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**HALLORAN:** Welcome to the Agriculture Committee. I'm Senator Steve Halloran. I'm from Hastings, Nebraska, and represent the 33rd Legislative District. I serve as Chair of this committee. With the addition of COVID restrictions and such, this introduction is going to be a little lengthy, but bear with me. For the safety of our committee members, staff, pages, and the public, we ask those attending our hearings to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it is necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room. Please note the exit door is on that side of the hearing room. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during testimony to assist committee members and transcribers in clearly hearing and understanding the testimony. Committee members, I will leave it to your discretion to wear a face mask covering because we are adequately protected by plexiglass dividers and we have adequate social distancing from testifiers and the public audience. I am personally choosing not to wear a face covering so that the transcribers can clearly hear my statements. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance doors will be monitored by the Sergeant of Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear a face mask covering while waiting in the hallway or outside the building. The Legislature does not have availability due to the HVAC project of an overflow hearing room for hearings which attract several testifiers and observers. For hearings with a large attendance, we request only testifiers enter the hearing room. We ask that you please limit or eliminate handouts. The committee will take up the bills in the order posted on the agenda. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee members might come and go during the hearing. This is just part of the process

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as we have bills to introduce to other committees. I ask that you abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phone. Please move to the reserved chairs when you are ready to testify. These are the first two chairs on either side of the aisle in the front row. Introducers will make initial statements followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please pick up a green sign-in sheet that is on the table at the back of the room. Please fill out the green sign-in sheet before you testify. Please print and it is important to complete the form in its entirety. When it is your turn to testify, give the sign-in sheet to a page or to the committee clerk. This will help us to make a more accurate public record. If you have handouts, please make sure you have 12 copies and give them to the page when you come up to testify and they will distribute them to the committee members. If you do not have enough copies, the page will make sufficient copies for you. When you come up to testify, please speak clearly into the microphone. Tell us your name and please spell your first and last name to ensure we get an accurate record. We will be using the light system for all testifiers. We will adjust that-- that time. Typically it's five minutes, but we will adjust that time depending on the crowd size for testifiers. This will give you initial remarks to the committee. When you see the yellow light come on, that means you have one minute left and the red light indicates that your time has ended. Questions from the committee may follow. No displays of support or opposition to a bill, vocal or otherwise, are allowed in a public hearing. The committee members with us today will introduce themselves starting on my far left with Senator Cavanaugh.

**J. CAVANAUGH:** John Cavanaugh, District 9, midtown Omaha.

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

**LATHROP:** Steve Lathrop, District 12, Ralston and parts of southwest Omaha.

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

**HALLORAN:** And Senator Brandt is the Vice Chair of the committee. And to my far right, Senator Brewer.

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**BREWER:** Tom Brewer, District 43, which is 13 counties in western  
Nebraska.

**GROENE:** Mike Groene representing Lincoln County.

**B. HANSEN:** Ben Hansen, District 16: Washington, Burt, and Cuming  
Counties.

**HALLORAN:** To my right is committee research analyst, Rick Leonard. And  
to my far left is the committee clerk, Rod Krogh. Our pages for the  
committee this morning are Mason Ellis. He is a senior. Mason, raise  
your hand. There you go. He's a senior at UNL with a major in  
accounting. And Jonathan Laska, he is a senior UNL with a major in  
history. All right. We will begin today's hearings with the  
confirmation hearing for the Beginning Farmer Board. And with that,  
I'd like to introduce Mr.-- I'm going to get the name right-- Mr.  
Walvoord. Is that close, Walvoord?

**JOHN WALVOORD:** Walvoord, yes, that's correct.

**HALLORAN:** Welcome.

**JOHN WALVOORD:** Good morning. Yes, like I said, my name is John  
Walvoord, J-o-h-n W-a-l-v as in Victor-o-o-r-d. I'm a farmer from  
Waterloo, Nebraska. Do you want me to go ahead and give a little.

**HALLORAN:** Just tell us about yourself, yeah, feel comfortable and tell  
us about the Beginning Farmer Board.

**JOHN WALVOORD:** Sure. Like I say, I'm a family farmer from Waterloo,  
Nebraska, third generation where we're at. I guess to speak to the  
qualifications that I might bring to be on such a board, I guess it  
probably starts right back with the family. I've been married to my  
wife for it will be 30 years this spring. We've got four children that  
are ranging from just out of college, down to a freshman in high  
school. I farm with-- with my family. My father is 83 and he still  
shows up at the farm every day to make sure we do things right. I've  
got a brother that's seven years older than me that we're the main  
partners in the farm now. We're a diversified farm that has-- we've  
got corn, soybeans, little bit of alfalfa, wheat, quite a bit of grass  
hay. And we also calve out some bred cows every winter. So we've got  
what used to be a feedlot, but it's kind of turned into just a  
cow/calf area now. And so we've-- I've got a lot of-- with the

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diversity, I've seen a lot of different numbers and different things. I think that helps me when we're-- when we're looking at the different things that are brought to the board. As far as education, I've got a two-year associate's degree from the university back when they used to have that program. It was a great program. It was just a general ag program, but it allowed me to go through the program. And by the end of my second-- second year there, I was in a lot of senior and graduate level classes. It was just a great program that you got to skip some of the prerequisites, but you got to bounce through and get to the meat and potatoes. And that was something that I was interested at the same time because I knew I wanted to go back to-- to the family farm. So I got-- I got a great education there. I spent nine years on our-- the County Farm Service Agency committee. Got to learn a lot of things there. It was a great position to be in to help all the local farmers to help understand programs as they came out. I worked with a lot of different people, got a lot of different views. So things-- those are things that are great experiences. I spent some time on the local school board, another great experience. So I think-- I think all those things speak to the-- to my abilities to hopefully do a good job for the taxpayers of the state when I'm on this board. So I think that pretty much covers it in a nutshell where we're at.

