

MINUTES
SENATE AGRICULTURAL AFFAIRS COMMITTEE

DATE: Tuesday, February 14, 2017

TIME: 8:00 A.M.

PLACE: Room WW53

MEMBERS PRESENT: Vice Chairman Den Hartog, Senators Patrick, Bayer, Guthrie, Johnson, Thayn, Foreman, Jordan

ABSENT/ EXCUSED: Chairman Smith(Rice)

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Vice Chairman Den Hartog** called the meeting of the Senate Agricultural Affairs Committee (Committee) to order at 8:02 a.m.

MINUTES APPROVAL: **Senator Patrick** moved to approve the Minutes of January 31, 2017. Seconded by **Senator Johnson**. The motion carried by **voice vote**.

PRESENTATION: Idaho Beef Council (IBC). Traci Bracco, Executive Director, said 2016 was one of the most challenging years on record for the Beef Industry from drastically declining beef prices to increasing presence of activist groups who question how the cattle are raised, use of land, nutritional value of the product, and the ever changing desire of the consumer.

In 2016 the Check-off Assessments totaled \$2,380,000 in revenue, which was down 4 percent from 2015. Half of the revenue collected from the Check-off remains in Idaho for the Demand Building Programs and the remaining funds are sent out of the State for national and export marketing efforts. The core of the program is the consumer, and this year the industry is facing one of the largest per capita protein supplies in many years. The animal protein marketplace has become a very competitive market at the meat case, in restaurants, and with consumers. Consumer demand for beef remains strong and stable, despite the marketplace challenges. Millennials parents have increased their consumption of beef, which shows that the IBC marketing efforts of a couple of years ago have paid off.

IBC has seen a decline in the number of weekly beef servings to 1.7 times per week. Health, price concerns, and convenience are the driving contributors to this downturn. The factors contributing to the drop in weekly usage: 1) price as other animal proteins are cheaper; and 2) convenience as beef is perceived as not as easy to use as the other proteins along with time restricted millennial moms. IBC research indicates the millennials are less adapt then any other generation in cooking beef, but they are knowledge seekers. IBC has seized this opportunity to increase the usage of this consumer through: 1) consumer focused programs; 2) online by directing the searcher to "Beef is What's for Dinner"; and 3) "Families in Motion" a digital campaign showcasing cooking techniques and recipes. Another marketing activity that has proved successful in the promotion of beef was featured at Brolin's Grocery Stores in Eastern Idaho. The in-store campaign, which ran for three months this summer, was entitled "What's for Dinner Wednesday." The marketing campaign was aimed at time strapped consumers for mid-week inspiration in meal preparation. During the campaign each of the grocery stores had displays set-up in the front of the store with all items needed for the entire meal. Over the twelve week period IBC featured a variety of meals in the stores. IBC also ran radio advertising in conjunction with the Wednesday meal to remind consumers

about the meal that was being featured at the stores. This was a targeted effort that exposed the consumer to the versatility of beef and took the guess work out of what was for dinner on Wednesday. Statistics had shown IBC that at 4:00 p.m. most consumers do not know what they are having for dinner that night, and that was the impetus for this campaign. IBC's results from the campaign revealed that total beef category sales were up for 66 percent versus 2015. IBC plans to repeat the marketing effort this year and to expand it into other markets.

The number one barrier keeping consumers from eating beef more often is the nutrition barrier. Beef has been declared the villain in the growing battle against heart disease, obesity, cancer, and other health issues. Many consumers, medical professionals, and members of the health community are still stuck in the belief from ten or twenty years ago and perceive beef as high in fat and chicken as nutritionally superior. IBC's campaign to change this perception is focusing on nutrition profile and its healthfulness. Educating the health community on beef's nutrients and vitamins, along with research that confirms that eating lean beef can improve cholesterol levels. IBC's challenges reside within the medical community and health influencers. IBC has added a dietician to their staff to focus on re-educating the medical community, health professionals, personal trainers, and health influencers. IBC has provided keynote speakers for the medical community annual conferences and conventions. The speakers are nationally recognized experts and nutrition leaders in their fields and speak on a variety of topics such as heart disease, early childhood nutrition, obesity, and how beef protein fits on the plate. In 2016, IBC and the Dairy Checkoff combined their efforts to focus on a subset of the health influencers which are coaches and personal trainers by hosting the first Idaho Sports Nutrition Symposium. The focus of the campaign was to arm these influencers with the latest nutritional benefits of beef. The coaches and personal trainers have a unique influence with their clients because many of them write personalized nutrition programs; they can encourage or discourage the consumption of red meat.

Ms. Bracco concluded that the beef export market is a bright spot in IBC's market. The U.S. exported 2.6 billion pounds of beef in 2016 valued at \$6.3 billion, which was a 11 percent increase in volume over 2015. Beef exports account for close to 14 percent of all U.S. beef production. These sales of beef added over \$262 in value to each head of cattle sold for the producers. The top export markets were Japan, Mexico, and South Korea. The global marketplace represents a huge growth opportunity for the future of U.S. beef producers.

Senator Johnson asked if IBC's marketing campaign also looked at portion size. **Ms. Bracco** explained that as an industry it is one of their challenges because the cattle have gotten bigger over the years. IBC's education and outreach is geared to show the consumer that a serving size of beef should be three to four ounces.

PRESENTATION: State of the Company, Amalgamated Sugar. **John McCreedy**, President/CEO, **Mark Estess**, representing Amalgamated Sugar (AS) introduced John McCreedy. **Mr. McCreedy** began his presentation with a video on sugar beet production. **Mr. McCreedy** outlined Amalgamated Sugar's strategic initiatives and some of the challenges the industry faces which are: 1) protecting agricultural technology; 2) understanding consumption; 3) federal level, farm bill; and 4) Idaho's 129,000 ton truck legislation. AS is over 120 years old and they operate three factories: 1) Twin Falls; 2) Cassia in Paul; and 3) Nampa. The Cassia plant is one of the largest in the world and can slice up to 18,500 tons of beets a day. Sugar beet factories measure themselves by their daily slice capacity.

