection and they're going to move back. OK? But we have these animals identified. In the dairy industry, they put an EID tag in that at birth, and they know it's genetics. They know its-- its mother's milk production, its grand-dam's milk production. Everything is tracked by that number. There's not data on the tag. It's just tracked by that number. We're merely trying to devise a system, voluntary system, that could be used within the statutory authority of the Brand Committee to do electronic movement inspections rather than physical inspections. Inventory, no. Today the Brand Committee does not keep track of any kind of inventory. They know that they inspected 50 head for Senator Cavanaugh, but they don't know how many cows he has. You wouldn't have to be too bright with math, but.

GROENE: But you use it as a free market for your inventory.

DUANE GANGWISH: In-- in our business at Darr Feedlot, we use it for a multitude of reasons.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

GROENE: Part of it is you can keep track of the inventory and what, how many shots it's had, where it's been.

DUANE GANGWISH: We-- we don't depend on the EIDs for inventory. We depend on people to account.

GROENE: I'm not considering that the Brand Committee is going to use it for inventory. You use it for commercial reasons. And what you said earlier made a little bit of sense. Now you already are using it--

DUANE GANGWISH: Yes.

GROENE: --for commercial reasons. And maybe it could help--

DUANE GANGWISH: Yes.

GROENE: --the Brand Committee use it to-- to identify ownership.

DUANE GANGWISH: It could.

GROENE: That's the only reason the Brand Committee exists as Senator Gragert started to question you. All right. Thank you.

DUANE GANGWISH: Yes, sir.

HALLORAN: Thank you, Senator Groene. Senator Gragert.

GRAGERT: Thank you. Just one real quick question. As far as the brand and Brand Committee, what kind of cattle theft have you had in the last five years with the-- did you tell me that you could go just steady or just only EID?

DUANE GANGWISH: Yeah.

GRAGERT: And what-- I'd like to follow if you-- if you know, what kind of-- has there been a tremendous amount of theft or what level of theft?

DUANE GANGWISH: Senator, we have six-foot welded steel fences around our feedyard. To my knowledge in the last four years, we've not had any cattle stolen. We've had some cattle get out. One killed on the road by a vehicle. Cattle go on a walk-about within the feedyard, but we have not had any stolen at Darr Feedlot as a company. That's not the case out in the open wild and wooly places of Nebraska. There are nefarious people that the most common number of cattle stolen are

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

those that will fit on a trailer. It's generally not the [INAUDIBLE] in terms of theft, sir.

GRAGERT: Thank you.

HALLORAN: OK, thank you, Senator Gragert. Any other questions? Oh, with that, I would-- I would have to say I would-- I would encourage you, your answer to Senator Brewer's question about further questions of this subcommittee meeting not open to the public? I would thoroughly encourage you to think otherwise on that. Even though you're within the scope of the law, probably, very likely on the open meetings law, doesn't matter. It doesn't matter. You've got to build what you're building on trust. You got trust. You don't have trust. You don't have trust, you have nothing. So I would encourage you to have open meetings. There's nothing that proprietary. I'm sorry if it's that important that people don't talk about who they do business with, then they shouldn't talk about it. That's fine. That's their business not to say that publicly. But people need to know what your plans are, what the input is to that subcommittee, and how that's going to direct to the Brand Committee on what to do. Let's take that another step. Let's just say when your subcommittee is done aggregating all the information that you're gathering to report back to your committee, I assume, and they assume that you're going to be open and transparent about everything you heard.

DUANE GANGWISH: Absolutely.

HALLORAN: So-- so if the same kind of-- the same kind of respect needs to be given to the public with the subcommittee. That's just my encouragement. You can choose to do what you want to do. But I'm going to suggest that if there's more closed meetings, there may be a senator that may wish to sponsor legislation to do away with this program completely just because I've heard wind of that. I'm not going to offer that. I'm not going to sponsor that, but I think there may be someone that would do that. And that's not a threat, but it's just it is what it is. But I appreciate your testimony and your feedback. You got experience and that's what we wanted to hear from you.

DUANE GANGWISH: Thank you, Senator.

HALLORAN: Thank you. OK, who's next?

JOHN WIDDOWSON: Chairman, if I could just maybe follow up on a question--

HALLORAN: Sure.

JOHN WIDDOWSON: --that was asked from Senator Groene to Mr. Gangwish. At the end of day, it's not our responsibility to provide evidence of ownership for cattle. That is the producer. So if 10,000 head was taken to a packing house and in his example, 2 percent lost the ear tags, there would be 20 head that didn't have their evidence of ownership. The brand inspectors would hold those 20 head and wait until that producer provided evidence of ownership to release those cattle. And that's the same scenario that we deal with today with hot irons. So you have 10,000 head and you say, these are all my cattle, these are all-- they should all have this brand on their left hip. And if there's 20 head that don't have that brand on their left hip, those 20 cattle are going to be saying-- are going to be sitting here with a hold until the brand inspector is pacified that he has the current and the proper evidence of ownership. So the standard of whether it's an e-inspection, a physical inspection, whether using hot iron, freeze brand, EID, the standards of evidence of ownership are still going to be the same. And one thing that I would like to reiterate before Danny gets up and goes through a little bit of a process with where we're at, everything that we are working on in this e-inspection starts with our investigative team making sure that our processes, our regulations, and how this will be handled will stand up in a court of law. At the end of the day, that's the judge and jury, no pun intended. So we have to build regulations, policies, standards, procedures that if something goes wrong and that EID is the use of evidence of ownership that our investigators will be able to take Senator Gragert's cattle to a court of law and prove that his cows were stolen to get your-- your funds back. And so there's a lot of things that are in this subcommittee. When we talk about this is what we need to do. This is what we need to do. This is how this will work. And our investigators say that ain't going to work, that ain't going to hold up. The judge will throw that out. That's not good-- good evidence. And so I just want you to know that is the backstop, that we will have to have enough evidence trail, good enough evidence to hold up just like a hot iron or freeze brand. There is no intent, no desire of anybody on staff of the Nebraska Brand Committee or the committee to eliminate, to remove, to not provide the service of hot iron and freeze branding. We encourage it. Forty to 50 percent of our cattle that we inspect have no brand on them. That makes our job that much tougher when we go try to stand up for you and say your cattle were stolen, they were lost. These are your cattle. We have nothing to go off on those cattle. We promote the use of hot iron and freeze brands,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

