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Agriculture Committee
January 22, 2013

[LB60 LB67 LB70]

The Committee on Agriculture met at 1:30 p.m. on Tuesday, January 22, 2013, in Room 2102 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB60, LB70, and LB67. Senators present: Ken Schilz, Chairperson; Norm Wallman, Vice Chairperson; Dave Bloomfield; Ernie Chambers; Tom Hansen; Burke Harr; Jerry Johnson; and Steve Lathrop. Senators absent: None.

SENATOR SCHILZ: Good afternoon, everyone. I'd like to welcome you today to the Ag Committee hearing. This is the first one for the year and we're happy to have you all here. Hopefully it will go smooth. It's my first one as Chair of the committee so here we go. I'm Ken Schilz. I represent the 47th District in Nebraska and Ogallala. My other committee members that are here, we've got Senator Tom Hansen from the 42nd District, Senator Burke Harr from the 8th District, Senator Jerry Johnson from the 23rd District, Senator Dave Bloomfield from the 17th District, and Senator Lathrop. Which district are you from?

SENATOR LATHROP: Twelve.

SENATOR SCHILZ: Number 12. There you go. And we've got a couple others that will be coming along: Senator Ernie Chambers from the 11th District and Senator Norm Wallman from the 20, 30-something. He's out there somewhere. Cortland is where he's from. So anyway, what we'll do is we'll start with the introducer's introductory statement, then we'll ask those speaking in a proponent capacity to come forward, followed by opponents, and finally neutral testimony, if there is any. If you do plan to testify, please fill out the green sheet or whatever color sheet there is available by the doors. And if you're presenting testimony on behalf of an organization, your comments will represent the organization's views on the bill, but please indicate the organization you are representing or if you're representing yourself personally. If your testimony is your personal views and you're not authorized to represent the views, then you may...you may want to state that and you should state that. And when you come to the witness table, there's a box, put the sheet in the box and begin your testimony by stating your name and spelling it, both first and last name, so that our transcribers may get your name correct, and then please indicate verbally if you testify as a representative of an organization or on your own behalf. If you have copies or exhibits to share with the committee, please indicate to one of our pages and they will hand them out for you. We request, if you have items to hand out, to have ten copies; and if you need copies made, a page will make them for you. There will be no time limit on testimony today, however, we do encourage you that you keep your comments succinct and to the point. Try to avoid any previous testimony that's come up. And then at the conclusion of your testimony, I will ask the members of the committee if they have any questions for you. I would ask that when one witness is coming to a conclusion that the next person be ready to go and prepared to come forward to testify. If you do not plan to testify but you

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wish to indicate your position on a bill, there's a gold-colored sheet by the door where you may do so. These will be made part of the hearing record. However, only persons who verbally testify will be indicated on the committee statement. We ask that all persons respect and be courteous to witnesses. We do not allow displays or any verbalizing in the audience of approval or disapproval of the witness's testimony. Please shut off all your cell phones or place them in a nonringing mode; and if you need to make or answer a phone call, please take it out in the hallway. And likewise, if you need to converse with any other member of the audience, please take your conversation to the hallway as well. I need to back up. Senator Chambers, welcome to the committee.

SENATOR CHAMBERS: Thank you.

SENATOR SCHILZ: I do need to introduce a few people up here too. Here to my right is Rick Leonard. He's the research analyst for the Agriculture Committee. To my left is Jamaica Erwin. She is the committee clerk. She has a helper today and I have to admit I...

_____ : Christina.

SENATOR SCHILZ: And Christina is here to help make sure that we get this all right. Then we have a page from Nahvayda (phonetically) Nevada, Iowa. He says that's the correct way to pronounce it. His name is Deven Markley. So thank you and welcome. Okay, we will move ahead to our first bill, LB60, introduced by Senator Larson.

SENATOR LARSON: Thank you, Senator Schilz. I am Senator Tyson Larson, T-y-s-o-n L-a-r-s-o-n, and I represent the 40th Legislative District and I am here today to introduce LB60. LB60 removes Knox County from the brand inspection area completely. The Nebraska Brand Committee and the brand inspection area were established by the Nebraska Legislature in 1941. The Brand Committee's purpose is to inspect cattle and investigate cases of missing or stolen cattle located within the brand inspection area. The original brand inspection area created in 1941 did not include Knox County, but all of Knox County was eventually added to the brand inspection area in 1945. In 1953 the first bill passed to remove three townships from Knox County from the brand inspection area. Another township was removed in 1972, and five more townships were removed in 1983. LB393, which removed those five townships in 1983, was initiated due to overwhelming constituent opposition to their Knox County townships being included in the brand inspection area. At the time, Knox County residents felt they were paying too high of a cost to receive too few actual benefits under the brand inspection laws. Thirty years later the constituents of Knox County who are left in the brand inspection area are voicing the same concerns they did in 1983. On October 4, 2012, a town hall meeting was held in Bloomfield, Nebraska, to hear what Knox County residents and residents of surrounding counties had to say about removing Knox County from the brand inspection area. The majority of those who spoke at the Bloomfield meeting indicated that the

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division in Knox County is a burden. Residents stated that complying with the brand inspection area's laws is impractical for them and their businesses and felt that the brand inspection area and its regulations are out of date. Others mention that most of the brand inspection laws aren't even being followed properly by those living in the brand inspection area in Knox County. Representatives from the livestock markets within the Knox brand area expressed their concern about the economic challenges created by being included inside the brand inspection area. They explain that often revenue that could be kept in Nebraska is lost to those outside of the brand inspection area who find it easier to go to South Dakota to sell, to sell across the brand line. At the end of the meeting, it was clear that there was overwhelming consensus that the brand line in Knox County should be moved to exclude the entire county. The slow but steady removal of Knox County townships from the brand inspection area has left Knox County the one county in Nebraska that is split, with only a portion of the county remaining within the inspection area. The challenges facing Knox County and its place within the brand inspection area have been voiced by the residents of Knox County, and it is clear to me that those who have contacted my office about the issue that the entirety of Knox County should be moved from the brand inspection area. Thank you and I'd be happy to take any questions. [LB60]

SENATOR SCHILZ: Thank you, Senator Larson. Any questions? Senator Johnson. [LB60]

SENATOR JOHNSON: Explain the process that you went through in order to call this meeting, representation and the process you went through. [LB60]

SENATOR LARSON: Yes, I received a number of calls from constituents and I know one of them will be here today to testify. And I wanted to ensure that we heard the voice of the people in this process, so we set up a hearing, as I said, on October 4 in Bloomfield. We had public notices, put it on the radio, invited everybody to come and express their, you know, their beliefs or where they felt the brand line should be. And like I said, it was probably close to about a hundred people and it was 85 to 90 percent of the people that attended that meeting felt very strongly to remove, to take Knox County out of the brand area. So I feel like we've really done our due diligence in terms of asking the people what they want and what is best for those local producers. [LB60]

SENATOR SCHILZ: Thank you, Senator Johnson. Any other questions for Senator Larson? Seeing none, thank you, Senator Larson. [LB60]

SENATOR LARSON: Thank you. [LB60]

SENATOR SCHILZ: At this time, we would take proponents for LB60, proponents. [LB60]

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RYAN CREAMER: Good afternoon. My name is Ryan Creamer, R-y-a-n, last name is spelled C-r-e-a-m-e-r. Thank you for allowing us the opportunity to come before you today. I am co-owner of the Creighton Livestock Auction Market, which is located in Creighton, Nebraska, in Knox County. Currently, our livestock auction market is in the brand inspection area. However, if you go two miles south and nine miles east, you are out of the inspection area. A few points that I would like to bring to your attention here today: In pulling some of our sale records from our auctions, at our auction market from December to June we sold 21,383 head of cattle were sold. Of that amount, 14,824 head of cattle came from out of the brand inspection area, with 6,559 head of cattle coming from in the brand area, which calculates to about 69 percent coming to the market from out of the brand area. The customers that we have from outside of the brand area who bring their livestock to us to sell feel that they are treated unfairly when they are forced to pay the 75 cents per head brand inspection fee. I have potential customers located in other counties, in Dakota County and surrounding counties, that simply will not come to my auction market because they refuse to pay this extra cost that is incurred when they come to our livestock market. Customers that come from out of the brand area who purchase feeder cattle or cows, they may or may not have received brand papers on all of their purchases. If they were purchased in a brand area, a brand clearance was probably written but may have been lost in transport to the final destination. Or if they purchased livestock out of the brand area from their neighbor or from a market that is located outside of the brand area, no brand clearance was written, due to not being a brand inspector there at the time of a sale, however, that livestock may still carry a brand. When livestock are brought back and sold at a market such as ours located in the brand area, the proceeds of the sale of the livestock could be held by the brand inspector until the producer comes up with the correct paperwork, which he may or may not have had to begin with. Another point is there seems to be a lot of confusion from our customers and our potential customers from out of the brand area. In many of the producers' minds, it is easier to avoid selling their livestock at a market that is located within the brand inspection area, such as our livestock market. We have customers and potential customers who will load their livestock up, haul them to livestock markets located in South Dakota because they do not want to have to deal with all the problems associated with selling in a market located in the brand area. Some of those problems are, could be just plain harassed by the inspector. You know, customers have told us that they feel that they are not treated correctly because they don't have the proper paperwork that they may not have in the first place. Because if they bought it out of area, they wouldn't have the brand papers to begin with, and also the possibility of having their proceeds due...or held due to no paperwork. Just yesterday I had a customer call me that wanted to sell a load of slaughter cows at today's auction. We have an auction going on right at this...right now. I told him be sure to make sure you have your brand papers or purchase papers because we're in a brand area. He told me, I don't have any brand papers and I'm not going to dig for my purchase papers. Therefore, he is selling those cows in South Dakota today. And this happens every week and there is no reason for this to happen. While the customers are

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in South Dakota, they're probably purchasing gas, they're probably purchasing groceries, farm supplies. They're spending their dollars out of state. Revenue is leaving the state of Nebraska. It's not only hurting us but it's also hurting all of our small, hometown Nebraska businesses. I feel that farming and ranching has changed and will continue to change in Knox County. Anything that will remotely grow a stalk of corn is now changed into a cornfield. The pastureland is not as plentiful as it used to be. In summary, I just feel that we need to keep as much business in the state of Nebraska as possible. The way the current brand area is set up, it seems to be a deciding factor of whether or not to do business in the state of Nebraska or cross the border and do business in South Dakota. Large amounts of revenue are leaving the state of Nebraska. By taking Knox County out of the brand inspection area, I feel it would eliminate this problem and treat everyone as equal. Thank you for this opportunity, and if you have any questions I'll sure try to answer them. [LB60]

SENATOR SCHILZ: Thank you, Mr. Creamer. Senator Chambers. [LB60]

SENATOR CHAMBERS: Mr. Creamer,... [LB60]

RYAN CREAMER: Yes. [LB60]

SENATOR CHAMBERS: ...I'm from Omaha. I know all that I know about cattle, the rural way of life from movies, reading, and one time I visited some farms when Senator DeCamp was newly in the Legislature and so was I and he took me out into his area. So if I ask a question and it's not framed in the way that an expert would frame it, if you can figure out what I'm trying to ask you, then answer whatever you think I'm asking you. [LB60]

RYAN CREAMER: I'll do my best. [LB60]

SENATOR CHAMBERS: Okay. How much of the area...first of all, where there is a brand area, what happens in that area related to branding? [LB60]

RYAN CREAMER: Well, like I said earlier, the cattle are...they're branded. They may or may not be branded with a hot iron. [LB60]

SENATOR CHAMBERS: Now why are they branded? [LB60]

RYAN CREAMER: For ownership. And I think branding is fine for ownership, you know? If I had a registered brand, it would have my mark on it. [LB60]

SENATOR CHAMBERS: Do you think there would be any problem if we just abolished brand areas altogether? [LB60]

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RYAN CREAMER: I think in your ranch part of the state, which...western Nebraska, I think that's a fine place for the brand. [LB60]