**HALLORAN:** OK, thank you, John. Tell-- tell us why you-- why the Beginning Farmer Board is important to you.

**JOHN WALVOORD:** Why is it important to me? You know, agriculture is always evolving and we've got to keep a young subset coming in all the time. If you look at the demographics, agri-- you know, farmers, agriculture, it's an aging-- it's an aging group because of technology and different things that lets farmers farm longer and everything. But we've got to have that younger component coming in all the time. And, you know, education's important to me. And this just kind of comes along with it and keeping that younger generation coming in. I think that's, you know, that's-- that's huge.

**HALLORAN:** I agree. Questions from the committee for John? Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Mr. Walvoord, for-- for appearing today. And I know you're new to the board, but I'm sure you've studied what the policies of the Beginning Farmer Board are. Do you think those policies are currently adequate or do you think we as

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a state maybe need to fine tune that to create more opportunities for  
young farmers?

**JOHN WALVOORD:** Thank you. Yeah, there are some. So luckily for me,  
I've actually been a part of two meetings with the board, so I do have  
my feet on the ground a little bit and I've got to see some of the  
different things that different areas where, yeah, maybe it could use  
some work. Currently we have a \$100,000 limit on their net worth. And  
that sounds like a lot of times, but of course in agriculture that--  
it takes a lot of capital. But there's so many different things that  
we've seen run into that, too. We've got people that are coming back  
to agriculture that maybe have worked another job for a while and  
maybe even got 401(k)s in another job. Well, that counts towards their  
net worth. You know, it's not-- it's not money that they can use for  
that farm, but so it disqualifies some. I think if you look around at  
other states that have got the same programs, they have raised those  
caps a little bit to help-- to help some of the different farmers get  
it and still be able to qualify. I think that would be one of them.

**BRANDT:** And I think that's a point well made. So thank you.

**JOHN WALVOORD:** You're welcome.

**HALLORAN:** Thank you, Senator Brandt. Thank you, John. Any other  
questions for John? OK, seeing none, we do appreciate your willingness  
to put your name out front for this board. I think it's an important  
board. Clearly you expressed that very well. And-- and since there are  
no other questions, that ends our confirmation hearing.

**JOHN WALVOORD:** Well, I'd like to thank you. And I would just like to  
say that it's a-- it's an honor to be appointed to this board. And  
it's-- it's a growth opportunity for me. Even sitting here in this  
chair today is a great growth opportunity. It's a pleasure to meet all  
of you today and thank you very much.

**HALLORAN:** Thank you, John. All right. That concludes our-- Is there  
anyone that wishes to testify in regard to this confirmation? All  
right. Seeing none, that concludes our hearing for the confirmation  
hearing for the Beginning Farmer Board. We will proceed to move on to  
the agenda, LR5, Senator Gragert. Welcome, Senator Gragert.

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**GRAGERT:** Good morning. Chairman Halloran and members of the Agriculture Committee, for the record, my name is Senator Tim Gragert, T-i-m G-r-a-g-e-r-t, representing District 40 in northeast Nebraska. In 2019, I introduced and prioritized LB243, which created the Healthy Soils Task Force. LB243 passed in April of that year on a 43 to 0 vote and signed by the Governor. The Healthy Soils Task Force was charged with developing a comprehensive healthy soils initiative for the state of Nebraska, as well as developing a comprehensive action plan to coordinate the efforts in carrying out the initiative. The task force was also to identify goals and timelines for the improvement of soil health through voluntary partnership among agricultural producers and relevant state and local agencies and other public and private entities. Finally, they were to review the Farm Bill-- Federal Farm Bill for possible funding sources. As directed by LB243, the task force submitted its final report to the Governor and the Agriculture Committee on December 31, 2020. I distributed printed copies of the report entitled Soil Health for Nebraska Wealth to committee members earlier this session. If you would like additional copies, please let me know. I introduced LR5 because I felt the Nebraska Legislature, which created the Nebraska Healthy Soils Task Force and gave them their charge, should formally accept their report, their findings and recommendations. I felt it important the Legislature again send the message that we support soil health and want to see accelerated action to protect and enhance our soils. The report encourages implementation through voluntary grassroot efforts as suggested, and finally to let our state agencies know our intent that they assist in this voluntary effort. Nebraska should utilize the great work of the task force and not let the report findings and recommendations gather dust on a shelf. I thank-- I want to thank the 17 members of the task force for their dedication and hard work developing the Soil Health for Nebraska Wealth initiative. I especially want to thank the task force chair, Keith Berns, for his excellent leadership and guidance through a complex process. I can't even begin to count the hours that he and other task force members devoted to this cause. The report lays out a blueprint to improve upon existing efforts to protect and enhance our precious soils, which is one of the most essential natural resources. Soil is essential for life. Soil affects the food we eat, the water we drink, and the air we breathe. The task force fulfilled the message that I emphasized during LB243 debate creating the task force: that the initiative be accomplished without the need for mandates or regulations. Task force members worked hard to obtain input from a

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broad spectrum of sources. They drew upon best practices from other states and from expertise outside the task force after which they crafted-- they crafted an approach for Nebraska. The task force held 25 listening sessions involving 31 groups. Their input went into the final report and there were 28 letters of support. The report is a plan moving forward and also a great information resource on the soil health. The findings and recommen-- and recommendations do not take away from the excellent soil health programs in existence, but build on them formally pulling them together and enhance their effectiveness and adding new approaches to increase awareness to raise confidence that adopting healthy soil practices work. Of special note, it is proposed-- is the proposed direct involvement of producers at all levels of the initiative designed from the development to the peer-to-peer education. This is an ambitious undertaking, one with tremendous return for investment for the producer, the public, and the environment, an undertaking suggested to it-- to be implemented by those passionate, dedicated, and invested to make a difference. Keith Berns, who was the chair of the task force, will testify following me. He will explain the report in more detail. If you have any questions of me, I'd be happy to answer them. Thank you.