but it's voluntary. That's not our role. That's not our job to tell producers what to use and not use, just like EID. EIDs and the inspection will only work for certain situations and in the RFL situation where those cattle have to be inspected into an RFL, that way they don't have to be inspected going out. OK? We've just moved the inspection to the front versus the back end. But if those cattle been inspected into an RFL, let's just use the Darr example, and they want to let those cattle out into a wheat pasture or cornfield that is 200 yards from their feedyard, they've now broke the regulation or the rules of the RFL permit. Those cattle have to be inspected back into their feedyard. In that situation where those cattle already have EIDs, they've already been enrolled into the-- into the Nebraska Brand Committee's database, they can give us a manifest saying these 200 head that we turned out October 1, we want to bring those 200 head back in December 1. That saves a physical inspection, somebody going out there, man, labor, all those things. But that criteria, the processes, and all those things, we are going to be comfortable and confident that it holds the same standard of a physical inspection. So I just want to clear up that question.

HALLORAN: I appreciate that. Senator Gragert.

GRAGERT: Thank you, Chairman Halloran. Thank you. But-- so those 20 head, let's stay with that scenario, those 20 head, they have no-- they have no brand on them and the ear tags are gone. How is the producer going to come in and say, yeah, those are mine. How would he ever prove that to your satisfaction or who-- who's ever out there satisfaction that, yeah, those 20 head are his? I mean, how do you do that?

JOHN WIDDOWSON: Great question. It would be the same practices that we do when they come in with no brand or no EIDs. You have to have other forms of evidence of ownership, whether it's a bill of sale, health certificate, all the other things, a shipping affidavit. Those are the other forms of evidence of ownership that you are going to have to prove that you-- that you own those cattle. It's the responsibility of that producer to prove to us to a level of comfort that you own those cattle.

HALLORAN: But I think to Senator Gragert's point, those cattle don't have a bill of sale on them when they're out wandering around. Right? So how do you-- how do you connect that to the owner when the owner says that's-- that's my-- that's my steer?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

JOHN WIDDOWSON: Yup. And that's-- that's where our staff is trained. That's where there are you bought these from the seller. And the buyer, you have in your possession a bill of sale that you've boughten 200 head of steers.

GRAGERT: You could have bought 5,000 head and you're only got a thousand here.

JOHN WIDDOWSON: That is correct.

GRAGERT: That are they-- are they within the, you know, the group that you bought on that bill of sale? Are those the same cattle?

JOHN WIDDOWSON: That's why we encourage hot iron and freeze branding.

GRAGERT: Yeah, OK.

JOHN WIDDOWSON: And that's why we would encourage people that don't use hot iron or freeze branding for whatever reason, we're giving them another option of using EIDs.

GRAGERT: OK. Thanks.

HALLORAN: I've been so encouraged by the hot brand effort, I've had Mr. Leonard look into a hot brand for the Ag Committee. And Rocking A is taken already. So we've got a-- we've got to work on something else on that.

JOHN WIDDOWSON: I actually know somebody that might be able to help you with that.

HALLORAN: OK.

JOHN WIDDOWSON: So if you need any more assistance, let me know.

HALLORAN: All right. Well, let's-- let's-- let's-- I appreciate that. Let's move on to Danna Schwenk. Good afternoon.

DANNA SCHWENK: Hi, how are you guys?

HALLORAN: Good.

DANNA SCHWENK: Danna Schwenk, D-a-n-n-a S-c-h-w-e-n-k. I am the IT coordinator and project manager for the Nebraska Brand Committee. I thought I was just going to be answering questions at John and Duane's side. I didn't realize I had to actually speak, so I apologize. I

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

don't really have anything super prepared. I want to just reiterate what John just touched on that almost 50 percent of the livestock that our brand inspectors have to inspect are slick-hided cattle. And we have a lot of producers, while they believe in brand, they just don't utilize them because of the type of cattle that they own, dairy cattle, for instance. So we do believe, as Duane said, that there is some low-hanging fruit with this operation and those are the producers that we have had repeated problems with over the years with our inspection time, the dairy cattle coming in from Wisconsin, and they're never changing ownership. They just are tagged in Wisconsin. They come in, they grow up in Colorado or in Nebraska, and then they go back to Wisconsin. However, one truckload constitutes 40 inspections. So we end up with 40 cows going back home, 40 different owners, which requires 40 different inspections, which requires one inspector an entire day to look at 40 cattle that have no brand on them. And the producers are struggling with this. So what we envisioned is a program that allows us to utilize an-- an evidence of ownership technique such as an EID tag or a biometric or something else that has proven to these folks they know more about this animal and their ownership than what a brand inspection could ever provide. So we're looking for ways to actually streamline and simplify the inspection process for a lot of our producers that choose to not use a hot iron brand, but do believe that evidence of ownership is still a very important factor. And we do believe that EIDs or nonvisual identifiers could actually help alleviate some of our problems with those producers as well. In looking at this whole process, what we have to do first is figure out what works for all of our producers in the state. We know that there's other states. There's only one other state in the U.S. right now that's using e-inspections and that's Washington State, and it has not worked exceptionally well. So we want to do it right. And by doing that, we felt like we needed to bring together this subcommittee, get all of their input on how they would like to utilize what would be benefits for them. And then I'm going to build a program based around what their needs are. All right. So that's how this whole thing started. Where we're at right now in the approach is that there is the idea that we are going to enroll these cattle to start with. So an inspection would have to be performed. There's four different methodologies of how an enrollment could happen, and this is-- this is all based around feedback from the first two meetings with our advisory group or the subcommittee group that we would actually have an inspection enrollment where cattle that are new to the state, nobody knows anything about them, we'd go out, put our eyes on them. We would then enroll them tied into the EID number that