SENATOR CHAMBERS: Why do they need brands out there, a brand inspection area? Why do they need the inspection? [LB60]

RYAN CREAMER: They have big pastures, where our customer...to me a customer in our livestock market is smaller herds. A big customer to us is 100 head of cows. [LB60]

SENATOR CHAMBERS: Okay. [LB60]

RYAN CREAMER: That's a big customer. [LB60]

SENATOR CHAMBERS: Okay. [LB60]

RYAN CREAMER: Out west they have, you know, 300, 400, 500 head of cows. [LB60]

SENATOR CHAMBERS: So then you're not opposed to the idea of a brand inspection where there might be a justification for it. [LB60]

RYAN CREAMER: Where there is justification. Where we sit, it creates nothing but hardship for our area and I have got week after week, it's easier to take them to South Dakota and I don't have to deal with the brand man. [LB60]

SENATOR CHAMBERS: Is there any other county near Knox that is in the brand area or is Knox like a thumb sticking out here by itself? [LB60]

RYAN CREAMER: If I'm not mistaken, if you go west it's all brand. Knox County is split right down the middle. Two miles south is Antelope County. Nine miles east is the middle of Knox County and you're out of the brand area. [LB60]

SENATOR CHAMBERS: Do people steal cattle still? [LB60]

RYAN CREAMER: I have been associated with the Creighton Livestock Market for 19 years. I can count on one hand how many times we have sold cattle for the Nebraska Brand Committee, be it a stray, you know? I think if they're going to steal cattle, they're not going to bring them to a livestock market that's got a brand man there. [LB60]

SENATOR CHAMBERS: Okay. You've anticipated my next question. The fact...well, I can't say the fact. If Knox County, the entire county, were taken out of the brand inspection area, you don't think that would contribute to more cattle or any other kind of livestock theft. [LB60]

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RYAN CREAMER: No, I don't. [LB60]

SENATOR CHAMBERS: Okay. That's all that I have. Thank you. [LB60]

RYAN CREAMER: Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Chambers. Senator Hansen. [LB60]

SENATOR HANSEN: Thank you for being here today. Do you ever sell South Dakota cattle? Because I think by the map you're probably in the part...you're adjacent to the part that's not in their brand inspection area. [LB60]

RYAN CREAMER: We do. We do, and thank you for that question. In fact, I have a customer from South Dakota that I do a lot of business with. I'm also affiliated with a video business where we sell on satellite. If he brings his cattle down to me--and he has his own home-raised calves and he will purchase cattle and commingle them--and if he brings cattle to me, he has to have brand papers or proof of ownership. And most guys, you know, they put their invoice in a pile and there it is, you know? He will not bring me any cattle because of the brand situation. Now I can sell his cattle on a video aspect and I load them on his farm and ranch, which is out of the brand area, and I have no problem. [LB60]

SENATOR HANSEN: Okay. My main question, I guess, would be cattle coming from South Dakota and they cross the state line. Do they...are they accompanied by health papers? [LB60]

RYAN CREAMER: Yes. [LB60]

SENATOR HANSEN: So is that a burden, too, then? [LB60]

RYAN CREAMER: Not really, no. [LB60]

SENATOR HANSEN: Why is that not a burden in the...I mean if they're commingling cattle, they're doing it in a short period of time for resale, and here we have cows, cows especially, coming from South Dakota into Nebraska with health papers and that's not a burden? [LB60]

RYAN CREAMER: Um... [LB60]

SENATOR HANSEN: Is it...why is it not more of a burden than... [LB60]

RYAN CREAMER: Well,... [LB60]

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SENATOR HANSEN: ...the brand papers that he accumulated all the time when he bought these gifts...purchases? [LB60]

RYAN CREAMER: The biggest burden that we see, Senator Hansen, is on cows. Somebody might have bought a cow seven, eight years ago and they don't know where their purchase papers are. They're filed away. As far as the health, I guess I'm not for sure how that all works, but we have a veterinarian inspecting at the livestock market. I guess I don't know what to tell you for sure. [LB60]

SENATOR HANSEN: Okay. I see those out-of-state cattle similar to what the brand man would, where they have to have the papers along with the cattle. They have to stay attached at some point and... [LB60]

RYAN CREAMER: Uh-huh. [LB60]

SENATOR HANSEN: ...but I've grown up with the brand inspection so... [LB60]

RYAN CREAMER: Right. [LB60]

SENATOR HANSEN: ...used to that and we take care of those papers. [LB60]

RYAN CREAMER: Yeah. Yeah. [LB60]

SENATOR HANSEN: Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Hansen. Senator Bloomfield. [LB60]

SENATOR BLOOMFIELD: Thank you, Mr. Chairman. Mr. Creamer,... [LB60]

RYAN CREAMER: Yes. [LB60]

SENATOR BLOOMFIELD: ...it's good to see you today. [LB60]

RYAN CREAMER: Good to see you. [LB60]

SENATOR BLOOMFIELD: It might be advantageous for the committee to know just how far you are from the South Dakota border. [LB60]

RYAN CREAMER: We are located...the livestock market is located approximately 45 miles probably. I have customers in eastern Knox County that it is no further to go to Yankton than it is to go to Creighton. And the way it sits now, they're going to turn and they're going to go north. [LB60]

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SENATOR BLOOMFIELD: That's the information I wanted to get out. Thank you. [LB60]

RYAN CREAMER: Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Bloomfield. Anyone else? Okay. I guess the other question that I would have is you talk about the South Dakota barns and is Yankton the closest one? [LB60]

RYAN CREAMER: Yankton is the closest. I have customers, potential customers that could go to Yankton. [LB60]

SENATOR SCHILZ: Uh-huh. [LB60]

RYAN CREAMER: Sioux Falls Regional is really not that far away with the bridge at Vermillion. I service east of Highway 81 and I had a producer tell me, it's not any further for me to go to Sioux Falls Regional than it is to go to Creighton, Nebraska, from where you're standing right now. [LB60]

SENATOR SCHILZ: Okay. And your big push on this is the fact that you're convinced that you're losing business because of the way it's set up now. [LB60]

RYAN CREAMER: We are, and not only our market, neighboring markets that are in Knox County. And there's a reason Bomgaars has a few cents off on gasoline on Tuesdays, because that's the day we bring people to town to the auction. [LB60]

SENATOR SCHILZ: Right. And then the other question that I had was Knox County is in a different situation than any other county in the state in that you guys are split. [LB60]

RYAN CREAMER: Yep. [LB60]

SENATOR SCHILZ: And we haven't really touched a whole lot on that. I mean you did just a little bit. But could you explain some of the issues that folks are having just because of that split. I mean are there issues because of that? [LB60]

RYAN CREAMER: Well, two miles south and nine miles east, you're out of it. And it's just...I've heard it for many years that don't take your cattle out there because if you don't have your...if you don't have all your paperwork, they're going to hold your proceeds here. You've got to jump through so many hurdles, you know, that that's our main...that is our main argument. [LB60]

SENATOR SCHILZ: Sure. Okay. Thank you very much. [LB60]

RYAN CREAMER: Thank you. [LB60]

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SENATOR SCHILZ: One last time, any other questions for Mr. Creamer? If not, thank you very much. [LB60]

RYAN CREAMER: Thank you. [LB60]

SENATOR SCHILZ: Next proponent, LB60. Good afternoon. [LB60]

JIM HERZOG: Good afternoon. [LB60]

SENATOR SCHILZ: Welcome. [LB60]

JIM HERZOG: Thank you. My name is Jim Herzog, that's J-i-m H-e-r-z-o-g, and I'm co-owner/manager of a feedlot/farming operation at Bloomfield, which is in the northeast corner of Knox County. Our operation has been out of... [LB60]

SENATOR SCHILZ: Excuse me, sir, I don't mean to...could you please spell your name for us? [LB60]

SENATOR HANSEN: He did. [LB60]

SENATOR BLOOMFIELD: He did. [LB60]

RICK LEONARD: He did. [LB60]

SENATOR SCHILZ: Did he? Oh, that's okay. [LB60]

JIM HERZOG: I'll spell it. [LB60]

SENATOR SCHILZ: Thank you very much. Appreciate that. [LB60]

RICK LEONARD: (Inaudible) the paper. [LB60]

SENATOR SCHILZ: First day. (Laugh) Sorry about that. Go ahead. [LB60]

JIM HERZOG: You got it okay? [LB60]

SENATOR SCHILZ: Yeah, you're fine. Yeah. [LB60]

JIM HERZOG: Okay. Okay. Our operation has been out of the brand inspection area, since we are on the eastern side or would be one of the very first ones. Jules Burbach helped get us out, so that shows you it was back there quite a ways. You might ask, well, if I'm out of the brand inspection area and we're in the feedlot business, we do not

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have any cows or calves that we need to sell, why am I here? I'm here because I'm a proponent of keeping business in Nebraska. Now I'm one of those guys that is equidistant from Yankton, South Dakota, and Creighton, Nebraska; takes me a half hour either way. I have neighbors that are in the cow-calf business that I see taking cattle to Yankton all the time. Now I'm reasonably sure that Creighton and Yankton have...both have equal facilities and as good a market because we buy feeder cattle in both places. So I would...I'm here as a proponent of removing all of Knox County from the brand area just to make it easier to keep business in Nebraska sale barns. We brand. We run cattle on grass, as well as feed cattle. We maintain two registered brands, always have, always will, so anything that we run on grass gets a hot iron brand just so that if something is stray, all we have to do is the neighbor says, hey, we've got one of your heifers or steers over here, we've got your brand on it. So there's no problem. All the cattle that are in the feedlot come in there, they get a plastic tag in their ear with a lot number on it. That's how they're identified there because, well, there's no reason to brand anything coming into a feedlot that's not already branded. Number one, the packers don't like it because it hurts the value of the hide. And number two, it's labor intensive. So we just do the ones that are going out on grass. One of the main reasons we lobbied to get out of the brand area originally was because we thought it was an unnecessary expense and an unnecessary job and it was not practical. A good share of the winter you may have cattle with enough mud on them you couldn't tell if they had ten brands on them, so it just wasn't necessary and it's an extra burden to get a brand inspector there. We might have cattle going out of there every day of the week, including Saturdays and Sundays, so it is quite a job to round up a brand inspector. We just don't think that it's necessary to have Knox County in the brand area anymore. As Ryan said, every piece of grass that you can get an irrigation well or that might grow some corn is being broken up. It's not what it used to be. And so that's the reason I think we should have it out of there so we know exactly where the brand area is and to keep more business in Knox County and not going to South Dakota. That would be all I would have and I'd entertain any questions you have. [LB60]

SENATOR SCHILZ: Thank you, Mr. Herzog. Any questions? I guess I have just a couple. Now as you're finishing cattle there, do you have order buyers that come to the yard to bid on them or are you taking some of your finished cattle to auction at a market? [LB60]

JIM HERZOG: We don't take any to auctions. We have three to four packer buyers there that stop every week or they call. They know they've looked at the cattle the previous week, see what we have to sell. So everything that leaves our place goes to a packing plant. [LB60]

SENATOR SCHILZ: Right, sure. [LB60]

JIM HERZOG: And we buy, I would say, 90 percent of our feeder cattle in Nebraska,

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anywhere from Verdigre, Creighton, on along Highway 20 out, Crawford, Gordon, down in...down to Ogallala,... [LB60]

SENATOR SCHILZ: Uh-huh, sure. [LB60]

JIM HERZOG: ...a few of them out of Torrington. So we try to keep...we like the Nebraska cattle. We've bought them everywhere from south Texas to Canada to Kentucky, and we're back in Nebraska because we have the...they've got the best cattle. So that's why we're doing it. [LB60]

SENATOR SCHILZ: I don't...yeah, I don't disagree with you one bit on the quality of Nebraska cattle. So then even the cattle that you're buying to go to grass, you're bringing those back, finishing them in your yard, and then... [LB60]

JIM HERZOG: Yes, they'll...yeah. [LB60]