**HALLORAN:** Thank you, Senator Gragert. Is there any committee questions? Seeing none, thank you so much.

**GRAGERT:** Thank you.

**HALLORAN:** All right, we will begin with testifiers that are proponents of LR5. Good morning.

**KEITH BERNS:** Good morning.

**HALLORAN:** Since-- welcome, Keith Berns. Since-- since the Legislature authorized the task force, I'm going to allow for you to have 10 minutes because you're the walking Bible in this regard. So we're going to give you 10 minutes and hopefully that will help answer a lot of questions--

**KEITH BERNS:** Yes.

**HALLORAN:** --that can be resolved later on. So with that, welcome.

**KEITH BERNS:** OK. Thank you, Chairman Halloran and Ag Committee. For the record, my name is Keith Berns, K-e-i-t-h B-e-r-n-s. I am a farmer

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and agribusinessman from Bladen, Nebraska, down in Webster County, and I was appointed as the chairman of the Healthy Soils Task Force as Senator Gragert said. So on behalf of the 17 members of the task force, we do want to thank everyone for the privilege of being able to serve in that capacity. It was-- it was really a good experience. It was a lot of work as Senator Gragert mentioned, but very worthwhile work. I do want to just take my time and kind of go through the report. You've got it in front of you. There are a lot of pages. There are quite a few less pages than there could have been. We-- we had to edit it down pretty hard because it's such a big topic. It's such a broad topic that covers so much that we really had difficulty, you know, keeping it to the length that it is because it affects all aspects of our state. When we came together as a task force, we, you know, had a lot of things that we had to do. We settled on the title for this initiative of Soil Health for Nebraska Wealth, and we really liked that. And a lot of the different entities that we visited with and got input from, as Senator Gragert mentioned, 31 different organizations had input into this, and this was what most of them liked. And we really like this because it speaks to the fact that when we have healthier soils in our state, not only is it more profitable for the farmers, but really for the whole state. It gives a wealth base that the whole state can leverage off of because the wealth of Nebraska is not only in its people, but in its natural resources, particularly the soil and the water is so closely tied to the soil that it follows right along. When we have healthier soil, we're going to have better and cleaner water. So we like that title because we think it-- it-- what we wanted to say is that there's wealth available for all of Nebraska and not just the farmers. So if you have the report in front of you, I do want to just kind of take you through some of the things in the executive summary, which is found on pages 4 and 5 to just give an overview of the process and where we came up with this initiative and the actual goals. So Senator Gragert said, you know, soil health is important. It affects all aspects of our life, and particularly here in Nebraska, where we are such an agriculturally based economy. And it affects all phases from rural to urban. You know, the first thing that we had to kind of talk about is what is soil health? And, you know, the definition, it's just simply a healthy soil is a soil that is-- does the job of supporting life, life to the plants that are growing in it, to the animals that are eating those plants, and ultimately to people as we're eating those plant and animal products. But it's also supporting a great host of biological

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life. And that's one of the things in my journey down this road of soil health that we've learned is how important that biological life is. So a healthy soil is alive. And when we talk about a healthy soil, it's one that is-- is getting more carbon and not less. And that's coming through photosynthesis, through the-- through the process of plants growing. It's the soil that has the ability to infiltrate and store more water and not less. And it's a soil that has more biological life and not less. So there's-- there's quite a section in here, if you're interested, where we talk about what soil health is and why it's important. We just don't have time to cover that this morning. So I'll leave that to-- to your own reading it at another time. What I want to jump into is, is the process that we went through and then the-- the action plan that we came up with for this initiative of Soil Health for Nebraska Wealth. And so what we did is when we first came together, we looked at what other states were doing in this area of soil health. And there's a lot going on. There's 35 to 40 states who have some sort of soil health initiative in varying stages. Some of them are fairly mature to where they're very, very strong functioning entities. Some of them are a little bit behind us to where they're just now getting legislation introduced into their governmental systems to kind of do what Nebraska did a year and a half ago with LB243. And some of them are kind of where we're at, you know, still trying to figure our way through what the best thing is. So we looked at all the different states, we looked at what they're doing and we tried to, you know, take the best pieces out of that. And then we looked at what was going on in Nebraska for soil health work. And there is a lot; there's a lot going on. You know, we have an appendix in the back that lists a lot of the good work that's being done both by the University of Nebraska system, by the Natural Resources Conservation Service, and then also our natural resources districts. There's a lot of things going on within the state. But what kept coming up over and over again, not only when we were doing that research from other states as well as within our own state, but also when we-- when we interviewed and talked to these other groups and entities, is that even though there's a lot of work going on there, everybody agreed there more needs to be done. But there needs to be a tighter connection and a ability to-- for the different groups to communicate and collaborate the work that they're doing. So, for example, you know, the NRD might be having a really great soil health meeting, but somebody down the road a ways may not even know about it because, you know, there's just not a good communication system there.