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

they'd have with them. Then there would be a breeder enrollment. So they register cattle with an EID number, with a tattoo number, with a secondary visual identifier, with a certified national registry that they own that animal that they put in there. That is more evidence of ownership than we could ever do, just looking at a slick-hided animal. OK? Then we might have a documented enrollment where they came through a sale barn and we had brand inspectors put eyes on them. They were literally inspected there and they were given a clearance document. And from that, we would be able to enroll them based off of that evidence of ownership at that point in time. And so we've got a fourth one, can't think of it off the top of my head. But anyways, this is what the group is doing is helping us form like what would be the foundation for getting the cattle into the program. It's not just a willy-nilly anybody with an animal can suddenly just put in an EID tag and then make a movement on-- on the system. We really are very diligent about our investigators saying I would feel comfortable that I could prove ownership with how this is transpiring. And then once those animals actually have the EID tag in, they're now included in the program. They're in our initial database. And then when they log on to our client portal and they generate their own inspection, they would include the ID numbers of the animals that were included in that transaction. Once that transaction audits against the animal database, we have very minimal data that's being stored in the animal database that would include simply their ID number, dates, and locations and an ownership producer number, if you will, not a name, but just a number that's tied through our inspection system. So when it goes out and does an audit, it would look to say, all right, their saying we want to move cattle from location A to location B with producer one. And it's still going to be producer one on this time and date. And it would go out, look at that number and say, yes, those cattle do reside at location A so that matches and the ownership is producer one so that matches so flag good. You can move these cattle. Right? So it's going to always be looking at the movement records of how that individual ID number actually is transacted. If there is a break in that chain and we have a location that does not match on that trail, that animal is flagged and it now has to be inspected. We have to send somebody out because it does not meet the parameters of what we're so far into on the e-inspection system. So this is going to work really great for folks that are not changing ownership. It's also going to work well for folks that have, say, a bull sale. We have an inspector come out, he inspects all hundred head that they're selling at their bull sale. And now that producer needs to make their own inspection documents 5, 10, 30 days down the road. But we had inspected those

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

bulls and confirmed them against their EID number. And now that producer is going to log in, be able to generate their own inspection document, have it actually watermarked with the printing that would come about and they can print it out and give it to their producer without having the brand inspector go out one more time, 30 days later to look at the same animal they looked at 30 days ago. We have so many scenarios where this is going to work exceptionally well, and will save not only our brand agency a lot of field time and man time, but it's redundant in a lot of regards. And that makes the producers a little bit concerned about why they're having to pay all these redundancy fees just because of a time constraint. So from that point of us enrolling the cattle, we will then have the producer use the client portal, which is part of our NBC admin inspection program. That's the parent program that we built four years ago and has been working quite well. They will start off by creating their own user login. That is actually validated against driver's licenses because it's Nebraska Interactive that's actually running the program. They have that tie-in with our program at the DMV, so their producer number with their DMV driver's license guarantees that we're talking about the right person is actually logging into that account. From there, then they can start generating their own inspection. So what we do on our iPads right now out in the field is going to be almost identical online about what they're going to be able to do on our system. They put in all the same information and they upload the ID list of animals that are included in this transaction. It will do an audit against the enrolled headcount. It comes back green light and then automatically they can print that inspection document and they're good to go. So it's going to save boots on the ground, essentially. It's going to save the producers a lot of time. They'll be able to do it on their schedule. And then we're going to end up hopefully being able to eliminate the surcharge or at that point in time, potentially the mileage charge of what they would get charged. And we're really optimistic we're going to be able to make this a lower cost inspection than what a physical inspection would truly be. That's been the-- the ongoing goal. I can't tell you what that dollar value is at this point in time, because until we've actually developed it, until I've got specs that I know how much it's going to cost to do, what it's going to cost to write a piece of data to the blockchain, what any of our ongoing costs are, I cannot give you that dollar value; won't be able to do that for a little while. So I just beg your guys's leniency on knowing what those numbers are at this point. From there, they print it out. We've got that data residing in the animal system. So the next time they actually say it's time to move the animals back home, they

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

generate another e-inspection. They're allowed to read those animal numbers, upload them again, create that from B to now C, everything checks out. They can run their document and everything's good. OK, so that's essentially how the process is going to work. And it's really quite simple in that regard. As I talk about it like that, it makes a lot of sense. But there are other scenarios where it's not going to be as simple. We are focused on the low-hanging fruit, the simple transactions that are going to save the majority of people that are already utilizing EIDs that ability to make those cost-saving moments, as well as our time-saving moments. So is there any questions at this point?

HALLORAN: Go ahead, Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Thank you, Ms. Schwenk, for testifying today. So going back to your example, you have 40 Holstein heifers originated in Wisconsin, get developed in Colorado, end up in a-- in a grow yard in Nebraska and eventually go back with 40 different owners. All the owners originally from outside the brand area in the state of Nebraska. And you said it would take all day for your inspector to inspect these. And once you see one Holstein, they all look alike, right? So I would assume they've got just an ear tag, a unique identifier is really the only information that your brand inspector can use at that point. Would that be a correct statement?

DANNA SCHWENK: They have a visual tag as well as a secondary identifier. So when an animal is actually EIDed, we will require secondary identification on them. And even at Duane's operation, I believe they all have visual tags. So when they lose that EID, when we get that 1.5, 2 percent that lose an EID, right now, we have the ability on all of those process verification programs that are being utilizing the EIDs right now, that's how they know how to replace an EID on the appropriate individual is that there's always a secondary means.

BRANDT: And that would be true unless these were slick cattle. So if these were 40 slicks from 40 different owners--

DANNA SCHWENK: No tag whatsoever.

BRANDT: --and they have tags, they've got a visual tag, they do not have an EID tag.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DANNA SCHWENK: That's what we use for evidence of ownership now on slick cattle.

BRANDT: Right. So I mean, that would take an inspector all day to go through 40 ear tags in--

DANNA SCHWENK: And making the inspections and getting the payments and doing all that. We will have an inspector that will spend hours out at a yard. And by the time he drives out there and he drives back and he spends his time doing it, we usually have a six-hour inspection.

BRANDT: But if I'm an owner from Wisconsin or, you know, we don't have brands-- if I'm in eastern Nebraska, we don't have brand inspections. So what do you-- I guess have you talked to producers outside of the brand area on their input or opinions on this? I realize we're dealing inside the brand area.

DANNA SCHWENK: Not yet.

BRANDT: OK.