SENATOR SCHILZ: So basically you're not selling any feeder cattle back to the market. [LB60]

JIM HERZOG: No. They'll go out there, say, the 1st of May and come back off in August, finish them out; they go to a packing plant. [LB60]

SENATOR SCHILZ: Sure. Okay. Thank you. I was just curious. Senator Bloomfield. [LB60]

SENATOR BLOOMFIELD: Thank you. Mr. Herzog, I heard somebody mention that there was a fee for the brand inspection. Does that affect the cattle you buy or is that only when you sell? Do you...if you go to Creighton and buy cattle, do you pay a fee there for the brand inspection? [LB60]

JIM HERZOG: Um...Ryan? We're not getting anything there. The rancher is. We have a brand...we get the brand inspection papers that come along with the cattle. I haven't ever seen a fee from it. [LB60]

SENATOR BLOOMFIELD: Okay. Thank you. [LB60]

SENATOR SCHILZ: Anybody else for Mr. Herzog? Seeing none, thank you, Mr. Herzog. We appreciate your testimony. [LB60]

JIM HERZOG: Okay. Thank you for the opportunity. [LB60]

SENATOR SCHILZ: Other proponents, LB60. [LB60]

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KEITH NIELSEN: Hello. [LB60]

SENATOR SCHILZ: Welcome. [LB60]

KEITH NIELSEN: My name is Keith Nielsen. I'm a cattle feeder and farmer. My name is spelled K-e-i-t-h N-i-e-l-s-e-n and I'm a proponent for LB60. I think the big points have been hit on about revenue loss for the state. That was the one on the top of my list, and also the hassle of producers bringing feeder cattle into their markets and going through all that they have to do if they're out of the brand inspection area. One of my things is I live on the border where the county is split. My feedlot is in a noninspection area, but I have pasture that is on both sides. And if I was to do any expansion, it would only be to the side where the brand inspection is. I believe that the brand inspection area needs to be moved all the way out of the county. I think there's probably other producers that this affects this way. When we...our cow...like I say, our pasture runs between both areas and when we were originally...got out of that area and I think it was in '83 Ryan said that we were told that we didn't need any inspection on anything because we were running on both sides. They could run either way. And it's...I think the revenue loss is a big thing, just not only for the sale barns but for the cities, the county, and the state. It all affects everything from stopping at a gas station to a Bomgaars to a Quik Stop, getting groceries, anything of that order. The money leaves the state; it never comes back. And our state is agriculture based and our biggest industry is the beef industry, and I think we need to keep looking at it that way; also the hassle that the markets have for getting things done, if there's some problem with paperwork, whether it's the brand inspection papers or the sales receipts. And I know there's producers in my area that have cows and calves in the pasture in the brand area but they live in a nonbrand inspection area that are, you know, totally against this or they have issues with it when they bring cows home because a lot of them bring cows home just right on the road. And you know, the times of getting a brand inspection on 100 cows going by you is pretty tough unless you have them in a pen. The...I guess that's my basic issues on it. [LB60]

SENATOR SCHILZ: Okay. Thank you, Mr. Nielsen. Senator Lathrop. [LB60]

SENATOR LATHROP: I, too, am from Omaha and I've never branded a cow so I don't understand this whole branding thing all that well, and I guess you're the guy that's going to answer my questions. [LB60]

KEITH NIELSEN: Okay. I'll try. [LB60]

SENATOR LATHROP: So we have cattle at different stages of development, right? [LB60]

KEITH NIELSEN: Yes. [LB60]

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SENATOR LATHROP: And which cattle are passing through these barns where this inspection needs to take place? [LB60]

KEITH NIELSEN: Basically, it is a calf, could be from 300 pounds up to 1,000 pounds, and stock cows that are either being sold as bred stock or as slaughter animals for going to slaughter. [LB60]

SENATOR LATHROP: So if I run a feedlot, I would go to this place to buy cattle... [LB60]

KEITH NIELSEN: Yes. [LB60]

SENATOR LATHROP: ...to bring back to my feedlot to put on corn and finish them off. [LB60]

KEITH NIELSEN: Right. [LB60]

SENATOR LATHROP: Is that what you guys call it, finishing them off? [LB60]

KEITH NIELSEN: Yes, finishing them. [LB60]

SENATOR LATHROP: Okay. Or I could buy old ones that are ready to be slaughtered,... [LB60]

KEITH NIELSEN: Older. [LB60]

SENATOR LATHROP: ...who might have been on grass or in somebody's pen. [LB60]

KEITH NIELSEN: Yes. Yes. [LB60]

SENATOR LATHROP: Right? When they come to the barn in Creighton, do they all have brands on them? [LB60]

KEITH NIELSEN: Not necessarily, no. [LB60]

SENATOR LATHROP: Okay. And will this bill change that? Some will come with brands; some won't. We'll just stop inspecting them? [LB60]

KEITH NIELSEN: That's right. [LB60]

SENATOR LATHROP: Okay. So who decides whether a cow is a...a cow, is that the right term? [LB60]

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SENATOR SCHILZ: Sure. [LB60]

KEITH NIELSEN: Uh-huh. [LB60]

SENATOR LATHROP: Okay. [LB60]

SENATOR SCHILZ: Well, we'll find out. (Laugh) [LB60]

SENATOR LATHROP: Who decides? Who decides whether a cow has a brand on it or not? Is that just the farmer or the rancher's preference? [LB60]

KEITH NIELSEN: The farmer decides if he wants to brand or not. Some have. [LB60]

SENATOR LATHROP: And this isn't going to change that. Is that true? [LB60]

KEITH NIELSEN: No. [LB60]

SENATOR LATHROP: So if I have a big ranch someplace and I want to put a brand on them, I can; and if I don't want to, I don't have to. [LB60]

KEITH NIELSEN: Right. [LB60]

SENATOR LATHROP: But when I get to the sale barn, if I'm in a brand inspection area, I have to have an inspector there who's going to charge me 75 cents a head to look at the brand as the cattle go by. [LB60]

KEITH NIELSEN: Yes. [LB60]

SENATOR LATHROP: And some of them won't even have brands on their rear but they'll be charged 75 cents for each one of those cattle. [LB60]

KEITH NIELSEN: That's right. [LB60]

SENATOR LATHROP: And what we're saying today is we want to stop getting nicked 75 cents a cow every time they pass through the market in Creighton? [LB60]

KEITH NIELSEN: Basically, you know, well, or... [LB60]

SENATOR LATHROP: Why did we have this in the first place? Is this to stop the thieves? [LB60]

KEITH NIELSEN: It...probably. You know, it...cattle were usually more raised on range in this country. You know, a hundred years ago it was range before it turned into farm

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ground, and it...people branded their cattle so that they could identify them in case they got mixed up. Like when the wildfires were happening out in western Nebraska around Valentine and west, people just went out and started cutting fences so they could save their cattle. Well, they could identify them by the brand that they had on them. Basically that's the only reason I brand cattle to go out in my pasture. That's the only time I brand them, is so that I've got two other cow-calf producers around me and they have...some have bred heifers, that if one of mine gets in there, it's identified easy. They know my brand and they call and we get it taken care of. We get it out of there. [LB60]

SENATOR LATHROP: You brand your cattle? [LB60]

KEITH NIELSEN: I only brand my cattle going out to grass. I don't brand any in the feedlot. [LB60]

SENATOR LATHROP: Okay. Now no one is going to inspect them... [LB60]

KEITH NIELSEN: Right. [LB60]

SENATOR LATHROP: ...so somebody could round up some of your cattle while you're in town, sleeping,... [LB60]

KEITH NIELSEN: Right. [LB60]

SENATOR LATHROP: ...take them over to Creighton and sell them and no one is going to be looking for that brand to see if it's... [LB60]

KEITH NIELSEN: If...yes, they will because I have a registered brand with the state of Nebraska. [LB60]

SENATOR LATHROP: Who is going to be checking for it at the barn in Creighton if we do this? [LB60]

KEITH NIELSEN: The brand inspector is supposed to be. [LB60]

SENATOR LATHROP: See, that's the part I'm not getting. If we pass LB60, at the sale barn in Creighton there will no longer be a brand inspector. Is that true? [LB60]

KEITH NIELSEN: It could be. [LB60]

SENATOR LATHROP: Well, isn't that the point? [LB60]

SENATOR SCHILZ: Yeah. [LB60]

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SENATOR LATHROP: Or am I missing something? If we pass this, there will no longer be a brand inspector at Creighton so no one is getting paid to...now somebody might notice them but we won't have somebody charging producers 75 cents a head to look on the cow or the cattle as they go by to check their brand. Is that right? [LB60]

KEITH NIELSEN: Yeah. [LB60]

SENATOR LATHROP: That's...I mean that's what we're trying to do. [LB60]

KEITH NIELSEN: That's...yeah. [LB60]

SENATOR LATHROP: You want to save 75 cents a head and you're willing to give up having somebody make sure that your stolen cattle aren't getting sold at the Creighton barn. [LB60]

KEITH NIELSEN: Uh-huh, basically. [LB60]

SENATOR LATHROP: Is that right? [LB60]

KEITH NIELSEN: Basically. [LB60]

SENATOR LATHROP: And you're willing to do that because you don't want to pay the 75 cents? [LB60]

KEITH NIELSEN: I'm willing to do that because there's a risk you take in any profession and one of them is a risk in the theft of cattle. But as far as theft of cattle has gone, I can't remember one around here since I've been farming. [LB60]

SENATOR LATHROP: Okay. Okay. Good. I better understand it. Thank you for answering my questions. [LB60]

SENATOR SCHILZ: Thank you, Senator Lathrop. Senator Harr. [LB60]

SENATOR HARR: I, too, am from Omaha...or three, and I have a basic understanding. But I do have a question as far as...and I sympathize with your boundary issue as far as being part branding, part not branding. But won't...no matter where we move that line, won't there probably be someone that has the problem? All we're doing is shifting that problem from you to somebody else. Is that correct or... [LB60]

KEITH NIELSEN: There might be. But if you shift it to a total county line, it's usually not as bad. [LB60]

SENATOR HARR: Okay. And does being in a branding versus a nonbranding area

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affect the underlying value of that pastureland, to your knowledge? [LB60]

KEITH NIELSEN: Not to my knowledge. [LB60]

SENATOR HARR: Okay. That's all. Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Harr. Senator Johnson. [LB60]

SENATOR JOHNSON: Thank you for coming in, Mr. Nielsen, and Senator Harr asked part of my question. With that border, I'm not real familiar but I assume a half mile east of your county and the west county line in the next county is basically the same ground, so it just has the county line factor. [LB60]

KEITH NIELSEN: Well, it's a township line. [LB60]

SENATOR JOHNSON: Township line, okay. [LB60]

KEITH NIELSEN: Township line. [LB60]

SENATOR JOHNSON: What's the nearest livestock auction market that would be affected next for people to go to in Holt or counties west of you? How far? [LB60]

KEITH NIELSEN: Well, Creighton is the closest one to me and... [LB60]

SENATOR JOHNSON: But to the west. [LB60]

KEITH NIELSEN: To the west, yeah. I live east. I'm on the east side. [LB60]

SENATOR JOHNSON: Yeah, but I mean west of the county line. [LB60]

KEITH NIELSEN: West of there? O'Neill. O'Neill. [LB60]

SENATOR JOHNSON: O'Neill would be the next one over... [LB60]

KEITH NIELSEN: O'Neill would be the next one. [LB60]

SENATOR JOHNSON: ...as far as having the same factor that we have with a sale barn in Creighton. [LB60]

KEITH NIELSEN: Uh-huh. But I think there's...it seems like to me that there's a lot of cattle come east more than west. [LB60]

SENATOR JOHNSON: Okay. [LB60]

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KEITH NIELSEN: That's just my opinion, but... [LB60]

SENATOR JOHNSON: Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Johnson. Senator Chambers. [LB60]