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They don't have the ability to collaborate with the other groups. And so that was one of the things that really came up very clearly is that we need to have a better system of being able to do that. The second one was we need better economic information because there's no way we're going to get farmers to adopt any of these-- these practices, soil health practices, if we can't show them that it's economically viable to do. We can't, you know, we don't-- we don't want to force this on anybody. And the best way for someone to adopt it is to see that there's more profit for them in doing it. So economics was a constant theme throughout the entire process as well. And there's some good economic data. We've got a fairly robust section in the report about economic data. And again, there's lots more that we couldn't put in here. So when we-- when we kind of boiled all that down and we started going, OK, so what-- what does Nebraska need to take what's already going, the good work that we're doing, what do we need to do to take it to the next step to make it even better, to leverage this work and to expand on it, identify the gaps and make it even more effective at getting not only producers to-- to understand and adopt some of these practices, but also educate the public, educate the consumer about the importance of this and the benefits that will accrue to-- to urban and to consumers when we have healthier soils within our state? And so we came up with five goals or five of these action steps that we're proposing. And I'm just going to go through those in the remainder of the time that I have and this is on page 5 of the executive overview. So the first thing that we're recommending to be done is-- is to create what we're calling a Nebraska state soil health hub. And this would essentially be an entity or a group or a coalition or an alliance. We don't know exactly what to call it. We called it a hub because it's kind of the center of everything. And this hub would be made up of all of the groups that are currently doing good soil health work: the University of Nebraska, the NRD system, NRCS, agribusiness, commodity groups, that all of those are doing soil health work already. And so they would need to have input into this hub. And then and like Senator Gragert said, we want-- we want strong producer input as well. Because if the producers don't have input into the process, it's not likely that they're going to buy into the practices. And so if we could get this hub going to where the different entities could communicate and collaborate, you'd have to have some hired staff that could-- could drive some of this forward with the communication, with some public relations, with some fundraising, different things like that. But what we would envision is

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this hub would kind of coordinate and collaborate with the different soil health activities going on across the state, you know, whatever that looks like. We don't have a super clear picture of what that looks like. We just know that there's a piece missing in helping what's already happening to be more effective. And as part of that, because Nebraska is such a ecologically diverse state, you know, from the-- from the Sandhills in the west to the, you know, the rainier wetter areas in the southeast and the northeast. We need to have-- there's not just one soil health management system or practice that's going to work for everybody across the state. So we're proposing within that hub that we have six we're calling them regional proving grounds. And it would be regional areas where there could be research done, where there could be education done, but it would be done on a regional level. And so for the people in southwest Nebraska, they could be shown soil health practices that work in that area. And those are going to be different than what's going to work in northeast or northwest. So the regional proving grounds would be a second thing or part of that first goal. The second thing is to form a Nebraska producer learning community, and that would be where we would have a network of producers who would be able to communicate with each other, share information with each other, where they could have mentors and mentees. So if a new farmer like the Beginning Farmer program if they're interested in soil health, we could match them up with someone who's already doing those practices and we can leverage that expertise. The third goal was to develop and enhance the next generation of soil health practitioners. So working through educational institutions and even as far down as 4-H clubs and FFA really put an emphasis on training this next generation, not only to be soil health producers, but also to be soil health practitioners that could work in the NRCS and the NRD systems and the University of Nebraska because those people just aren't out there yet. We need to be training them. The fourth thing is we want to bring in \$50 million in additional funding for soil health into Nebraska. And the way that we would do that, we're not looking for tax money. We're looking at getting corporate money. There's a lot of corporate money sitting on the sidelines, whether it be through carbon sequestration programs. Cargill just announced a big initiative with the Nature Conservancy and some of the NRDs. There's money out there that can come into this state and go directly to the producers, but we need a coordinated effort to help bring that in. So that would be one of the responsibilities of the hub is to essentially act as a recruiting, an

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economic recruiter to bring that money in. And then the fifth thing is we need to get a handle on where we're at right now in the state with what the soil health benchmark and soil health measurements. There's some good work being done on that already through NRCS and some of the good folks at UNL. We need to continue that work and have a really good set of standards of where we're at so that when we do improve, we have a way of measuring it and knowing where we're going. So that's-- that's kind of the Soil Health for Nebraska Wealth initiative and the action plan that we set forward in this report.

**HALLORAN:** OK.

**KEITH BERNS:** And I'd be more than happy to take any questions that you have on it.

**HALLORAN:** All right. Thank you, Mr. Berns. Questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Mr. Berns. A lot of information, obviously. Just as a matter of, like, technical practice, this is a report that sets out an objectives. Who would undertake these objectives?

**KEITH BERNS:** Well, that's a good question. LR5 is-- is basically proposing that a grassroots effort be-- be put forth to drive these forward. And we talked a lot about this in developing this initiative is who do we put in charge? And the answer is we-- we don't know that there is really an entity to be in charge. So if LR5 passes and what we would do is we would-- the 31 different entities that had input into this, we would bring all of those people back together and we would say, OK, what are the next steps that we need to take to do this? So I don't know that the next level of leadership to drive this forward has necessarily been identified. I think we know the groups and the entities from which that leadership will come, but that is the next step that needs to be taken to pull upon the expertise and the leadership from those entities to do it.

**J. CAVANAUGH:** So my understanding of LR5 is adopting the recommendations of the report here. It wouldn't actually establish that organization or really create an empowering entity.

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**KEITH BERNS:** The-- that's correct. My understanding is, and Senator Gragert can-- can clarify this, but it's just to encourage a grassroots effort to to go forward and to work on these. We're not-- we're not asking for a new department to be created. We're not asking for, you know, a new entity to be created by this body. We think that something new has to be created, but it needs to be an effort from all of the people that will have a stakeholder interest in it.

**J. CAVANAUGH:** So I guess my other question is then, if there's no action required by us to keep the momentum going then.