The growers banded together in 1994 and purchased all of the assets of Amalgamated Sugar to form an Agricultural Cooperative. Agricultural Cooperatives are unique in their governance structure, which is basically democratic. The cooperative is controlled by a very large board of directors who represent different districts with 750 grower members on 182,000 acres. AS makes 12 percent of the nations domestically produced sugar. In 2016 the cooperative processed more beets than previous years with a records 2.2 billion pounds which translates into 1.7 percent of Idaho's GDP.

AS strategic initiatives to enhance the companies longevity are:

- To increase sugar content in beets. The sugar content in the beets is a balance between growth and storage of those beets before processing.
- Marketing strategy. AS marketing strategy is a three partner sales organization which includes Idaho, a company out of Miami, and a mid-west sugar beet processor in Southern Minnesota. These connections provide freight swaps, freight arbitrage, and customer identification.
- Technology. AS owns a technology company in Twin Falls that is the world leader in separation technology. The company is the leader in separating sugar from the molasses which is a by-product of extracting the sugar from the beets.

The ongoing challenges that AS is facing is with the anti-GMO consumer. Growers growing conventional sugar beet seed are plagued by weeds. The genetically engineered sugar beet seed allows the farmer to grow the crop with very little weed competition. In 2008 the sugar beet industry chose the genetically engineered seeds because of their productivity and the proven environmental benefits. The genetic change was an insertion of a soil bacterium into the genetic code for sugar beet seed. The genetic change does not end up in the sugar. The sugar processing results in all DNA and all protein being removed. This seed change has created 63 percent more sugar beets per acre since 1996. The benefits of this seed change are: 76 percent more pounds of sugar produced per acre; a decrease of 60 percent in diesel fuel usage; fewer and safer pesticides on the land; less tillage of the soil; the crop remaining commercially viable; the farmers are able to produce more food; safer; and using more cost effective technology. If the goal is to use the land, resources, and water more effectively, AS is doing an outstanding job. With the exception of a very small amount of acreage, all sugar beet companies in the U.S. are now using genetically engineered seed. Unfortunately, the benefits of the genetic engineering has not been communicated to the consumer in an effective fashion.

The AS Cooperative have been good stewards of their land and farming techniques over the last ten years to reduce their environmental footprint. The challenge the company faces is selling their product because of the non-GMO environment. AS has designed a national public information campaign entitled "Fresh Look" to advance a campaign that tells the truth about GMOs. This education is running counter to food marketing procedure at present. If AS finds that national support dollars are lacking for this campaign, they will launch the campaign locally because the growers will not go back to the non-GMO seed and end product.

Another perception that AS must overcome is the war on sugar consumption in the U.S. The numbers over the past 30 years reflect that the U.S. sugar consumption has not increased. The amount of obesity in the U.S. has increased but sugar consumption has decreased. AS educational consumer messages include: that sugar is part of a healthy diet in a limited quantity; pointing the consumer to AS Website which details the daily amount of sugar recommended; and pointing out that sugar is one of the best brain fuels in limited quantities, and it is an acceptable way to enjoy food.

Under the USDA rules, the sugar market is controlled by limiting production so there is no need for price supports. The goal of the USDA is to support a reasonable price so farmers can stay in business and consumers can get the products they need at a reasonable price. The sugar growers can borrow short term funds when the price is so bad that AS cannot sell their sugar for a profit. Nearly every country in the world subsidizes sugar production. The U.S. is at a crossroads with whether it will follow in Europe's footsteps by driving sugar companies out of business. The U.S. sugar industry will not be able to compete in a heavily subsidized market.

Senator Patrick stated that he would not grow sugar beets if they were not genetically engineered. The GMO seed has cost their operations much less money and they don't have to spray as many chemicals. **Mr. McCreedy** responded that Senator Patrick could join AS educational campaign because they have a difficult time communicating to the public that the sugar is exactly the same and the environmental benefits are robust.

PRESENTATION: Idaho Pollinator Protection Plan. **George Robinson**, Administrator, Division of Ag Resources, Idaho State Department of Agriculture (ISDA) reported on a new Pollinator Protection Plan (PPP). The Committee might ask why the pesticide section of the ISDA is heading up this bee plan and not a more suited organization. The answer is in 2014 there was a federal pollinator health task force developed, which was co-chaired by two federal agencies: USDA and EPA. The EPA had been checking all of the pesticides that they felt were toxic to bees and placing a logo on the pesticide labels with a symbol of a diamond with a bee in the middle to alert users. Because of this work, the initiative for a protection plan ended up in the Division of Ag Resources.

In 2016 ISDA put a committee together of over 20 individuals with diverse industry goals, who in a couple of months developed, the Idaho PPP. The PPP goal is to create awareness of the importance of pollination to the State, by both the commercial honey bee industry and by native pollinating insects. The plan presents beneficial actions and Best Management Practices (BMPs) that can address the major issues that are known to currently impact pollinators. BMPs suggested in the PPP aim to reduce risks and increase the health of pollinators. The primary purpose of the plan is to establish a systematic and comprehensive method for beekeepers, growers, pesticide applicators, private landowners and public land managers to cooperate within the State. (see Attachment 1).

ADJOURNED: There being no further business, **Vice Chairman Den Hartog** adjourned the meeting at 9:08 a.m.

Senator Smith(Rice)
Chair

Carol Deis
Secretary