SENATOR CHAMBERS: I do have a better understanding of the overall picture now due to the questions that were asked and the answers given. But as I read the way these brand areas are set up, dividing a city, dividing a township doesn't mean anything. They even divide parts of lots in a township, and here's one: "except twenty-two feet of the east side of lot 8." So they chopped it up, so that's not really the issue, the fact that part of Knox County is in it and part of Knox County is not. That's not really an issue of consequence, is it? And if it is, why is it? [LB60]

KEITH NIELSEN: I'm not real familiar with the lot and where they're talking about, but would that be in the city of... [LB60]

SENATOR CHAMBERS: Well, no, I just give that as an example. I want to find out what's happening in the part of Knox County that is not in the brand area that is different from what's happening in the part of Knox County that is in the brand area, if you know. If you don't know, I don't want you to have to guess. [LB60]

KEITH NIELSEN: Yeah, that's some...I'm not familiar with that. I wouldn't know. [LB60]

SENATOR CHAMBERS: Okay. I don't have anything else. [LB60]

SENATOR SCHILZ: Thank you, Senator Chambers. Anyone else? Senator Bloomfield. [LB60]

SENATOR BLOOMFIELD: Thank you. I'm going to throw in another question for a little clarification. I no longer maintain a brand. I used to; I don't anymore. I have utilized a sale barn from time to time. It's been a while, but I have utilized it. If I go to Mr. Creamer and tell him that I've had some branded cattle stolen, Mr. Creamer will be watching for that brand to come through his barn. [LB60]

SENATOR CHAMBERS: Mr. Chambers you said? [LB60]

SENATOR BLOOMFIELD: No, I said Mr. Creamer. (Laughter) [LB60]

SENATOR CHAMBERS: Oh. [LB60]

SENATOR BLOOMFIELD: Mr. Chambers would be... [LB60]

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SENATOR CHAMBERS: I was going to say I just got a promotion. [LB60]

SENATOR BLOOMFIELD: Mr. Chambers would be more than welcome to. [LB60]

SENATOR CHAMBERS: Okay. Okay. [LB60]

SENATOR BLOOMFIELD: But my understanding is that the people at the auction, if you alert them, they will be watching for it. [LB60]

KEITH NIELSEN: Yeah. Yeah. [LB60]

SENATOR BLOOMFIELD: And that's how you get your cattle back if you have... [LB60]

KEITH NIELSEN: Yeah. [LB60]

SENATOR BLOOMFIELD: ...a brand (inaudible). Is that your understanding? [LB60]

KEITH NIELSEN: Yes, it is. [LB60]

SENATOR BLOOMFIELD: Okay. Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Bloomfield. Any other questions for Mr. Nielsen? Senator Lathrop. [LB60]

SENATOR LATHROP: So basically, we're just trying to get rid of the \$75-a-head fee? [LB60]

KEITH NIELSEN: Seventy-five cents. [LB60]

SENATOR LATHROP: Seventy-five cents. That's it? [LB60]

KEITH NIELSEN: No, there's a lot of hassle for the livestock markets that are in this brand inspection area, that are in the part of the county that is still in. [LB60]

SENATOR LATHROP: Okay. If I'm in, right now the Creighton barn is in the inspection area. [LB60]

KEITH NIELSEN: Yes. [LB60]

SENATOR LATHROP: So does he need more paperwork from a guy selling cattle there? [LB60]

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KEITH NIELSEN: If they come from out of the inspection area to in the inspection area, yes. [LB60]

SENATOR LATHROP: Okay. And if they don't, no? [LB60]

KEITH NIELSEN: And if they don't what? [LB60]

SENATOR LATHROP: If the cattle come from...I'm just trying to get to what this is all about and it sounds like part of it is the 75 cents. [LB60]

KEITH NIELSEN: Biggest part of it is the revenue we've lost, too, that goes from taking your cattle, instead of Creighton, Nebraska, to out of the inspection area at Yankton, South Dakota. [LB60]

SENATOR LATHROP: That's an indirect consequence, right? [LB60]

KEITH NIELSEN: That's... [LB60]

SENATOR LATHROP: So in other words, it's easier and I'm saving 75 cents if I can go to someplace that doesn't have one of these brand inspectors there charging me 75 cents a cow to look at the backside of them to see the brand. Right? And I'm also saving myself some paperwork at the sale barn when I'm selling cattle in a brand inspection area. [LB60]

KEITH NIELSEN: Yes. [LB60]

SENATOR LATHROP: And what we're trying to do is eliminate that at the Creighton barn. [LB60]

KEITH NIELSEN: Yes, I will say... [LB60]

SENATOR LATHROP: Is there any reason we wouldn't expect next year that the guy in Holt County in O'Neill, Nebraska, isn't going to come in here and tell us the very same thing? [LB60]

KEITH NIELSEN: It could happen. I don't know. [LB60]

SENATOR LATHROP: Is there a reason to leave them in that brand inspection area and take Creighton out of it? What's the logic for where we draw the line? [LB60]

KEITH NIELSEN: If you get into that area more, you have more ranch and larger ranches, you run more cattle in more area... [LB60]

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SENATOR LATHROP: The further west you get. [LB60]

KEITH NIELSEN: ...the further west you go. [LB60]

SENATOR LATHROP: And there's something about Holt County where you think that's where the line should be drawn. [LB60]

KEITH NIELSEN: That's just a end of the county line, you know,... [LB60]

SENATOR LATHROP: Okay. [LB60]

KEITH NIELSEN: ...an easy line, instead of doing it by townships again and going like that. [LB60]

SENATOR LATHROP: All right. That's it. That's all I got. Thanks. [LB60]

KEITH NIELSEN: Thanks. [LB60]

SENATOR SCHILZ: Thank you, Senator Lathrop. Anyone else? Senator Chambers. [LB60]

SENATOR CHAMBERS: He started this. (Laughter) You mean to tell me that when you get west, Deb Fischer's family doesn't own all of the ranchland? (Laughter) [LB60]

KEITH NIELSEN: I don't think so. I don't know. [LB60]

SENATOR CHAMBERS: Okay. [LB60]

SENATOR SCHILZ: Okay. [LB60]

SENATOR LATHROP: Okay. We'll leave that one alone. [LB60]

SENATOR SCHILZ: Mr. Nielsen, you don't have to answer that. (Laughter) If there's no other questions, Mr. Nielsen, thank you so much for coming in. [LB60]

KEITH NIELSEN: Great. Thank you. [LB60]

SENATOR SCHILZ: Other proponents for LB60. [LB60]

SHANE GRECKEL: I'm not quite so sure if I want to put my name in the basket. [LB60]

SENATOR SCHILZ: Welcome. [LB60]

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SHANE GRECKEL: Shane Greckel, S-h-a-n-e G-r-e-c-k-e-l, and I come here today to testify in support of LB60 for the simple reason to offer some light on it as a small farmer, rancher, cow-calf producer, and a young farmer as well. And you know, I hear a lot about the 75 cents a head. Yes, that kind of is a little issue with us, but the bigger issue with where I'm at is northwest of Bloomfield and you're again, like Mr. Nielsen, very close to the brand line itself. We have pasture on both sides and it's just a complete hassle to go into these unmarked areas in Nebraska, up in, you know, Knox County, to figure out where the line in the sand is almost, where this brand line is, back and forth between pastures. And sometimes you absolutely think you're out or you're exempted of this brand area, so you put your cattle in there, you don't go through the proper legal channels, and then your neighbor starts making a mess up there and then there's a lot more issues going on and a lot of, you know, legal turmoil back and forth. So you don't...we don't really know where it's at and it's a really big inconvenience of lining up a brand inspector to sometimes come out there and inspect your cattle when you leave the pasture and sometimes not. And you know, we're seeing...we're paying the service all the time, plus commission fee or, you know, rate fees. I think it's \$10 to...for them to come out. Yes, it's a small amount of money but, again, you have to have an inspector come out and you have to have them look at your cattle while you're trying to take them out. And farm life anymore is not a slow-paced, easygoing schedule. It's a very demanding, high-paced environment anymore if you're in row crop production and cattle livestock. So, you know, a schedule of finding a brand inspector when he can come out there, if he can come out there, is one issue, when you can get your cattle out, depending on weather conditions. And I'm not really talking about a livestock market here. I'm talking mainly about getting cattle from one pasture back to your residence, back and forth. That is the other issue that I'm here personally knowing of and how it's really affecting it, because some people don't want to, you know, rent some ground if it's in the brand inspection area, just for extra cause. I was one of those. That's why I can say that. And I'm one of those neighbors, like Mr. Creamer, you know, we're right...we're 25 miles from Yankton, we're 23 miles from Creighton. And once in a while that's the determining factor on whether or not you sell cows is because you can't find your original production, you cannot find your brand inspection. So you take them right over to the South Dakota border. That's my issue on that. You know, there's just a lot of reasons that I'm for, you know, exempting Knox County. Knox County is kind of this thumb sticking out in the middle of nowhere. We're half in, half out. And the demographics of Knox County are changing in the agricultural aspect, I think Mr. Herzog touched on that, mainly to of any blade of grass that is being able to be turned over in order for corn production is happening. So we're getting smaller and smaller pastures and, in my case, we're moving cattle maybe sometimes twice a year in and out of brand inspection zones in order for the, you know, viability of the pasture, to maintain them. And then this is where some of that cost really adds up. And you know, I think we touched on before a little bit of where does the line stop. You know, does it keep going into Holt County? And you know, my honest opinion of that is the farther we go west, neighbors take care of it. So I don't know what will happen there, to be quite honest with

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you. But, you know, when we lose cattle, we don't rely on brand inspectors. We rely on our neighbors, trusted neighbors, trusted livestock markets to pick those cattle up and help us out within Nebraska. [LB60]

SENATOR SCHILZ: Thank you. [LB60]

SHANE GRECKEL: Thank you. [LB60]

SENATOR LATHROP: Can I, just one question? [LB60]

SENATOR SCHILZ: Senator Lathrop. [LB60]

SENATOR LATHROP: I don't want to start a big, long dialogue. But do these guys come out to your house or are they at the barn? [LB60]

SHANE GRECKEL: They come out to the remote, remote locations once in a while. They're supposed to. I mean... [LB60]

SENATOR LATHROP: So if you want to move your cattle, if you're in a brand inspection area and you want to move your cattle out of a pasture that's situated in a brand inspection area, you got to have one of these guys come out and watch you load it and then they look at the backside of the cow to look at the brand and watch you put them all on a trailer and then off you go. [LB60]

SHANE GRECKEL: That's what they're... [LB60]

SENATOR LATHROP: And you're paying them. [LB60]

SHANE GRECKEL: That's what they're supposed to do. Whether or not that happens once in a while is iffy. [LB60]

SENATOR LATHROP: If you did that and you're loading them to take to the barn in Creighton, is there going to be another guy there looking at them at the Creighton sale barn, or does this all happen at the farm? [LB60]

SHANE GRECKEL: From what I understand in my scenario, I'm loading cows that are going from grass, on grass with calf, back on to a truck to bring back to my residence. I'm not loading them to go to Creighton. I've never done that so I don't know the answer to that question, Senator. But as for when I bring them from the pasture as a pair back to my residence, I'm required or I'm supposed to have a brand inspector out in these remote areas of Nebraska, which they can't even find half the time so you sit there waiting two, three hours on end. And you know, then you run into more issues all the time. As time goes on through the day, you run into more complications. So sometimes

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what we're paying for, we're not really getting is my issue. And as these pastures become more and more remote with the development of production agriculture in row crop, you know, we're going to have more and more problems such as this, in my opinion, that we can't find them. As to where, you know, I'm going to say again out west, Holt County, this is a much larger area and, you know, I don't think you're looking at the same issue between western Knox and eastern Holt. [LB60]

SENATOR LATHROP: Okay. Thank you. [LB60]

SENATOR SCHILZ: Senator Bloomfield. [LB60]

SENATOR BLOOMFIELD: Thank you. So you could be moving cattle, the same critter, several times a year and you have to have this brand inspector out several times a year. That 75 cents a head is each time you move him. Is that correct? [LB60]