**KEITH BERNS:** Other than saying we think this is important and we would encourage this effort to happen. Correct.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** Thank you, Senator Cavanaugh. Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Chairman Berns. I think you guys hit it out of the park. It was refreshing as a livestock producer to read and hear the section on livestock and how important that is for healthy soils. And we didn't just talk about our crop fields. We also talked about our pastures. So kudos to you and your group on that. I guess my question is on close or, excuse me, carbon sequestration and getting paid on using that as a carbon sink. I think the world is-- is moving quickly to that. And I think that the state is going to have a real opportunity, particularly with as many acres of no till and pasture and everything else that Nebraska has going for it. Did you guys discuss that at length? And where do you see that going?

**KEITH BERNS:** Yeah, excellent question. We did discuss it quite a bit. When we first started putting the actual written report together, and I actually was kind of taking the lead in writing that section on the carbon sequestration, there were three main carbon programs that really we could find information on at that time. By the time we took this to publishing in December, there were six. There were three additional ones that came on line, one from Bayer, one from Nutrien, and I can't remember who the third one was, but the big boys are starting to get into it. There's a lot of money out there that's going to be put into carbon, even more so now probably with the new administration in Washington. We don't know what exactly that's going

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to look like, but the Growing Climate Solutions Act, which is going through Congress right now and is widely bipartisanly supported, it's going to push this whether we want it or not. You know, carbon is plant food. And if we can get paid to put it into plants and back into the soil where it really belongs, so much the better. It makes our soils more productive. And if we can get some additional income. Now, the problem is, is because there are-- these programs are all brand new, people just finally started getting paid. The first ones are starting to get checks from carbon programs out on the East Coast. We don't know much about a lot of these. As a farmer, one thing that I would really like is if there was some sort of a hub or an entity or producers group like what we're proposing that could kind of evaluate some of these and say, well, here's the advantage of the Nori program. Here's-- here's what Indigo has to offer. You know, here's what the Bayer program does. You know, this is-- this is the pros and cons of the Nutrien program. And then if I could talk to someone who's actually been through that, that would be so hugely valuable to me as a producer to make that decision, because it is a big decision. You know, you're talking about a long-term commitment. When you sign those contracts, they're probably going to be 10-year carbon contracts. So you don't want to enter into those lightly. So we need a clearinghouse, somebody to help evaluate some of that information. And then even better, like, say, if I could talk to another farmer who's been down that road or down that path, it would be hugely valuable.

**BRANDT:** Thank you.

**HALLORAN:** Thank you, Senator Brandt. Thank you, Mr. Berns. Any further questions? Senator Groene.

**GROENE:** Thank you. You're talking about my industry. But, sir, what percentage of the state of Nebraska farmers are already no tilling, minimum tilling?

**KEITH BERNs:** There's a pretty high percentage. I think it's 60 to 70 percent that are doing some form of no till. We lead the nation in no till adoption.

**GROENE:** I would say in western Nebraska it's closer to 95.

**KEITH BERNs:** Yeah, the drier it is, the higher that percentage is, without a doubt.

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**GROENE:** So they are already doing this for economic reasons and water management. Why do we need carbon seq-- a payment?

**KEITH BERNS:** Well, you don't have to.

**GROENE:** Why would the taxpayers do that [INAUDIBLE]

**KEITH BERNS:** It's not the taxpayers. It's companies. It's corporate money. If-- and there's a whole list of companies in the back of this that have-- have made these-- these pledges, these environmental carbon pledges to try to get carbon neutral. So that money that's going to be coming in carbon sequestration is not going to be taxpayer--

**GROENE:** [INAUDIBLE] policy, why would you do something when it's already happening? Why would you force a company [INAUDIBLE]

**KEITH BERNS:** Well, I don't think-- I don't think anybody's forcing the companies. It's a voluntary effort. They're-- they're basically saying we want to pay for someone else to put carbon in the ground so that we can put it into the air. I mean, that's what they're doing. And so it's-- it's a totally voluntary program.

**GROENE:** What do you mean by putting it in the ground? We're going to till again and bury this [INAUDIBLE]

**KEITH BERNS:** Well, as you're-- as you do practices such as no till or cover crops or more diverse rotations, integrating livestock, when you do those practices, you're putting more carbon into the soil. And you see that when your organic matter levels increase. So as you can do that and as you can prove that, then you can say, well, I've sequestered X number of tons of carbon into my soil that wasn't there before, somebody will pay you to do that. And if it's a practice that you're already doing, you don't necessarily have to change. Now, you may make some other changes if there's enough financial incentives to do that, but there's a lot of people already doing--

**GROENE:** So--

**KEITH BERNS:** --some of these.

**GROENE:** --you would have to stop grazing your stocks probably because you got to leave the carbon out there. You have to--

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**KEITH BERNS:** Potentially or--

**GROENE:** --you couldn't bale your straw. You couldn't bale your  
cornstalks.

**KEITH BERNS:** There would be some of those. You would get paid more  
for-- the more carbon that you leave behind, the more you'll get paid.  
So my-- again, I don't-- I don't understand how all these work, but my  
understanding is you get paid on the tons of carbon that you  
sequester. So the more practices that you do to put the carbon in the  
soil, the more you'll get paid.

**GROENE:** But isn't the-- isn't the end game that we have less livestock  
because they create carbon dioxide and you don't want to feed the  
carbon to the cattle. I mean, anyway, I--

**KEITH BERNS:** Yeah, I don't-- in some people's minds, it may be less  
livestock. Some of the most effective systems at putting carbon in the  
soil are-- are totally livestock based. It's all in how you graze it.  
It's all in how you manage it. There's a big difference and I know  
this from personal experience. We've set our soil backwards by  
overgrazing and mismanaging the grazing. When it's done right, it can  
be very effective. When it's done poorly, it can-- it can hurt your  
land.