DANNA SCHWENK: Not yet. So what the objective was is we were trying to bring together folks that are users or want to be users of this type of technology to try and figure out what our process would be, how we would-- would build the answers to answer these type of questions and then bring in, go to listening sessions, have different groups and areas where we could go back and then say we now can answer your questions. And when you come up with a question that we can't answer, then we take it back to the subcommittee and we work through that scenario on how will we solve for this? John likes to always talk about the 90-10 rule. I call it the 80-20, but John's a little more stricter than I am, that we have to solve for the 90 percent of the scenarios first. You cannot ever solve for 100 percent of the scenarios because you never know what you don't know is going to get you. So as long as we can solve for 90 percent of the scenarios that are going to be asked of us, then we feel we're in a very comfortable place to then take it out and say, hit us with your best shot. Tell us what we haven't thought through. Tell us what we need to still solve for at that point in time. But in order for us to get there, we've got to have a starting point of what-- what do we know? What do we know that the producers want? And that's all we're trying to do with the subcommittee, honestly.

BRANDT: All right. Thank you.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

HALLORAN: I'm familiar with a feedlot near Oshkosh that feeds out Holstein calves.

DANNA SCHWENK: Yeah.

HALLORAN: And there may be others that-- I can only speak to this one. But-- but it's my understanding, and I feel pretty confident in saying I can assure you they don't load up 40 Holstein cows or heifers from different owners on a semi and then deliver them back to Wisconsin, individually stopping 40 times.

DANNA SCHWENK: They--

HALLORAN: I don't know if that's what you were suggesting happens, but that-- that's not the real world for this feedlot anyway.

DANNA SCHWENK: They do take them back to their point in Wisconsin, and then they are left at that location. What they go from there, I don't know.

HALLORAN: [INAUDIBLE]

DANNA SCHWENK: Actually, Jill Krajewski from Oshkosh Heifer Development is on our subcommittee.

HALLORAN: But it's one load-- load of-- --of-- of Holsteins that are taken back and delivered. But you're saying they're delivered back in Wisconsin, then subdivided up all 40 of them to different owners?

DANNA SCHWENK: I don't know if they stay at a specific dairy or what they do once they're back in Wisconsin, honestly.

HALLORAN: OK. OK. Any other questions? Quick question, how-- so-- the self-inspection. Maybe it's too simple for me, or I'm too simple for it. But it kind of reminds me of a time when I was in college and I asked my college professor if I could self-examine my exam I just handed in. Right? I mean, it seems like-- it seems like it would be very difficult to maintain the integrity of what you're trying to do here in tracking ownership when there's anything involved that requires self-inspection. It seems like a contradiction to me. How do you inspect something of your own?

DANNA SCHWENK: I guess I would correlate it then to a test that you would take online. So--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

HALLORAN: I don't have a lot of trust in those, either, but just so you--

DANNA SCHWENK: But at the end of the day, I think what's important is whatever our requirements are for a physical hot iron brand inspection, the e-inspection is going to have to hold up to the same standards as what the hot iron inspection would have to be.

HALLORAN: OK. Well, who's the vendor for this? Is there a-- I've gone through some of your materials and-- and feedback that I've gotten. Is CattleProof, is that correct?

DANNA SCHWENK: So Nebraska Interactive will be handling the e-inspection side.

HALLORAN: OK.

DANNA SCHWENK: And then we were going to use a third-party vendor for our individual animal database for reasons of data security. Two years ago when we started this process and the investigation, the overwhelming opinion of most producers that were giving us opinions was that they didn't trust the government knowing about the individual animal numbers being in one of their databases. It was really hard for us to explain to them at that point in time, brand already knew how many animals we were inspecting. We have a lot of that information. But what their concern was is as we build these animal IDs over time, that that would be some kind of inventory. What is great about going to a third-party system is that we do not specifically have access to that data. We simply have from our e-inspection program, it audits the data through an API that would look to just verify, does that number meet these criteria: location, producer number, date, time. Yes. And that's all we're looking at. So for us, by having it in a third-party system, we believe we-- we're avoiding some FOIA issues, which at this point in time I know we're looking into with the Attorney General's Office, if that's really whether it's relevant or not. But that would give a layer of confidence for producers in the country that we're not utilizing all of those collected EID numbers for any kind of purpose other than is it really who it's supposed to belong to and where it's supposed to be?

HALLORAN: OK, I get that. I guess my question more fundamentally is how did you choose CattleProof? What made them rise above?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DANNA SCHWENK: So over the last two years that as we were going through this, we looked at several different blockchain providers.

HALLORAN: I think you said 10 in the region.

DANNA SCHWENK: Yeah, about 10 of them. And the-- the biggest challenge we had at the time and mind you, this is two years. Blockchain has really only been rising to the forefront in the last three to four years. So we were kind of on the very bleeding edge when we were looking into this originally. At that point in time, there wasn't a lot of companies out there. We had settled on-- on one out of Wyoming and gone and worked with them a little bit, and we had some challenges with that company.

HALLORAN: Who was that?

DANNA SCHWENK: That was BeefChain out of Laramie, Wyoming, and we had some challenges with them as we were working on a USDA grant at that point in time.

HALLORAN: Can I-- can I ask you, I hate to interrupt you, what were-- what were some of those challenges with BeefChain?

DANNA SCHWENK: The grant basically was their programmer let us down. He did not perform the required things in time that we ended up not being able to get our application done by the deadline.

HALLORAN: OK.

DANNA SCHWENK: Plain and simple. And at that point in time, there was some other red flags we were seeing from the development team as John and I went back to-- to Laramie and met with them at the university. And so at that point in time, we kind of took a step back away from the whole process.

HALLORAN: What was the grant you were pursuing on that?

DANNA SCHWENK: Pardon?

HALLORAN: What was the grant that they-- that they delayed the process for?

DANNA SCHWENK: It was a USDA trial utilizing EIDs for different purposes, and it just kind of fit with what we were looking at that point in time. We were-- we were hoping we'd be able to get some

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

development money to help build the program at that point in time. We still had to go through, I think it was 1164, 1165 so this was quite a while ago. But we were trying to put pieces in place at that time to make sure that we would have some funding that wouldn't actually affect our appropriated budget. That's all we're doing.

HALLORAN: When did that process start? What was the date would you say?

DANNA SCHWENK: Gosh, two-- so it would have been-- do you remember a date on when we were even out there the first time in Wyoming? It was snowing and it was-- I want to say it was actually like March of 2018, 2019-- March of 2019.

HALLORAN: So substantially before a timeline was-- substantially before you had any kind of statutory authorization to pursue.