SHANE GRECKEL: And \$10 on top of that. I mean... [LB60]

SENATOR BLOOMFIELD: Yeah. Okay. Thank you. [LB60]

SHANE GRECKEL: Yeah, correct. [LB60]

SENATOR SCHILZ: Thank you, Senator Bloomfield. Senator Wallman. [LB60]

SENATOR WALLMAN: Thank you, Chairman Schilz. Yeah, thanks for coming. I can appreciate what you're try...it's a township line now, right? [LB60]

SHANE GRECKEL: Yeah, it's unmarked township lines that divide it. [LB60]

SENATOR WALLMAN: Yeah. But you'll still have some border with neighboring counties, won't you? [LB60]

SHANE GRECKEL: I... [LB60]

SENATOR WALLMAN: Because really landowners have to cross county lines, don't they? [LB60]

SHANE GRECKEL: Yeah, I'm sure they do. You know, if this were enacted though, I believe Holt County would be the only border. To my knowledge, I don't think Antelope County is in the brand inspection. [LB60]

SENATOR WALLMAN: Thank you. [LB60]

SHANE GRECKEL: Uh-huh. [LB60]

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SENATOR SCHILZ: Thank you, Senator Wallman. Anyone else? Thank you, sir, for your testimony. [LB60]

SHANE GRECKEL: Thank you. Thank you, Senators. [LB60]

SENATOR SCHILZ: Do we have any other proponents for LB60? Seeing none, any opponents for LB60? Opponents. Seeing none, anyone...is there one? Okay, we have one. Thank you. [LB60]

DAVID WRIGHT: Thank you, Senator Schilz, Mr. Chairman. Thank you, committee, for this, giving me the opportunity to present testimony. My name is David Wright. I am the current president of Independent Cattlemen of Nebraska, and I am testifying in opposition to this bill. [LB60]

SENATOR SCHILZ: Excuse me. Can we have you spell your name, please? [LB60]

DAVID WRIGHT: D-a-v-i-d... [LB60]

SENATOR SCHILZ: Uh-huh. [LB60]

DAVID WRIGHT: ...W-r-i-g-h-t. [LB60]

SENATOR SCHILZ: Thank you. [LB60]

DAVID WRIGHT: Okay. I thought at first I'd talk about the benefits of brand inspection, like the millions of dollars of stray cattle that have been returned to the rightful owners or maybe even the checkoff side of it. Do you realize that brand inspectors in the brand inspection area collect checkoff dollars paid during country sales? Outside of the brand inspection area, there's no one to inspect that change of ownership so, therefore, the \$1 is collected, the loss is \$1, must be collected from the seller to the buyer, and the buyer must remit it to the Beef Council. Inside the brand area--now these are just country sales, this is not sale barns or packing plants--there's \$420,000 worth of country sales, \$1 a head. Outside the brand area, where it's based on honor, we collect \$4,500. That's interesting. So instead I thought, well, then I'm sure some of you have seen the information that the Brand Committee has sent you on the dollars that are collected and what's been saved, and I would encourage you to review those numbers and to get a better grasp on what it is that brand inspection does for us as a service. So I thought, instead, let's talk about what brand inspection is. Number one, brand inspection is not about branding cattle. Nebraska is not a mandatory branding state. Number two, brand inspection is about proof of ownership. If I have an animal that has someone else's brand, I must prove that that is my animal, either through a brand release or some form of documentation that the brand inspector requires. If animals are not branded, which

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we call slicks--slicks means they've never been...an iron has never touched them--if there's no brand or no ear tag or no form of identification on that animal, then possession becomes the law, because how do you prove it's not mine? So why...so my question becomes, why would anybody be afraid of proving ownership? After all, we have to prove ownership on our real estate. We have to prove ownership on our vehicles, our cars, our pickups, our trailers, our boats. We have to prove ownership on anything that we want to sell, because if we don't, we might be selling stolen or lost merchandise. We have to prove ownership. So what happens if we don't prove ownership and it's stolen? Well, you go to jail usually if you wind up buying stolen products. And so my question then becomes, is it not in the public's best interest to ensure that ownership is proven at the time of the exchange of ownership? Maybe we should be talking about making the entire state a brand inspection state. Maybe we should drop the words "brand inspection" and call it "proof of ownership," and branding is just one form of proving the ownership of those cattle. Once you grasp the idea of ownership, then the inspector is no different than, say, the county clerk. It's a third-party verification of ownership. The county clerk is where you register your licenses on your vehicles and your titles, the register of deeds for your real estate. Your insurance company holds the serial numbers on all your equipment, that's a third-party verification that that is my equipment; the bank, through their lien process. Even in a retail store, even in Omaha when you go to a retail store, you leave with a proof of ownership. It's called a receipt. This is how you can prove that you did not steal the merchandise from the store. If you cannot prove ownership, then you cannot prove theft. Everything I have just described is nonambulatory. A car does not just pull out of the driveway, go five miles down the road and pull in another driveway. Merchandise does not just get up and walk out of a store. But livestock have minds of their own. This is why we need inspectors to verify that change of ownership. You know, there's many ways to confuse this issue. We can confuse the issue through the sale barns by saying, you know, we're not getting enough; that 75 cents is dinging us per head. Have you ever listened to an auctioneer? He starts out bidding and we're jumping \$5, \$10, \$25 per hundred at a crack. It isn't until he gets down to the very end, when the two guys are trying to decide who's going to buy it, that we get down to maybe 25 cents per hundred. That's \$1.25 per head, one bid, one bid at the very end. Or, you know, we can talk about trying to get my cattle back out of the pasture. Wouldn't it be wiser to make the whole state brand inspection or the whole county? So I live in Antelope County. I ranch in Holt County. I cross that county line twice, four, six, eight times a day. We sell cattle. Where I live at the ranch where we sell our cattle, we have the option to sell them in O'Neill, Nebraska, at the Shamrock Livestock Market, which is 17 miles. We could sell them at Creighton or Verdigre, which is about 35 or 40 miles. We could sell them at Atkinson, which is 45 miles. We could sell them at Bassett, which is 70 miles. Instead, we choose to sell them in Burwell, which is 80 miles away, and the reason we sell them there is because the market seems to be a better market or...and we have a good relationship with the auctioneer. That is why we decide where we're going to sell cattle. We used to sell them in Elgin years ago when I was a kid. Elgin was outside of the brand inspection area and

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Elgin was what they called an open market. There was a brand inspector at the market. Well, they removed him from that market so, therefore, the brand inspector inspected our cattle at the ranch before they went to Elgin and that became quite a hassle. It was much easier just to sell them to a sale barn in the brand inspection area. So this idea, this notion that Knox County is being tore up is correct. It's \$8 corn has done this. They're tearing everything up, you can see, and these farmers are planting row to row. And they're running out of grass, so they're forced to go west for pasture. So the further west that a farmer goes, do we push the line further west to satisfy the farmer? So all these things, like I said earlier, are ways of confusing the issue. The basic issue is ownership. It's proof of ownership. It's a third-party verification of ownership. If you're in the brand area and you have cattle in the pasture, I can have cattle clear out at Hyannis and bring them home and I do not have to have them inspected when I leave because I'm in the brand area. But, boy, the day I go to sell them, I want to make darn sure that somebody is inspecting those cattle. So I'm open to questions and I would appreciate a few questions. Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator...or thank you, Mr. Wright. Any questions for...? Senator Hansen. [LB60]

SENATOR HANSEN: I've got one. Dave, when you go from Antelope County to Holt County, can you tell where the county line is? What's the physical appearance of Antelope County? Why would they...those people petitioned to get out in the past and the Holt County people didn't. Is there a difference in...is there a road every mile in Antelope County and not in Holt County or... [LB60]

DAVID WRIGHT: No. In...well, obviously...well, I should take that back. There is going to be. There is, there's a county line that's generally designated by a road because it's on a section line, but there are some places where people have owned the land on both sides and a section line has been closed. So if you wanted to, you could go find a spot where there probably isn't a designation and that, as you get north of the Elkhorn River, because the power lines run up that direction, but there...yes, there are spots where there's not a distinction between the two. But even as a landowner, if you're a landowner that has land on both sides, you can get a variance from the Brand Commission, because they realize that you have to move your cattle back and forth. The question becomes when someone to the east wants to graze to the west but they want you to drop your process of guaranteed ownership to satisfy what they want. I mean that's called doing business in the west. And I will...I do agree that the line is a huge problem. I do agree that is a problem. That's why Independent Cattlemen of Nebraska would like to see the entire state a brand inspection state. [LB60]

SENATOR HANSEN: Thank you. [LB60]

SENATOR SCHILZ: Thank you. Senator Johnson. [LB60]

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SENATOR JOHNSON: Thanks for coming in, Mr. Wright. We've heard some testimony and we've talked about...we've heard about the 75 cents, which in some cases it adds up to dollars but it's not the big factor. It appears that it's more the inconvenience and the delay in getting an inspector to...at the barn or out into your field, out into your pasture. Is that a real problem, that we don't have enough inspectors, or do we need more inspectors in order to satisfy this? Or is this just kind of a anywhere along the line we have that line between brand inspection and out-of-brand inspection we have those same issues? All the way from South Dakota to Kansas, do we have issues? [LB60]

DAVID WRIGHT: I would...well, for the question about inspectors, as you know, the brand inspection system runs...it runs on...it's like a nonprofit system. As it makes money, it lowers the inspection fee. If it's short money, it raises the inspection fee. It's not in the business to make money. So they base their...as the Brand Inspection Committee, which is some very intelligent people, as they set their budget and make their decisions, they weigh whether they can hire another inspector or they cannot hire another inspector. But back to the second part of the question, wherever you cross that line, somebody is going to complain because they feel that they should be able to get their own livestock back. You know, it's an inconvenience for me to drop 75 cents in that darn meter outside, but I do it because that's the rules of the city, or park in that two-hour parking spot. Has anybody considered about putting a parking garage around this place? You know, to find a spot to park, and you can only park for two hours or you get one of those pretty little emblems on your...little deals under your windshield wiper. Yes, it's an inconvenience, but it's part of doing business to come down here and be a part of this government. So if you're going to rent pasture on the other side of the brand line, then you need to understand what the rules are to going on the other side of the brand line. If that's the argument, I think it plays well to say let's make the whole state a brand state. Then those farmers can buy as many cows as they want and they can put them out to pasture wherever they want. [LB60]

SENATOR JOHNSON: Thank you. [LB60]

SENATOR SCHILZ: Thank you, Senator Johnson. Anyone else? Great. Thank you, sir. [LB60]

DAVID WRIGHT: Thank you. [LB60]

SENATOR SCHILZ: Appreciate your testimony. Other opponents, LB60. Good afternoon. [LB60]

JOHN HANSEN: Chairman Schilz, members of the committee, for the record my name is John K. Hansen, H-a-n-s-e-n, and I'm the president of Nebraska Farmers Union. You've heard this afternoon a very good pro-and-con discussion of the relative merits of

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being in or out of a brand inspection area, and we are, as an organization, not unaware of these arguments and these discussions. And as a former livestock producer who was kind of on the boundary between these areas, we used to sell a lot of livestock into the Creighton Livestock Market even though it was twice as far as a closer market that was not in the inspection area, even though it was in an inspection area, because it was a better livestock market. It's well run. They do a great job. And we come down, after all the pluses and the minuses of this discussion, as an organization, if we had our druthers we would rather see the brand inspection area extended to the whole state than to just keep shrinking the boundaries and going back and forth over boundary areas. And whenever you get rid of one boundary area, there will be another boundary area and there will be another set of conflicts, and it goes back and forth. But relative to the argument of whether or not there's merit in the business of having animal identification when you sell your stuff, the benefits of that far outweigh any of the disadvantages or any of the burdens. And they're just not...the additional burden of having to comply and do that is small, in my opinion, compared to jumping across the state line and selling in Yankton, and we've done that as well. But if you're going to sell cattle in Yankton, you have to comply with all of the requirements that go with moving cattle across state lines. And so, so it goes wherever you sell. But it would certainly equalize the disparities within the current state system now, especially since it's not a mandatory brand requirement, to extend it to the whole state, and I think it might make it a little bit easier in some respects once you get that system set up for inspection. So this is a bleeder and a leaner, but we would be leaning in favor of expanding rather than reducing. And with that, I would close my testimony and be glad to answer any questions if I were able to do so. [LB60]