**GROENE:** Just one more question. But it's-- I've been around awhile,  
but that's what the Extension Service has done for years, tried to  
help. We already have that practice at the University of Nebraska.  
They come out and help you manage your pastures, your ground for those  
who-- back in the day when farmers had 8th grade education. Now they  
go to school and learn it. But I just-- aren't we just a little dollar  
short and a little bit late?

**KEITH BERNS:** Well,--

**GROENE:** [INAUDIBLE] practices are already going this way?

**KEITH BERNS:** You're right. There's absolutely nothing new in here. I  
mean, our grandfathers would have been doing this practice, you know,  
back a hundred years ago. And so a lot of these is we're trying to  
bring some of these things back that make agronomic sense. We  
understand them a little bit better now because we know the science.  
And, yes, a lot of these have been encouraged, but they haven't been

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as widely adopted as they need to be, at least in our opinion. That's why there's a lot of work to be done yet. There's-- there's some people that are really off to a good start. There's some that are-- got some practices going but could probably do more. And then there's some that really need some help getting started. So there's-- there's all-- all aspects of that spectrum.

**GROENE:** Thank you.

**HALLORAN:** Thank you, Senator Groene. Any further questions of Mr. Berns? Seeing none, I appreciate it. It's going to be helpful.

**KEITH BERNES:** Thank you very much.

**HALLORAN:** You filled a lot of blind spots for us. So appreciate it. Next, we will look at proponents. We will hear from the proponents of LR5 after we've done our very thorough sanitize. Good morning.

**TIM KALKOWSKI:** Good morning. How is everyone this morning? Senators, I am Tim Kalkowski, T-i-m K-a-l-k-o-w-s-k-i. I am the past chairman of the Nebraska Grazing Lands Coalition, where our mission is to promote grazing lands in Nebraska, conservation stewardship, range management-- range management, and mentoring. I'm also an agriculture banker for First State Bank Nebraska, committee member of the NRCS State Technical Committee. And I'm also involved in a family ranching/farming operation in northern Nebraska. I would like to speak in favor of LR5. When I think of soil, I naturally think of a cornerstone or foundation, much like the foundation that this State Capitol is built upon. Soil is the cornerstone foundation of life. Everything that makes Nebraska great comes from the soil. It is the economic driver of this great state. Just like the foundation of this building, if we do not take care of it, then it will deteriorate and will start to wear and crumble. It is eat-- it is much easier to protect and take care of the foundation than to ignore it and then try to rebuild it later. LR5 is about recognizing the importance of soil and conservation and what that means for all Nebraskans. It is about being progressive and proactive in our methods with stewardship at the top of the list. It is about protecting our economy and protecting our environment for future generations. So the soil is the cornerstone foundation. I believe this is obvious and anybody that has run soil through their hands I think understands this. All life comes from soil. We need to only look at the devastating fires of 2012 or the

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floods in 2019 to-- to truly understand the importance of soil as the foundation for everything that grows, lives, or is built upon it. Economic driver. These are some facts from the Nebraska Department of Agriculture Fact Card February 2019. Nebraska ranks number one in the country in commercial red meat production, commercial cattle slaughter, all cattle on feed, great northern bean production, and popcorn production. Second on all cattle and calves, all hay production, and bison. Third in corn production. Fifth in soybean, cash receipts from all crops, sugar beets, egg and egg production exports, which I'm assuming will grow here soon, and pork and pork product exports. We produce more than 2 billion gallons of renewable fuel annually. What is the common denominator in all that? Soil. Also, if you want to talk green, we cannot sequester carbon without soil. I think the most important thing in agriculture today and maybe in our society is generational transition, transitioning our lands to the next generation. We need to be proactive on this issue and leave Nebraska a better place on solid ground or footings, if you will. In conclusion, Nebraska holds some of the best native range in the world, coupled with the Ogallala Aquifer. Our natural resources are unique and boundless, and we have the privilege and opportunity to protect-- protect these for our generation and for generations to follow. Thank you for your time.

**HALLORAN:** Thank you, sir, for your testimony. Are there any questions from the committee? Seeing none, appreciate your testimony.

**TIM KALKOWSKI:** Thank you.

**HALLORAN:** The next proponent would prepare themselves, we'll be ready for you soon. Welcome. Good morning.

**TOM HOEGEMEYER:** Senators, I'm Tom Hoegemeyer, T-o-m H-o-e-g-e-m-e-y-e-r. I'm a native Nebraskan. I earned a bachelor's in crop science at UNL and a Ph.D. in genetics and plant breeding at Iowa State. I owned and worked at our family ag seed business for nearly 40 years and finished my career as a professor of practice in the agronomy and horticulture department at UNL. During my education and throughout most of my career, we knew soils were exceedingly important in-- in successful livestock and crop production. But we thought about them from mostly a physical and chemical standpoint. You know, are they eroded or compacted? Do they have a sufficient amount of mineral elements to nourish plants? But over the last 10 or 15 years, we've