DANNA SCHWENK: Yeah, we were just doing some due diligence research to see if it was even something that would work.

HALLORAN: OK. So CattleProof, the ownership of CattleProof is Robert Jennings. Is that right?

DANNA SCHWENK: Yes.

HALLORAN: Did he have any association with BeefChain?

DANNA SCHWENK: Yes, he did.

HALLORAN: Can you explain that-- that-- that transition from BeefChain to CattleProof?

DANNA SCHWENK: I believe what ended up happening was there was some internal issues after we had backed out of BeefChain. And at that point in time, he had separated from BeefChain. There was a lawsuit of some nature between them all. And really, at that point, we were not involved much with them at all. And then when-- or when the dust settled, I believe Robert Jennings had won that lawsuit because he had been the owner of the company and there was some things. And from there we had-- I had already started looking at other companies. And when we came back around and started talking to Rob later on after that, he was working-- he had actually introduced us to a company called PonData, who went at that point, we were looking for a logistics company. We want to actually utilize our iPads and be able to do some scheduling and dispatching to more create efficiencies in

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

our inspection processes. And at that point, he introduced us to them. We started talking with them, and I believe the board even approved-- they approved working with PonData for our logistics program at that point in time. I did not know at that point that Rob and PonData had already formed another company called CattlePass, and they were working on a blockchain on the data side. At that point then we came into having more discussions about what they had built and what they were building and what they were planning on building. And it fit much better, because they already knew what we were looking for. It fit much better than the companies that I was finding in Australia and Mexico and the U.S. who had no-- no background in agriculture on the blockchain side. And when we were talking about prices with those companies, they were outside of what we would even be able to pretend to spend money on. I mean, we're talking hundreds of thousands of dollars to try and build a system like this. So when we finally had, probably it was about a year ago that we-- we knew that we were going to be moving forward. It looked like we were going to be moving forward. And so in January and February, we literally, I mean, we just kept going on about what they'd be able to provide for us. And the price point looked like it was going to be much more manageable and affordable. And I have a lot of confidence in who his development team is after having worked with them on some of the logistics programs that we're trying to implement.

HALLORAN: So none of this process of using EIDs is going to have-- you're not going to be gathering any information other than ownership, correct?

DANNA SCHWENK: No.

HALLORAN: I mean, you're-- you're not going to be gathering information about the feed that the cattle are on, the [INAUDIBLE] program.

DANNA SCHWENK: We have zero interest in any of that data.

HALLORAN: OK. Any other questions? Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Quick follow-up, you said you started two years ago on this. In the two years from 2019 till now, technologywise has a lot changed?

DANNA SCHWENK: On the blockchain side?

BRANDT: Yeah, what you're working on?

DANNA SCHWENK: It's-- it's starting to come around. There's more companies that are dabbling. But because blockchain is such a new technology in itself, there is no company that has a-- that has cornered the market on it, if you will. And even some of the blockchain providers that I've looked at even recently, they're still in idea phases of development. They don't even truly even have products marketable in some of these regards.

BRANDT: So because you're the IT expert for the Brand Committee, going forward two years from now and we're done with this, we won't have a technology that's obsolete. We will have an adaptive technology.

DANNA SCHWENK: Correct.

BRANDT: OK. So no matter what, where this blockchain or the industry is headed, we'll be in the thick of it.

DANNA SCHWENK: I believe that that's accurate.

BRANDT: OK, thank you.

HALLORAN: Yes, Senator Gragert.

GRAGERT: Thank you, Chairman. Thank you for your testimony. I got a quick question or a follow-up, probably clarifying it for myself. But you talk about trust. People don't trust the government. Well, I probably agree with that one. But what would make them? Why would they want to trust the third party? And then I'm going to have a follow-up question that you're only-- you're only wanting ownership information. Is that all the third party will be able to obtain from this EID is the ownership or all this rest of this information that may be attached to that EID tag?

DANNA SCHWENK: So understand that the EID tag doesn't have data attached to it unless it's collected at a location and they're willing to share it. Now, the beauty about the blockchain is-- is really the security levels that are on a blockchain environment. And the owner of the data is really the owner of the data, which is the person that submits the data. And neither CattleProof nor Brand Committee has any access to data that is not specifically given by a producer. So if they choose to use a system and I'll just use one of the PVP programs, for example. They use a database that's housed in an office, right, or in a big building that's accessed through the cloud. But there is a database out there that all of that data resides on. And literally that company could go in and look through their entire database system

at any point in time because their developers have to go in and sort through it. If that means that they have to fix something-- and I was with feedyards at top-- feedyard software technology companies for 20 years. I know for a fact we would have to go in and make adjustments on the back end, as we call it. That is, to me, a huge trust issue. You cannot guarantee that the data is going to always be what the data is supposed to be. Whereas with blockchain, that's one of the big pluses is it's immutable data. It can't just arbitrarily be changed. It has the security and it has that immutability to it. So when we talk about the data attached to the EID tag, that producer would use a PVP program and they'd submit in, say, 50 data points of information. And the folks that housed that database have access to all 50 data points. Whereas in a blockchain environment, they could select to do other things with the person that is, say, CattleProof. So CattleProof offers other business, as does every other company out there. I mean, they don't just use-- they don't have a database just for one purpose, right? They have other outstanding business applications to it. But when that data is transferred to the blockchain under the CattleProof umbrella, that data is not being used for anything else unless the producer specifically says, I want you to take those 10 pieces and send them here and those three pieces and allow them to go here and those four pieces and allow Department of Agriculture for animal disease traceability to utilize those. That owner of that data has absolute control over who accesses what data fields are included. Do we need any more than that? No, absolutely not. We need our five pieces and that's it. If they elect to do other services with a company, that's not-- that's not anything for us to be involved with. That is not what I care about. I care about the five pieces we need to be able to audit when our e-inspections come in and that's it.

GRAGERT: Would you explain to me again then you, as a government agency, won't know what the third party has? Did I hear that right?

DANNA SCHWENK: Correct.

GRAGERT: Well, why do you have a third party? Who-- who's watching the third party?

DANNA SCHWENK: The third party is watching it. What do you mean?