SENATOR SCHILZ: Thank you, Mr. Hansen. Any questions for Mr. Hansen? Seeing none, thank you very much. [LB60]

JOHN HANSEN: And thank you very much. [LB60]

SENATOR SCHILZ: Any other opponents of LB60? Anyone? Okay, any neutral testimony? [LB60]

PETE McClymont: Good afternoon, Chairman Schilz, members of the Agriculture Committee. My name is Pete McClymont, P-e-t-e M-c-C-l-y-m-o-n-t. I'm vice president of legislative affairs for the Nebraska Cattlemen. I am here simply to affirm our policy, which is that our members support producer rights to seek legislation for inspection area to be added or removed, as they see fit. So there's been two proponents here that are members of the Cattlemen. That's their right and we promote everybody's right in decisions like this. [LB60]

SENATOR SCHILZ: Thank you. Any questions for Mr. McClymont? Seeing none, thank you very much. [LB60]

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PETE McCLYMONT: Thank you, sir. [LB60]

SENATOR SCHILZ: Is there any other neutral testimony on LB60? I do know, I know a few people had questions. I see that Mr. Stanec is here. Would you be able to come up and maybe just answer a few questions if people have them? Steve Stanec from Brand Committee. [LB60]

STEVE STANEC: Thank you, Senator Schilz. [LB60]

SENATOR SCHILZ: Good afternoon. [LB60]

STEVE STANEC: My name is Steve Stanec, last name is spelled S-t-a-n-e-c, first name is spelled S-t-e-v-e. I am executive director of the Nebraska Brand Committee, based out of Alliance, Nebraska, and I'd be glad to answer any questions that anyone might have. [LB60]

SENATOR SCHILZ: Thank you. I guess I'll just kind of start it out since I asked you up here. First of all, thank you for coming all this way to be here for this hearing. We really appreciate it. We heard a little bit about inside the brand area, outside the brand area. I guess one of the questions that I came up with was, if you're outside of the brand area, are you precluded from having your cattle inspected or can you ask to have your cattle inspected and pay the 75 cents outside the brand area and have all the same opportunities as somebody that was? [LB60]

STEVE STANEC: That's somewhat of a two-part question. I'll try to answer both of those. [LB60]

SENATOR SCHILZ: Okay. [LB60]

STEVE STANEC: The main difference between inside the brand inspection area and outside the brand inspection area is simple in that on every change of ownership inside the brand area they must first be inspected for ownership and the brand inspector is then obligated to transfer the title or the ownership to the buyer through certificates of inspection. Outside the brand inspection area cattle may be sold private treaty on a mere bill of sale, but it is mandatory that the seller give the buyer a properly executed bill of sale. Anyone that would like to have an inspection outside the brand area, we offer that service, but it is not mandatory. The fees would be the same. However, consideration has to be given, distance of travel and things of that nature, for our inspectors to travel from inside, which if you look at the line you're looking at, you know, just west of Grand Island pretty much straight north until you get...Howard County is in, the east counties are out from Howard County. So for someone to travel south of Lincoln to perform inspection for one or two head, it's not financially feasible to do such

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a thing. We do have some requests from those that border because some states require a brand inspection coming in, as in Colorado require a brand inspection at their packing plants. So we do have people who border who request that, it's not mandatory, but do request it and do receive that. [LB60]

SENATOR SCHILZ: Great. Thank you. Senator Harr. [LB60]

SENATOR HARR: The deeper we get into this, the more confused I get. So I guess my question is...and again, I'm a city slicker so let's use terms I understand--bill of sales on a vehicle. When I go to sell my vehicle, I have to have a bill of sale. Is the brand similar to a bill of sale on a vehicle? Is that correct? [LB60]

STEVE STANEC: That is correct. In fact... [LB60]

SENATOR HARR: Or you could have an actual piece of paper bill of sale as well, right, if you're in the inspection area? [LB60]

STEVE STANEC: A bill of sale is defined in statute as a document that's a legal tender given from seller to buyer. Now inside the brand area we have certificates of inspection that are issued by a brand inspector that is that title. [LB60]

SENATOR HARR: Uh-huh. [LB60]

STEVE STANEC: So you can have more than one document; however, the Supreme Court has ruled a number of years ago that the imports are the same between our brand inspection documents and title of vehicles. [LB60]

SENATOR HARR: Okay. So if I'm in a nonbrand area, I could technically sell my car without a bill of sale then, to draw the analogy? [LB60]

STEVE STANEC: Legally a requirement, but oftentimes that does not happen. Cattle are bought and sold without that bill of sale changing ownership. [LB60]

SENATOR HARR: Okay. All right. I get it. Thanks. [LB60]

SENATOR SCHILZ: Senator Chambers. [LB60]

SENATOR CHAMBERS: If the entire state were made a brand inspection area, since the brand itself is not mandatory, the discussion about proof of ownership does have an important part to play. If there is no brand, the only proof of ownership would be that piece of paper between the buyer and the seller, correct? [LB60]

STEVE STANEC: Additionally, it could be production records could be taken into play,

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things of that nature that would lead... [LB60]

SENATOR CHAMBERS: Right, but I meant there would be a paper... [LB60]

STEVE STANEC: Yeah. Right. [LB60]

SENATOR CHAMBERS: ...between these two people who are involved in the transaction,... [LB60]

STEVE STANEC: Correct. [LB60]

SENATOR CHAMBERS: ...some kind of paper. [LB60]

STEVE STANEC: Correct. [LB60]

SENATOR CHAMBERS: If you are outside the brand area then you would have to count on this paper because you're not going to have any marks on your animal. If you have marks on the animal, might you still have to have the paper even if nobody is challenging? [LB60]

STEVE STANEC: More importantly, whether it be for ownership concerns upon sale or in a suit, civil suit of some sort or a criminal suit,... [LB60]

SENATOR CHAMBERS: Okay. [LB60]

STEVE STANEC: ...to establish ownership of that animal with that brand that may or may not belong to the person that is in possession of it. [LB60]

SENATOR CHAMBERS: Would the difficulty of making the entire state an inspection area be based on the amount of money it would take to hire sufficient inspectors to carry the state...cover the state? Or what would be the impediment to doing that? [LB60]

STEVE STANEC: The challenges would be hiring enough inspection personnel, get them trained, get them in place. Another issue would be education. You have to educate those people who are not familiar with the brand inspection laws and requirements. [LB60]

SENATOR CHAMBERS: Like myself and Senator Lathrop. [LB60]

STEVE STANEC: Yes. So those would be some challenges that would need to be overcome. [LB60]

SENATOR CHAMBERS: Okay. Okay. [LB60]

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SENATOR SCHILZ: Thank you. Senator Hansen. [LB60]

SENATOR HANSEN: I have one. Steve, can you explain to the group that what goes on if Knox County is taken out, any county is taken out, and the brand inspectors are not responsible for that county anymore, and theft or fraud or lack of...if there's a dispute on who owns those cattle, who's the person that they go to? [LB60]

STEVE STANEC: Well, generally right now any county outside the brand inspection area, if there's any disputes or complaints, go to the local sheriff or to the Nebraska State Patrol. Our inspectors would no longer be at those auction markets, would no longer be...we may have some intermittence in that area because there's an overlap into Holt County that they would still have to maintain service to those producers but... [LB60]

SENATOR HANSEN: Is the county sheriff ever educated on brand laws and inspection? [LB60]

STEVE STANEC: Generally, they contact us for assistance. [LB60]

SENATOR HANSEN: So even though it's not in the brand area, the brand inspector still may be called upon? [LB60]

STEVE STANEC: Not the brand inspector. We have four criminal investigators, including myself, who are deputy state sheriffs who are responsible for statewide jurisdiction. But generally speaking, the local sheriffs are called upon to handle those in the nonbrand area. [LB60]

SENATOR HANSEN: Are cattle ever stolen south of Holt County, I don't have my map up here but...and taken to South Dakota for sale? [LB60]

STEVE STANEC: Yes. [LB60]

SENATOR HANSEN: Do you have any idea of how many? I know there's... [LB60]

STEVE STANEC: I don't have those numbers with me. [LB60]

SENATOR HANSEN: I know sometimes it gets kind of large. When you're talking about a bred cow, a young bred cow that's worth probably more than Senator Harr's car, you know, this is a...it's pretty important. It's getting kind of pricey with what... [LB60]

STEVE STANEC: Just as an example, last fiscal year our brand inspectors recovered almost 3,000 head of strays and worth over \$2.1 million, and those were merely strayed

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cattle. What was alluded to earlier, cattle are mobile. Brand inspection is not just for theft prevention. It's to recover those strays that have wandered, and that's where those figures come in to play. It's through their routine inspections. [LB60]

SENATOR SCHILZ: Thank you, Senator Hansen. Any other questions? Senator Johnson. [LB60]

SENATOR JOHNSON: I'm curious. Looking at a map, by reading the map, Furnas County is out of the brand area? [LB60]

STEVE STANEC: Furnas County is not part of the brand inspection area. [LB60]

SENATOR JOHNSON: And how did they petition out or were they always out? Because I'm from Phelps County and I know the difference between Phelps County land and Furnas County land, and it looks like Furnas County fits more pasture ground than... [LB60]

STEVE STANEC: It's my understanding that in 1941, when the brand area was initially created,... [LB60]

SENATOR JOHNSON: Yeah. [LB60]

STEVE STANEC: ...they were not made part of the brand inspection area. [LB60]

SENATOR JOHNSON: And they weren't petitioned in either evidently. [LB60]

STEVE STANEC: Correct. [LB60]

SENATOR JOHNSON: Okay. [LB60]

SENATOR SCHILZ: Thank you, Senator Johnson. Anyone else? Now is your opportunity. Senator Harr, you... [LB60]

SENATOR HARR: No. No. [LB60]

SENATOR SCHILZ: Oh, you're just scratching your head. Okay. Well, seeing no more questions, thank you, Mr. Stanec. [LB60]

STEVE STANEC: Thank you. [LB60]

SENATOR SCHILZ: Appreciate it. Any other neutral testimony? Seeing none, Senator Larson, you're welcome to close. [LB60]

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SENATOR LARSON: Thank you, guys, for the hearing and I just want to touch on a few things. And I wish Senator Chambers was here. I now have Senator DeCamp's old seat, so I'd ask him where he went in that district. But a number of things, and I think we have to be very mindful of a few things. One is the local producers of Knox County want this. Notice, no one from Knox County testified in opposition to this bill. And I think the hearing that we had in Knox County spoke to that as well. It is what the local people want. And a lot of people are asking, you know, well, what happens with Holt County and whatnot. And first of all, I can assure you, Senator Lathrop, on that question. Holt County very much likes being in the brand area. Knox County doesn't have that affinity. But I think the logic of where the brand area should stop or doesn't stop is where the producers no longer want it. If it doesn't fit for the producers or the producers don't want it, why should the state or people feel like they know better than those local producers and want to protect them from their own, you know, their own mistakes or their own stupidity or whatever they want to call it? We cannot continue to protect people from themselves. We have to let these, the local producers, make these decisions. The opponents to the bill, I mean, they bring up points to bring the whole state in to the brand area. I would say that's probably not feasible or politically feasible. The line obviously has issues. We can discuss the line all day, but the nature of the business has changed and I'd just like to reiterate the point that this is what the local producers want. And to touch on one more point Steve Stanec brought up, you know, the Brand Committee or the brand area, I mean they do capture stolen, lost cattle and whatnot. But be mindful, you can still steal a cow in Holt County, which is in the brand area, and take it to Iowa or take it to South Dakota and sell it. You know, just because Creighton is coming out, yeah, the closest barn to them is coming out doesn't mean that they can't drive an extra 40 miles to Yankton and sell that cow. I mean the line has its issues. I think we need to do what the local producers want and continue on that tradition. And I think if you have any questions, I can try to answer them for you. But that's what I'd like to express, that we didn't hear any opposition from Knox County today and the hearing we held in Bloomfield was overwhelmingly in support of this as well. [LB60]