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learned that the biology of soils is key to a lot of properties. Those microorganisms and macroorganisms, for that matter, secrete substances which are really important to soil structure and soil function. They have an impact not just on plant and animal health, but they also have an impact on human health. Dr. Ray Ward from Kearney, a respected private soil scientist, believes that approximately 90 percent of the soils in Nebraska are degraded to some level. And he sees this as one of the keys to restore, you know, good function and better economics, to agriculture, as well as better health. One of the things that I think is key for you as leaders to understand that there's some serious demand-driven changes coming in the food and agriculture system. Millennials and Generation Z, especially, particularly young mothers, strongly prefer and expect healthy foods, which they define as being able to be traceable through the production system back to farms and ranches. Plus, they expect those to be produced on healthy soils and in good situations and in a sustainable manner. Well, first, we have boutique food companies responding to that. Clif bars and Annie and, you know, those sorts of things. But now the big food companies are getting involved: Cargill, Kellogg, ADM, those sorts are increasing their demands for products, foodstuffs, feedstuffs that are being produced on healthy soils. And all of these companies have made promises to their consumers that they will be carbon neutral by whatever date. A big part of that promise is having those products being produced on healthy soils and then carbon sequestration manners. Multinational input suppliers like Bayer, DuPont, Dow, Corteva their combination are investing and studying what their role is in all of this. And they're about to invest huge dollars, but they need to see structures and people and organizations that they can work with. And this task force suggested forming this water hub or soil and water hub. And I just think this is one of the critical things we can do for-- for the future. Not only does this have-- have functional responsibilities, but I think there are opportunities for-- for good soil health to impact the urban audiences as well. Healthy soils slow down the water from heavy rainstorms, which we seem to get-- be getting more and more of all the time. And I sincerely think that in watersheds like the Salt Creek Watershed here in Lincoln or the Papio Watershed near Omaha, healthy soils probably is not only more cost effective, but probably is more effective than engineering techniques in reducing some of that potential. So for all the reasons that-- that Keith Berns described and all of these new economic impacts, I

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strongly observe or urge the adoption of LR5. So thank you for the  
opportunity.

**HALLORAN:** Thank you, Mr. Hoegemeyer. Any questions from the committee?  
Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. And thank you, Professor  
Hoegemeyer. Correct me if I'm wrong, but what I'm hearing is that  
there's a potentiality for a large amount of investment from outside  
the state to come in if we approach this properly.

**TOM HOEGEMEYER:** Yes, sir. I think that is correct.

**J. CAVANAUGH:** And is your assertion and your belief that following  
these five steps and the Legislature adopting this will put us in a  
position to capture that investment?

**TOM HOEGEMEYER:** It is, oh, as I see it, necessary, but maybe not  
sufficient.

**J. CAVANAUGH:** What would-- is there any action required by this  
committee or the Legislature to be sufficient to capture that  
investment?

**TOM HOEGEMEYER:** I think that it may be pre-- premature to answer that  
question. I think we may not know exactly what these companies are  
going to want and need, but I think we need to be ready to be  
responsive. And I think having-- one of the primary things that that  
is important is having these benchmarks established for all our soils  
from northwest Nebraska to southeast because they are so different and  
diverse, having our benchmarks and our systems in place to work with  
these folks I think is extremely important.

**J. CAVANAUGH:** So the best we can do right now is to adopt LR5 and then  
potentially in the future, there may be some action required to--

**TOM HOEGEMEYER:** Yeah, I think that's-- that's correct. I-- I think  
this is not the last time this committee will hear of things that--  
that need to be done.

**J. CAVANAUGH:** I'd be surprised, yeah, you're right. Could I ask  
another question unrelated.

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**HALLORAN:** Certainly.

**J. CAVANAUGH:** You stated that there's an estimated 90 percent of the soil in Nebraska is degraded. Is that uniformly degraded or are there different degrees of degradation?

**TOM HOEGEMEYER:** Oh, it's-- it's hugely diverse. There are some soils and some producers that are doing just a tremendous job with-- with what they have and those soils have been taken care of. But the truth is, you know, a lot of the degradation happened between settlement and-- and World War II.

**J. CAVANAUGH:** And is there a point at which the degradation in some places or potentially everywhere or would reach such a point that it would no longer be economically feasible to use for agriculture?

**TOM HOEGEMEYER:** It is possible to get there. And in some areas, I think that-- that we have some of those on steep river slopes and one thing and another bottom lands that have been scoured and covered with sand to a depth of 10, 12, 15 feet in the Missouri bottoms. Yeah, this-- this can happen.

**J. CAVANAUGH:** Are we at risk of a major degradation in the near future?

**TOM HOEGEMEYER:** I really believe that most of the land is being handled in a manner that it probably won't get worse, but it probably isn't going to get better unless we do some things. Nature has a tremendous power to heal the land over time, but sometimes it takes millennia. But we can-- we can hurry that along with some of these healthy soil practices: the cover crops and diverse rotations. And-- and I think adding livestock to a lot of cropping systems is a positive.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** Thank you, sir. Any other questions? Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. One of the things that has been a constant that we've struggled with in my district, which, of course, is the Sandhills, is overgrazing.

**TOM HOEGEMEYER:** Yes.

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**BREWER:** And then you have this situation of blowouts and the inability to ever recapture the land. Is that something that anybody is really focusing on is how we can? You know, once it seems like that surface is broken and we get to sand, getting that surface back again, it seems like almost an impossible task sometimes.

**TOM HOEGEMEYER:** Senator, you're absolutely right. That's-- that's one of the real conundrums. The way it happened in the past, by my understanding, is it was a period of good moisture situations for 50 years or 100 years. The Sandhills, you can see it on a topographical map, was at one time, you know, unconsolidated blowing sand dunes, much like the Sahara or the Gobi are today. And we got this favorable period where the grasses started. And it's those grasses and the roots that are so critical. And once that's undone, it really takes, you know, watering them. Some of the best reclamation that I've seen done is, has been done under pivot systems that should never have been installed to begin with, to raise corn or whatever. But, you know, with water, you can bring those areas back. But without water, it's just really hard. And I don't think anybody knows how to do that, sir.

**BREWER:** Well, and part of the problem is it almost compounds itself because you'll have someone who is struggling financially. So they overgraze the pastures, the overgrazing causes the blowouts. Again, they have to have a place to put the cattle so they put them back on that's been overgrazed and it compounds it worse. And you get to a point of no return where--

**TOM HOEGEMEYER:** Yes, sir.

**BREWER:** --you almost have to stand that down for a long period of time. It's almost like what you say is if we could have the rain we had a few years ago, every year for a while, I think you could self-generate some back. But that's something that we're really struggling to figure out how to help recapture that ground.