GRAGERT: Well, if they-- if the producer doesn't trust the government and you don't even know what information the third party-- are you not hiring the third party or the third party working in conjunction with you, the brand inspection committee [INAUDIBLE]?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DANNA SCHWENK: Right now, what we believe we're doing is hiring the third party. So until we have other information from the Attorney General that tells us they're not even necessary, that's what our vision of the program is: to assure that the producers that are entering the information is that a government entity cannot go out and just do an inventory, look and see how many EIDs does that producer have? That-- that was the entire purpose was for us to gain more trust from the producers that we could not go back in and use it for other purposes.

GRAGERT: But I'm still having a hard time here with if all you want to know is ownership, what trust, what trust? I mean, what could you do that they won't trust you to, OK, I'm going to move my cattle from point A to point B. I'm not selling them. I'm just moving them. And that's why I'm hearing this would be a great system for that. But when you go to sell cattle and now you're coming up with cattle that are unbranded and no tag on them and now I got to prove that those are my cattle and that's in the selling process. That's not for moving them from my pasture over to my winter grazing or whatever, you know, from pasture back. I'm just having a hard time with what-- and all you want is-- is ownership, what is not to trust there from the government? How did we lose such trust that-- that or brand inspection committee lose such trust that somebody is not even going to trust that you can identify from moving my own cattle from point A to point B? That's all you really want to know, right?

DANNA SCHWENK: Um-hum.

GRAGERT: You don't want to know anything else. So why does all this other have to even get involved into your-- I mean, to even go into this CattleProof or whatever and whoever? Why do you got to get involved with those?

DANNA SCHWENK: Because what we have learned over time is that there is an inherent lack of trust in government, period. We even have producers that won't even give us their checking account information to pay for their inspections. OK? There is a element of producers out there.

GRAGERT: Well, that's a whole nother issue.

DANNA SCHWENK: Right. But there is. There's a whole group of producers out there that really do not want to see us having any specific detailed information on their operations. I wished it wasn't so,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

Senator. I truly wished it wasn't so. I could make this system so much quicker and easier if we weren't trying to satisfy the concerns of all of our producers. And I would truly ask for you to talk with some of those producers on our social media accounts that are lambasting us for trying to implement a program like this, because where it comes back to on most of their concerns is trust of who's going to have access to their data.

GRAGERT: And again, I'm going to go back to the only thing the brand inspection area or committee has is how many cattle you have and you own them. That's I think to me, that's very simple without going in and hiring all these other entities. And now we're getting into, well, how much data is on there and we don't care what, how much data is on there because that goes off over here. But it's a CattleProof. Is that somebody you hired, you vetted and you hired?

DANNA SCHWENK: It's someone that I have selected, yes.

GRAGERT: So--

DANNA SCHWENK: Much like the other software providers [INAUDIBLE]

GRAGERT: So if they abuse something on information or is the government liable for that?

DANNA SCHWENK: I don't know how the liability falls, Governor or Senator. I've just been hired to do a job.

GRAGERT: Yeah, yeah. I gotcha. Well, I'm just asking a question. If you don't know, that's-- that's an answer.

DANNA SCHWENK: Yeah, I honestly, I don't know.

GRAGERT: Thank you.

HALLORAN: It's important to know where the liability falls though, right?

DANNA SCHWENK: We know that we will have contracts with all of these companies and that security and privacy is utmost forefront in those contracts. Even with Nebraska Interactive that we do all of our inspection information with, it's the same type of contracts. We have the same type of contracts with our timekeeping system that we had built, and the same things would happen with our logistics company

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

when we build software with them. So it's the same thing across the board.

HALLORAN: OK, quick question. Do you have any personal experience with using CattleProof, such as with-- you have a partnership-relationship with Jaclyn Wilson?

DANNA SCHWENK: Yes. So during this last time frame, as we were looking for proof of concept and whether it worked, I have a side company with Jaclyn Wilson of Flying Diamond Beef that we do a direct-to-consumer meat business. And we slaughter Jaclyn's cattle. We buy from Wilson Ranch and we slaughter, I think we did 65 head last year. And in that time, we were looking for ways to differentiate ourselves. And one of the things that we truly believe in as a Flying Diamond Beef, and this is completely separate from my job as Brand. But is-- is I believe that when consumers want to know where their beef came from, there should be a way to prove it. And with our blockchain technology, we believe that we can take an EID number or in this case, we use biometrics so we don't even rely on a tag. We use biometrics. We have a visual face scan done and the body scan done of the animal. And we then associate an ID number with it just as it's an ID number saying this image belongs to this cow and then we can sell that animal with all of this information. So a consumer who really wants to know that their animal is bought and grown and raised and everything that was done to it, they would be able to access it. So I volunteered with Rob as they were trying to find people to do some proof of concepts. I said, look, talk to Jaclyn. I know that that's something that she's been interested in technologywise. She does a lot of genomic testing and a lot of that, said, maybe she'd be interested in helping. And so, of course, Jaclyn said, yeah, let's-- let's try this. So she was working with a company out of Australia to do some EmbediVet tags that work with health sensors. And then she was working with-- because that would do a proof of life example. And then she was working with the CattleProof to actually store and record the information on the blockchain. And then Plain Sight [PHONETIC], I think, is the biometrics company that they came out and did all the visual scans and everything else of the animals and tied it all together. So from that side, we started using CattleProof because that was the only blockchain individual animal provider at the time that's even out there. So that's the relationship on a personal level. And that started-- we "trialed" that in June. So that's all that is. It's-- it's not anything that I'm pushing for Rob or CattleProof or anything. It's just a matter of they were the only ones available to actually try and do something new and different to really trace our product.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

HALLORAN: Yeah, Senator Gragert.

GRAGERT: So that all just spurs another question for me then. Are we not getting the brand inspection committee, are we not getting out of our lane when we start going into where-- where this cow come from or this-- this critter come from and what its background is and all this? All we want to know is ownership.

DANNA SCHWENK: Brand isn't doing that though, sir. That's not what we're [INAUDIBLE]

GRAGERT: What is the-- what is the Brand Committee, again, responsibility, main responsibility?

DANNA SCHWENK: To verify ownership. That we are looking at evidence of ownership when we do our transactions. And that's the only data pieces that was actually being put into the system was here's the ID number, here's the location it came from, here's the producer number it was tied to at this date and time. And then on the second transaction, here's the location. Here is the-- the producer number that it's tied to at this date and time. Do those correlate? Yes. Move on.

GRAGERT: OK, but I go back-- I go back then to you are-- are you a Brand Committee member?