SENATOR SCHILZ: Thank you, Senator Larson. Senator Wallman. [LB60]

SENATOR WALLMAN: Thank you, Chairman Schilz. Thank you, Tyson. But if I have branded cattle missing and I call all the barns in neighboring states... [LB60]

SENATOR LARSON: If you call all the barns in neighboring states, you're going to be making a lot of calls, Norm. (Laugh) [LB60]

SENATOR WALLMAN: Yeah, but if that comes through then, though, they have to pay attention to my brand, don't they, coming through there? [LB60]

SENATOR LARSON: I can't speak for the laws in South Dakota. I can't speak for the laws in Iowa. [LB60]

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SENATOR WALLMAN: Because one of the cattlemen in our area had a calf...cattle sold in Kansas with a brand and they got them. [LB60]

SENATOR LARSON: Like I said, I can't speak for what...and, you know, and Mr. Creamer might be able to answer the question better. I mean if somebody calls and says, you know, I'm missing cattle, and they call Mr. Creamer, I mean he'll keep an eye out for them because that's what a good businessman does. But I wouldn't guess there's a law that says he has to look out for them. [LB60]

SENATOR WALLMAN: Probably not. [LB60]

SENATOR LARSON: And, yeah, it's just, you know, it's good business practice to help your neighbors; and I think that's something that we have in rural Nebraska is neighbors looking out for neighbors. I know both my grandfathers ranch, one of them does feeders and the other one retired from a cow-calf operation. You know, one got out. They looked. They found it. They returned it to the next one. I don't think that changed. Obviously, there's issues with the line. I think, like I said, we need to do what's best for the local producers. Let the local producers decide what is best for them, and this is what's best for the producers in Knox County. [LB60]

SENATOR SCHILZ: Thank you, Senator Wallman. [LB60]

SENATOR WALLMAN: Thank you. [LB60]

SENATOR LARSON: Thanks, Norm. [LB60]

SENATOR SCHILZ: Anyone else? Seeing none, that will close our hearing on LB60. I do have to say I hate to do this but I'm going to have to take a little five-minute break, so go ahead and take one with me. I'll be right back. [LB60]

BREAK

SENATOR WALLMAN: Good afternoon. Glad to have you here. We're going to hear now LB70, Senator Schilz's bill here. Thank you all for coming.

SENATOR SCHILZ: Thank you, Senator Wallman, members of the committee. For the record, my name is Ken Schilz, spelled K-e-n S-c-h-i-l-z, and I'm here to introduce LB70. LB70 would change the membership provisions of the Nebraska Dairy Industry Development Board. And having talked to folks within the industry, folks that use this board to promote the product and things like that, this is needed to make sure that the board remain viable. We do have a couple folks here that are from the board that are here to give us a little insight as far as what happens on the board, why this would be

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beneficial for them. And we've invited them here today to speak on this, and I think they'll be speaking in a neutral capacity later on. Basically, it's pretty simple. The purpose of the bill is...and you guys all have the handouts there. There's currently seven members on the board. And due to continuing attrition in milk producers within the state, the current statutory formula will result in membership falling below seven members during 2013 and potentially further reduction in 2014 and beyond. This bill is brought at the request of the producers' organizations who believe the board can better maintain equitable representation of milk production and function more effectively if the board size is maintained at seven members. LB70 will provide for additional nominations to be submitted to the Governor by the board whenever the existing formula falls below seven members. Like I said, there's other folks here, but I'd be happy to try to answer any questions I can if there are any. [LB70]

SENATOR WALLMAN: Anybody from the committee have any questions? Okay, thank you, Senator. [LB70]

SENATOR SCHILZ: Thank you. [LB70]

SENATOR WALLMAN: We have any proponents? No? [LB70]

SENATOR LATHROP: Try it again, Norm. [LB70]

SENATOR WALLMAN: Neutral? [LB70]

SENATOR BLOOMFIELD: I don't think they heard you. [LB70]

SENATOR LATHROP: I'd try the proponents again. [LB70]

SENATOR WALLMAN: Oh. We have any proponents here? Okay. Neutral position? [LB70]

JIM ESCHLIMAN: (Exhibit 1) My name is Jim Eschliman. I'm chairman of the Nebraska Dairy Industry Development Board, J-i-m E-s-c-h-l-i-m-a-n. Mr. Chairman and committee members, I'm a dairy farmer involved with Eschliman Family Dairy at Ericson, Nebraska. I'm here to testify in a neutral position on LB70 relating to the membership of the Nebraska Dairy Industry Development Board, of which I serve as chairman. The dairy industry in Nebraska has experienced the same consolidation and loss of producers as has much of agriculture. While we have lost producers, we have maintained an inventory of about 57,000 cows which produce over \$248 million in milk sales annually. Dairy farmers are committed to developing markets and promoting our products through an investment in our industry through the dairy checkoff, as authorized under the USDA. The Nebraska Dairy Industry Development Board is charged with the responsibility of collecting this checkoff and seeing that it is properly used by a qualified

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program for the purpose of education, research, and promotion. Over the years, the board, as appointed by the Governor, has had as many as 11 members, determined by the formula included in the statutes. As we lost producers, the number of members on the board declined to the point that we currently have seven members. As we look forward, the formula will continue to allow the number of board members to decline and, in essence, reduce the representation of the producers in general. As a board, we felt we needed to stabilize the number of board members, which has resulted in the legislation before you. The changes have already been discussed and I will not repeat those, but I would be happy to answer any questions regarding the NDID. Thank you for your time. [LB70]

SENATOR WALLMAN: Thank you. Anybody have any questions? [LB70]

SENATOR HANSEN: I have one. [LB70]

SENATOR WALLMAN: Thank you, Senator Hansen. [LB70]

SENATOR HANSEN: Thank you. Jim, what do you attribute to the lack of numbers? Is that 57,000 cows, is that number lower than it has been or... [LB70]

JIM ESCHLIMAN: Yeah. [LB70]

SENATOR HANSEN: ...they're just having more consolidation or... [LB70]

JIM ESCHLIMAN: No. [LB70]

SENATOR HANSEN: ...what are the reasons for those numbers going down? [LB70]

JIM ESCHLIMAN: The number of cows has been pretty steady. It's just the number of producers which has been dropping. You have smaller, 50-cow dairies where the producers are getting older and retiring and they don't have anybody else to carry on. And then other dairies are picking up the slack and getting bigger as a result. So that's why we've been able to maintain the amount of cows. [LB70]

SENATOR HANSEN: Does it have anything to do with some counties are real reluctant to go into the ag-friendly designation? [LB70]

JIM ESCHLIMAN: No, I don't believe so. [LB70]

SENATOR HANSEN: Okay. Thank you. [LB70]

SENATOR WALLMAN: Any other questions? Seeing none, thank you, Jim. [LB70]

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JIM ESCHLIMAN: Uh-huh. [LB70]

SENATOR WALLMAN: Anybody else in the neutral position? Opponents of this? Seeing none, Senator, would you like to close? [LB70]

SENATOR SCHILZ: (Exhibit 2) Sure. And the only reason...the only reason that I come up to close is...I don't know if this is the right side of the table to do it on or that side of the table to do it on, but we do have a letter from the Nebraska Cooperative Council in favor, as a proponent of this bill, and it's on record in our office if anybody would like to see that. So other than that, I just appreciate your time. Thank you very much and we will continue. Thanks. [LB70]

SENATOR WALLMAN: Thank you, Senator. [LB70]

SENATOR SCHILZ: Any questions, I guess? Yeah, Dave. [LB70]

SENATOR BLOOMFIELD: Can you get me a copy of that letter? [LB70]

SENATOR SCHILZ: Yep, absolutely. Thank you. [LB70]

SENATOR WALLMAN: Any other? This closes the hearing on LB70. [LB70]

SENATOR SCHILZ: Thank you, Senator Wallman. And we will move on now to LB67, which has been introduced on behalf of the Department of Agriculture. And Mr. Leonard will give the opening statement. Thank you, Rick. [LB67]

RICK LEONARD: (Exhibit 1) Thank you. Thank you, Senator Schilz. Chairman Schilz and members of the committee, my name is Rick Leonard, that's R-i-c-k L-e-o-n-a-r-d. I'm the research analyst for the Agriculture Committee. As you mentioned, LB67 is brought to us at the request of the Department of Agriculture to update provisions of the Nebraska Milk Act. You all have my briefing that was distributed last Friday and there's a copy in the books for you. That goes into great detail regarding the provisions of the bill, but I want to quickly walk through the primary substantive portions of this bill. This bill will incorporate the 2011 Grade A Pasteurized Milk Ordinance and other publications of the U.S. Public Health Service--and may I get a page to distribute these; may I get a page, please--other publications of the U.S. Public Health Service/FDA that form the framework of the cooperative state-federal program for the certification of interstate milk shippers. Basically, the PMO, the Pasteurized Milk Ordinance, is the basic standard used in the voluntary cooperative state-federal industry program. The state inspection program, according to PMO standards, essentially certifies producers and processors to sell milk in interstate commerce. The PMO is also incorporated by reference in federal specifications for procurement of milk and milk products, for milk served on interstate carriers, and widely recognized as the national standard for milk sanitation and safety.

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This document, the Pasteurized Milk Ordinance, is updated every two years by the National Conference on Interstate Milk Shipments. The paper I've handed out is just a reference for your use of the National Conference, its purpose and membership. Incorporation of the PMO is basically a statutory maintenance project. Typically, we update the Milk Act every four years, incorporating every couple changes as occur in the milk conference documents. LB67 will continue existing variances as listed in subsection (3) of Section 2 of the bill, and adds only one additional variance by excluding the PMO definition of "milk shipper," which is set out as a new defined term within the Nebraska Milk Act, the bill, so that we retain the existing definition of the shipper. LB67 also updates reference to other documents, including the 3-A Sanitary Standards and the C.F.R. sections for determining...means of determining sediment content. A late payment fee penalty of 1.5 percent is inserted...compounded, is inserted into subsection (3) of Section 2-3971. The fee is declared assessed for purposes of recovering extra administrative expense of enforcing the fee and remitted to the Pure Milk Cash Fund. A new section is inserted into the Milk Act to provide that after July 1, 2013, only dairies and those whose ownership is transferred after that date shall meet Grade A standards. Existing manufacturing Grade A producers are grandfathered, provided they continue to meet the manufacturing milk standards as set forth in other portions of the Milk Act. The bill is introduced with the emergency clause to effect the necessary statutory changes to conform our state law with the 2011 revisions of the PMO, as the acceptance of that, following the 2005 PMO standards which we currently incorporate at this time or...before that expires. I have one just for you, for your information, Senator, Chairman Schilz. We have, in a letter from Bob Andersen, a copy of which is in...behind...in each of the books. A copy of the original is with the Clerk of the Legislature and I would ask that, with your permission, that letter from Bob Andersen and the Nebraska Cooperative Council in support of the bill, and that be made a part of the record. (Exhibit 2) [LB67]

SENATOR SCHILZ: Thank you. Very good. Okay, thank you, Rick. I know, introduced it, we'll just let the experts come up and answer some questions. Rick, thank you so much for introducing. [LB67]

RICK LEONARD: Thank you. [LB67]

SENATOR SCHILZ: Proponents. Director, how are you today? [LB67]

GREG IBACH: How are you? [LB67]

SENATOR SCHILZ: Good. Welcome. [LB67]

GREG IBACH: (Exhibit 3) Thank you. Senator Schilz and members of the Ag Committee, my name is Greg Ibach, G-r-e-g I-b-a-c-h. I am the director of the Nebraska Department of Agriculture and am here today to testify in favor of LB67. I would like to

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thank Senator Schilz for introducing this bill on behalf of the Department of Agriculture, and I have additional written testimony that I ask be placed in the record for this bill. I also have today with me George Hanssen and Randy Chloupek of our food safety and consumer protection focus area, who will be able to answer any technical questions that I may not be able to answer about the bill. The department has discussed these changes, as Rick suggested, with the Nebraska Dairy Industry Review Board, with the goal toward protecting the milk supply in Nebraska without overburdening the state's milk industry. The board voted to support all the changes proposed in this bill. These changes are critical to the industry's ability to ship milk and milk products in interstate commerce. I would like to thank the members of the board for their time and effort on this project. The written material I provided you includes a list of the board members. LB67 amends the Nebraska Milk Act by adopting the 2011 version of the Grade A Pasteurized Milk Ordinance, PMO, and other relevant publications of the United States Department of Health and Human Services and the Food and Drug Administration. The current version of the PMO adopted in the act is from 2005. The adopted publications provide national standards adopted by the majority of the states. Following the updated versions will put milk producers in Nebraska on the same level as surrounding states. Milk meeting the requirements of the PMO would not be required to meet any additional requirements when moved interstate. Facilities currently in existence that produce milk for manufacturing purposes will be allowed to continue to follow state statutory requirements for milk production which is not Grade A. If a person starts production of milk after July 1, 2013, that person's facility is to comply with the requirements of the PMO. I ask for your support in enacting this bill this year. We would be happy to answer any questions you might have. [LB67]

SENATOR SCHILZ: Thank you, Director Ibach. Any questions for Director Ibach?
Senator Johnson. [LB67]

SENATOR JOHNSON: I might just have a sidebar question. It doesn't directly pertain to this. But how many Grade B, or percentage-wise of our milk production is Grade B? Do you know? [LB67]

GREG IBACH: That would be a question I don't know the answer to. [LB67]

_____ : Eight. Eight. [LB67]

GREG IBACH: Eight. [LB67]

SENATOR JOHNSON: Eight. I figured it was pretty small. Okay. Thank you. [LB67]

SENATOR SCHILZ: Thank you, Senator Johnson. Senator Wallman. [LB67]

SENATOR WALLMAN: Thank you, Chairman Schilz. And on page 9 I see you have \$25

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for each milk tank truck with a minimum of 100 bucks. So it would be automatically \$100 even if you had one truck then? [LB67]

GREG IBACH: You're asking a question specific to the fee structure. [LB67]

SENATOR WALLMAN: Yes. Yes. [LB67]

GREG IBACH: And why don't I have Randy come up and answer some of those questions for you. [LB67]

SENATOR WALLMAN: Okay. Sure. [LB67]

GREG IBACH: You'll have to spell your name, too, Randy. [LB67]

RANDY CHLOUPEK: All right. My name is Randy Chloupek, R-a-n-d-y C-h-l-o-u-p-e-k. [LB67]

SENATOR SCHILZ: You can...if you just pull that chair around, that would be fine. Yeah, come on in. [LB67]

RANDY CHLOUPEK: Each transportation company in Nebraska is charged a minimum of \$100 for the transportation. That covers four trucks and every truck after the initial four we charge an additional \$25. That helps cover inspection costs of the tanker. [LB67]

SENATOR WALLMAN: Thank you. [LB67]

SENATOR SCHILZ: Thank you. Any other questions for Director Ibach or anyone? See none. I guess I have just a couple. In order...I guess the way I understand this is this is one of those things that's more of a process than anything; that as you go along you have to comply with what the other states are doing. Otherwise, we wouldn't be able to sell milk outside of the state. Correct? [LB67]

GREG IBACH: Yeah, and several of our focus areas, Weights and Measures, other have, and we kind of do them so we don't do every one, oh, all of our divisions each year. And so we kind of rotate through them, and this is the year we're updating to adopt the federal standards to keep us in compliance with interstate commerce regulations, yes. [LB67]

SENATOR SCHILZ: Right. And we heard that there's an emergency clause on here. When exactly does the time...when does the clock run out for this if we don't make any changes? [LB67]

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GREG IBACH: I think it would be before the 60 days following the end of the legislative session is what. Do you know what the date is that it runs out? [LB67]

SENATOR HARR: I think it's...in here it said July 1 in your handout. [LB67]

GREG IBACH: Okay. [LB67]

SENATOR SCHILZ: Okay. Great. But that's pretty important then for our milk guys, isn't it? And we probably better have it. [LB67]

GREG IBACH: Yes, to stay in compliance, yeah. [LB67]

SENATOR SCHILZ: Okay. I guess that's...anybody else have any other questions? Okay. Seeing none, thank you very much. [LB67]

GREG IBACH: Okay. Thank you. [LB67]

SENATOR SCHILZ: Yeah. [LB67]

GREG IBACH: Thank you, Senator. [LB67]

SENATOR SCHILZ: Are there any other proponents? Welcome. [LB67]

DERON WELTY: My name is Deron Welty, D-e-r-o-n W-e-l-t-y. I'm chairman of the Nebraska Dairy Review Board. We've had multiple meetings, talking about the changes and stuff like that. And the board is made of producers, processors, milk haulers, and regulatory, and the Dairy Board strongly recommends that LB67, I said be ratified, I don't know, I guess get out of committee, whatever it is. And the PMO is very important to us. I would call the PMO, for anybody who's not in the dairy trade, it's our Bible. When we're going to do some changes in our facilities or if a farmer is going to put a barn up and he's going to start milking, he's going to go...we're going to look at the PMO and it's going to tell us what to do and how we're going to do it. It's very important that we follow those rules. I ship in Colorado, Nebraska. I should say I work for Roberts Dairy. We ship in Colorado, Nebraska, Kansas, Missouri, and Iowa; and we need to be inspected, have our IMS inspection, and we...the PMO tells us what we got to do basically to pass inspection. So for us, it's very important that this bill gets out and gets passed so we're on 2011, and then that will take us to 2018 before we need to do the next PMO. So I just came in here and I thought it was important that I come out and say that. [LB67]

SENATOR SCHILZ: Sure. [LB67]

DERON WELTY: And I'll answer any questions. [LB67]

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SENATOR SCHILZ: Thank you. Any questions for...is it Deron? Right, Deron? [LB67]

DERON WELTY: Thank you. [LB67]

SENATOR SCHILZ: Thank you very much. Appreciate it. Any other proponents? [LB67]

DAN RICE: Dan Rice, D-a-n R-i-c-e, and I'm here today to support LB67 and I am also a member of the Dairy Review Board and I represent the producers and also the processors on that board. I am one of two dairy producer/processors in the state. And as Deron said, the Pasteurized Milk Ordinance, for those of you who don't work with it every day, it is our Bible. We have to abide by those rules in order to ship milk in the state and out of the state. So just here to support this bill and we do need it as an industry. And we're very proud of the product that we produce and we need this to regulate other farmers and the industry as a whole, so I'm in favor of it. Also, I'm very involved in recruit of dairies into the state of Nebraska and we need this to comply with...so other...we can attract other dairies to the state of Nebraska, because without it we really have no place in the dairy industry in this country. So with that, I'll ask for any questions. [LB67]

SENATOR SCHILZ: Any questions for...? Senator Wallman. [LB67]

SENATOR WALLMAN: Yeah, thank you, Chairman Schilz. Yes, thank you for coming, Dan. [LB67]

DAN RICE: Yep. [LB67]

SENATOR WALLMAN: And I want to tell the committee he's in my district and he has excellent milk and he does good public relations for farmers and dairies. [LB67]

DAN RICE: Yeah. Thank you. Thank you. [LB67]

SENATOR SCHILZ: So he really does got milk, huh? [LB67]

DAN RICE: Yeah, so... [LB67]

SENATOR WALLMAN: Yes. Yep. [LB67]

SENATOR SCHILZ: I see. That's neat. [LB67]

SENATOR WALLMAN: And it tastes good. [LB67]

DAN RICE: Thank you. Thank you. [LB67]

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SENATOR SCHILZ: Any other questions for Mr. Rice? Mr. Rice, I guess I just want to...I just have one question, and we know that these are all...you have to comply with these. [LB67]

DAN RICE: That's correct. [LB67]

SENATOR SCHILZ: Can you give us some sort of an idea of how these guidelines or rules or standards are...come into practice? Is it...I mean are the producers that are involved in this as well as regulators, and how does that all come down? Do you know? [LB67]

DAN RICE: Well, the state has inspectors that come in and inspect us on a regular basis. I think it's every three months they come on our farm and they score us with the Pasteurized Milk Ordinance. They know what the rules are and we have to comply with all those and we get a score every three months. And if there's things that are out of compliance, whether something would be not painted, we have to white...as an example, the walls in the milking facility have to be a white, cleanable surface and the inspectors check that, and if they're dirty, there's visible dirt on the wall, they will write us up for that and come back and reinspect. It's just one example. When we're doing any kind of construction, there's rules on how and where to run a pipe, how the welds have to be done on the pipe. So all those types of things have to meet the Pasteurized Milk Ordinance. [LB67]

SENATOR SCHILZ: Sure. And then, of course, as you said before, you're in support and I would...it's sort of best management practices, is as you...as things improve or you find out new information over time, that's basically what these changes are. Is that correct or...? [LB67]

DAN RICE: Yeah, the changes that we saw in this bill is there's not a whole lot that affects the dairy farm. Mainly, it was the fees, and we don't feel that the fees are burdensome at all to the industry. I think they're quite reasonable. So I hate to say that about a bill, but I do think...(laughter)...I do think they are quite reasonable for what's done. [LB67]

SENATOR SCHILZ: I was just going to say, dairy guy says he's not charged enough. Okay. (Laugh) [LB67]

DAN RICE: Yeah. No, I didn't, I did not say that, did not say that, so... [LB67]

SENATOR SCHILZ: Okay. I didn't write it down so you don't have to worry. [LB67]

DAN RICE: Yeah. But, so, yeah, no, we think...and, you know, our industry as a whole

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wants to always improve the quality of our milk and those types of things, so the Pasteurized Milk Ordinance gives us an avenue to get rid of bad actors, so to speak, not that we have any in the state that I'm aware of. But it does give us a guideline so we can assure that all of our producers are complying and our processors as well. [LB67]

SENATOR SCHILZ: Very good. Very good. Thank you. [LB67]

DAN RICE: Yes. [LB67]

SENATOR SCHILZ: Senator Harr. [LB67]

SENATOR HARR: And none of these were written by the United Nations, were they? [LB67]

DAN RICE: I have no idea. (Laughter) [LB67]

SENATOR HARR: Okay. Just wanted to make sure. [LB67]

DAN RICE: The PMO is actually very, very old. Not sure when it was wrote, but it's very old and ever since I've been in the industry it's been part of our world and we just accept it and understand it. And any changes are welcome because, as we said, we're trying to improve our image as dairy farmers, always, and we want to have the best practices that we can. [LB67]

SENATOR SCHILZ: Appreciate it. Thank you. And if you ever have a problem with the U.N., Senator Harr is your guy, I think,... [LB67]

DAN RICE: His area? [LB67]

SENATOR SCHILZ: ...but I'm not sure. [LB67]

SENATOR HARR: (Laugh) Yeah. [LB67]

SENATOR SCHILZ: Thank you. [LB67]

SENATOR HARR: Thanks. [LB67]

SENATOR SCHILZ: Thank you, Mr. Rice. [LB67]

DAN RICE: Okay. Thank you. [LB67]

SENATOR SCHILZ: Any other proponents? Proponents? Any opponents? Anyone in a neutral capacity? Seeing none, appreciate it. That will end the hearing today on LB,

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which one is it, 67. Okay. Thank you very much, everyone. [LB67]