DANNA SCHWENK: Brand Committee employee.

GRAGERT: Employee, OK, employee.

DANNA SCHWENK: Yes.

GRAGERT: So I go back to then you-- you hired this CattleProof and now they got information. You don't even know how much information they really have. Where does, once again I-- and I-- I'm reiterating, where does the liability fall on the government then because an employee hired that company and now they went off and did something probably they shouldn't have did?

DANNA SCHWENK: I didn't-- I didn't hire them, sir. We don't even have a signed contract with them yet.

GRAGERT: OK. What did you do, just recommend them for?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DANNA SCHWENK: Yes. I have vetted 10 different companies. I offer my professional opinion on who best fits the situation and the scenario and the budget constraints that we're looking for.

GRAGERT: So indirectly then, the producers still trust in the government. They just don't know.

DANNA SCHWENK: Trusting the government.

GRAGERT: Because you, as a government employee, hired that-- hired that third party-- third party.

DANNA SCHWENK: But I don't have access to their data.

GRAGERT: Right. But you-- I'm-- whether you have that or not, you still are confident and you hired

DANNA SCHWENK: The right company?

GRAGERT: The right company.

DANNA SCHWENK: Yes.

GRAGERT: And so I got to trust that you're making the right decision, right? So we're right back to trust of the government employee.

DANNA SCHWENK: Well, they trusted our decision on building our e-inspection, our-- our electronic inspection program with Nebraska Interactive.

GRAGERT: Yeah, well, I guess there's got to be some trust there, right?

DANNA SCHWENK: I would hope that there'd be some trust there. I mean, we're out to do the right thing for the producers--

GRAGERT: Sure.

DANNA SCHWENK: --at the end of the day.

GRAGERT: We all know that. Yeah. Thank you.

HALLORAN: So quick question. Maybe two here, but quick question. The subcommittee got to look at each one of these 10 or so companies in detail?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

DANNA SCHWENK: No,

HALLORAN: Ndfo. Who? OK. So they only got to look at what was narrowed down to one.

DANNA SCHWENK: We, as a group had actually agreed on CattleProof months ago. So it was one of those things that they've been informed and along the way, as we were going through these different companies, John especially, everyone, was aware of who I was looking at and what was going on.

HALLORAN: So-- but my question is the subcommittee had a-- they were afforded a detailed look at 10 companies or so, right?

DANNA SCHWENK: No.

HALLORAN: No?

DANNA SCHWENK: The subcommittee has only been in existence for 30 days essentially. We've been doing this back-end legwork for the last year and a half at least, more like two. Because if you take, if you add in all the cattle, the BeefChain time, it has been two [INAUDIBLE]

HALLORAN: I understand. So they've-- they've had no exposure to the other nine potential vendors.

DANNA SCHWENK: No.

HALLORAN: OK. What did Washington State do wrong? You had mentioned that Washington State wasn't very successful in what they were doing with e-inspection.

DANNA SCHWENK: So I have to take a moment and not say the wrong thing, since Washington State could be watching.

HALLORAN: Hello, Washington State.

DANNA SCHWENK: One of-- one of the challenges Washington State has faced and we-- we found this out while we were at the International Livestock Identification Symposium in July with the investigators and the-- the chief investigator, myself is that they have-- the surrounding states have no trust in the inspections that are coming out of their e-inspection program in Washington. So Oregon and Idaho do not recognize their e-inspections. But the reason why is because they allow people to become brand inspectors online, and they don't

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

have an enrollment process that guarantees the cattle that are being inspected are really the cattle. So it was a program that was mandated by the Washington Legislature without the-- the brand inspection agency really having had any time to do background or checks or figure out what their processors were going to be. They-- it was they were told they had to do it, and then they had six months to figure out how to do it. I think we're coming about it from a completely different direction and that's what's making our program-- that's what's going to make our program much more successful.

HALLORAN: Any other questions? Senator Cavanaugh, you own 60 head of cattle. With the commission here, I thought maybe you [INAUDIBLE]

J. CAVANAUGH: I don't like to talk about it.

HALLORAN: All right. Well, thank you very much. John?

JOHN WIDDOWSON: Mr. Chairman, I guess at this point in time, if there's any other questions for myself or any of the committee members, that's where we're at. Is there anything else?

HALLORAN: Quick question about CattlePass. Isn't there a vendor called CattlePass?

JOHN WIDDOWSON: CattleProof?

HALLORAN: No, CattlePass.

JOHN WIDDOWSON: That was the original name, and I guess they have changed to CattleProof now.

HALLORAN: Oh, OK. You see, this is like watching a crime scene, trying to trace all the players involved in the-- I shouldn't have mentioned crime scene. But because we got BeefChain, we got CattleProof. Where does CattlePass fit into that or does it?

JOHN WIDDOWSON: To my understanding, CattlePass is-- is and was the same entity, same business as CattleProof. They-- they changed the name for--

HALLORAN: I see.

JOHN WIDDOWSON: --name issues or patterns.

HALLORAN: Trademarking.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

JOHN WIDDOWSON: Yeah, trademarking things. Yep. Let me just clear-- let's make the record straight on CattleProof. There's been no contract taken to the committee. There will be a contract on behalf of CattleProof that will go into exact detail of what services they will provide, what the liabilities are that they will cover, what the cost of that will be. And that will be something that will be brought to me. And then after I have the opportunity to look at it and, you know, be comfortable with it, then at that point in time, if I am, then I will take that to the committee. The committee will be the --the end-all be-all on that. So CattleProof has not been contractually obligated to the committee. We are not paying them for any services. It's just strictly vetting and doing research on what or who could possibly provide the service that we need. And that's truly what we're looking for is a service provider. So I just want to clear the record to make the record straight. They're not contractually obligated at this point in time. That will be a committee decision.

GRAGERT: Question.

HALLORAN: Senator Gragert.

GRAGERT: And I probably, I assume then Danna is the subject matter expert on-- on hiring these. But do you even know who the other nine people were or the other nine companies were? Or I know you said the subcommittee didn't hear it of the other nine. Have you yourself?

JOHN WIDDOWSON: I would have been briefly briefed on a few of them. To say all nine, no. But you know, there's--

GRAGERT: Maybe the last three.

JOHN WIDDOWSON: Yeah, yeah. And I, Senator, I couldn't even tell you who those are at this point in time. That's been multiple years back. That's so far removed from my thought process on a daily basis. But it'd be no different than our investigators going out and getting bids and doing research on printer stands for their investigative trucks.

GRAGERT: Right.

JOHN WIDDOWSON: You know, I put-- I have people that I have complete faith and trust in, and they go out and do their due diligence. They bring it back to me. We look at things. We talk as a group. And then if it's something that we feel that we need to, we pass it on to the committee.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

GRAGERT: OK, thank you.

HALLORAN: Go ahead. I'm sorry.

GRAGERT: I'm good.

HALLORAN: So typically when there's bids on anything or a bid, there's usually multiple bids just to keep it--

JOHN WIDDOWSON: In certain situations, yes,

HALLORAN: --competitive, right?

JOHN WIDDOWSON: On certain-- on certain things, but not not all things require that.

HALLORAN: Why not here though? Why not for this process?

JOHN WIDDOWSON: Sometimes there's just not enough vendors that carry that-- carry that same service so.

HALLORAN: So BeefChain doesn't carry-- doesn't have the capability and the wherewithal to do blockchain if that's what's necessary?

JOHN WIDDOWSON: Oh, I think they do, but that would be an assumption. To be honest, I haven't kept track of BeefChain. That's not what I do on a daily basis. So I can't answer that today. You know, I will take any recommendations that this committee has back to-- to our staff and-- and to the committee. The thought process, the whole thought process behind going to a third party was that we were given information that was very important, and we have producers that tell us that. We were told that that would not be able to be accomplished unless a third party held that database. That is completely and solely our whole motivation. Now, if we find out from the AG's Office, which I have that in the works, that that is not required or that will not work, we'll revisit that whole situation. Now the solution is, say, CattleProof is not the solution. We don't have to have a third party. That's still a service and a cost that's going to have to be incurred by somebody. So is this-- is this committee, are our producers, is the Brand Committee more comfortable with the Nebraska Brand Committee providing that database and that services? If-- if that is the comfort level, so be it. Now what's the cost structure of that? And who can service that?

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

HALLORAN: I don't think the committee has any-- any concern about hiring an outside vendor or if you want to put in your own bid to see if you can do it competitively with the vendors that already exist. But my recommendation is-- is that that you look at three bids to try to be-- there's got to be three companies out there that can do something very similar to what you're looking at and put it out to three bids because a competitive process, I think the producers would appreciate this because they're ultimately going to be paying for it.

JOHN WIDDOWSON: Um-hum.

HALLORAN: Right? I think it's-- it's-- I think it's necessary to have more than one vendor that you're looking at, period, and that's it. You need to have some competition for the bid.

JOHN WIDDOWSON: Absolutely. Yes, sir. We will-- we will explore that.

HALLORAN: Senator Brandt.

BRANDT: Thank you, Chairman Halloran. Thank you, John. You're very knowledgeable on this subject. For the people that are listening, let's give them a little scope. Do you know how many total head of cattle are-- are under brand inspection in the brand inspection area in Nebraska?

JOHN WIDDOWSON: Total number of head? I would be just guessing if I gave you a number. It's [INAUDIBLE]

BRANDT: Approximate.

JOHN WIDDOWSON: I'd say it's probably three to four million head,

BRANDT: Three to four million head. And it sounds like the three main ways of identification would be hot brand, freeze brand, and EID and slick. So today we're examining electronic inspection. So out of those millions of head today, how many under EID?

JOHN WIDDOWSON: About two million.

BRANDT: Two million.

JOHN WIDDOWSON: Two-- I'd say roughly plus or minus two million head are utilizing an EID at this point in time in the whole state.

BRANDT: Oh, in the whole state,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

JOHN WIDDOWSON: The whole state, yes.

BRANDT: So that would be in my area, that is the non-- nonbrand area.

JOHN WIDDOWSON: Correct, yeah.

BRANDT: All right.

JOHN WIDDOWSON: But once those cattle come in, you know, our packing industries and the inspection area for the most part.

BRANDT: All right. Thank you.

JOHN WIDDOWSON: Senator, if I could make an analogy and I'm-- this is not good and this is one of my faults. You go to Wal-Mart and you had the typical-- you go check out. Back in the old days where you had little stickers on everything and the cash-- cash register person would type it all in, whatever. Then we went to a barcode where now you don't have to type it all in. It's much faster. You scan the barcode and you stand in line. They put everything in your bag, so on, so on. Now you go to Wal-Mart and you could do a self-checkout. I don't know if the analogy is correct or not, but that's all we're trying to potentially provide as a service is the self-checkout. But when you go to Wal-Mart, there are safe-- there's-- there's things in place to protect Wal-Mart from theft. But at the end of the day, if you want to steal from Wal-Mart or be a bad, bad agent, you can steal going through self-checkout or the other way. You can put something in your coat or however you want to do that. But you're going to try to put all the practices in place to eliminate theft. That's all we're trying to do is have a form of self-checkout. And it's only going to be for certain situations. At Wal-Mart, it's 20 items or less. We're going to have parameters to fit that e-inspection. And we're going to try to have safeguard and audit-- audit things in place to mitigate any liability or risk to our producers. We do not want to jeopardize the Nebraska Brand Act. On my watch, that's the worst thing I can do as executive director is to mitigate, devalue the Nebraska Brand Act. We do not want to do that. I'm-- I'm the fourth generation. My boys are the fifth generation. We got cattle. They're valuable assets. That's not where my legacy wants to go. Do I have all the answers today? No. Is that why we have a subcommittee of people that have a broader sense of experiences than I do? Yes. At the end of the day, the Nebraska Brand Committee has learned from past mistakes. We work for the producers. They're our customers. They sign our paychecks.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Agriculture Committee December 9, 2021
Rough Draft

Therefore, we take their input and their direction. That's who we work for.

HALLORAN: Thank you, John. It wasn't fair for me to ask you or Ms. Schwenk the names of those ten vendors. But would you, when you return back to your office, send me a list of those 10 vendors that you-- that you previously looked at?

JOHN WIDDOWSON: Yes, sir.

HALLORAN: OK. Any further questions? OK. Well, I guess that concludes this public briefing. I emphasize the public briefing. So thank you all for attending. I appreciate your input and feedback. So we'll proceed.