**TOM HOEGEMEYER:** Absolutely.

**BREWER:** Thank you.

**HALLORAN:** Thank you, Senator Brewer. Any further questions? Thank you for the testimony.

**TOM HOEGEMEYER:** Thank you.

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**HALLORAN:** Good morning.

**JOHN HANSEN:** Good morning.

**HALLORAN:** And all I ask, Mr. Hansen, is, is that you leave that chair in the condition you found it.

**JOHN HANSEN:** Well, I appreciate knowing the guidelines up-front. Good morning. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union. And we are in support of this task force. We want to thank this committee for their past support of LB243. Thank Senator Gragert for bringing it. And thank all of the 17 folks, and especially Keith Berns and-- and his cochair for all their hard work. There's been a lot of hard work, a lot of time invested in this effort. It is a very important and a very substantial effort. And we are one of the folks that were interviewed and we did have input into this process. And so a bit about the process is that I've been working in this general area most of my life. And so my-- my grandparents put in the first terraces in Madison County. My dad was on the Soil and Water Conservation District Supervisor Board for years and years. When we created NRDs, I ran in '74. I was 23-year-old farm kid because my dad said the future is taking care of the land. And so when I bought the original home quarter from my grandpa, he gave me clear instruction that my future was clearly tied to how good of a job I did of taking care of the soil. And so as we have done this, the-- the most progress in the last few years is very encouraging. We, you know, we were-- we were sponsoring public information things on healthy soils and getting 20 people or 25 people showing up. And now a lot of these events we're getting 200, 300. And so there's an enormous amount of interest, both within ag, but also within the agribusiness community. And I really think that-- that family farmers and ranchers really do, if given the opportunity, really do want to do the right things. And so this task force, in my opinion, helps channel more of our energy and our expertise to working more strategically and smarter in order to be able to do the things that I think that we're inclined to do. So as I was reflecting on things that we've done before, Nebraska led the nation as a state when we were trying to work on the business of establishing a voluntary market-based cap and trade system. And so we had 3,064 acres signed up in Nebraska. Nebraska Farmers Union was one of the three aggregators. We had 1.2 million acres and so we were the largest by acres. The Farm Bureau, their aggregate was the largest by

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numbers of participants. And those folks were participating in those things because they wanted to leave the land better than they found it. And they-- they were willing to accept a voluntary market-based incentive to do that. So, Senator Brewer, we had an awful lot of folks signed up in your district who were ranchers who were trying to figure out how do we more effectively graze our grasses, how do we do a better job of getting more total production, but also taking a better care of the of the grasses. And that just, that little extra incentive to do that made a lot of difference. And so the will is out there, I think. And so this report is if you want to-- if you want to get a bunch of conversations going, just put a bunch of farmers or ranchers together and get them talking about soils. And I guarantee you're going to get an enormous amount of-- of differences of opinion about how the best way to do everything is. But is this a good report? Yes, it is. Is this a good starting place? Yes, it is. We agree with all five of the goals and they're all essential. And it all is based around collaboration, education, and taking advantage of the good example of your neighbors and all of those things. So I am very much encouraged by what this report has put before you, and we would strongly encourage you to accept it and and turn these guys loose to help focus on how it is that we help leave the soil and water resources that we're all responsible for in better shape than when we found them. Thank you.

**HALLORAN:** Thank you, Mr. Hansen. And you probably introduced yourself at the beginning. But for the sake of transcribers, would you--

**JOHN HANSEN:** Yes.

**HALLORAN:** --state your name and spell it again for us?

**JOHN HANSEN:** J-o-h-n Hansen, H-a-n-s-e-n, and I'm the president of Nebraska Farmers Union.

**HALLORAN:** Thank you. Any questions for Mr. Hansen? OK. Seeing none, thanks, John.

**JOHN HANSEN:** I'm hoping for the best for this chair. Thank you.

**GREG LICKTEIG:** Thank you.

**HALLORAN:** Good morning.

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**GREG LICKTEIG:** Morning, Senators. My name is Greg Lickteig. It's G-r-e-g L-i-c-k-t-e-i-g. I'm here to speak on behalf of LR5 and more generally to give you a few thoughts on soil health from my perspective, from ag business, and also as a farmer. First as a farmer, I own and manage Iowa farm ground and work with about 10 different tenant farmers. As a landlord, I have a window into each of these farm operations. All are conventionally farmed, chemically intensive operations for the production of corn and soybeans, much like eastern Nebraska. All are managed by excellent farmers with whom I respect and have a long relationship. That said, I believe we are at the beginning of a journey that will alter our perspective of the soil and change how we farm. Now, from the grain business perspective, I have worked in the grain industry for 30 years, the past 25 years with the Scoular company in Omaha. During this time, I have witnessed the growth of a niche within the organ-- within agriculture, the organic industry. And what I have learned by working with organic farmers is that there is an alternative to conventional commodity grain production that's not dependent upon synthetic inputs and that it can be done at scale. Well, I'm not-- I'm not here advocating for organic, nor does this report specifically call out organic. I can see that there are some of their practices that would be applicable in conventional agriculture and that would limit the use of synthetics and keep the soil alive. That's what it's about. It's keeping the soil alive. There are huge headwind-- headwinds to change and bold leadership is required. Possibly the most significant challenge is financial success itself. To quote one of my tenant farmers, Why mix things up if I'm making money? I heard that a couple of weeks ago when we were talking about adding cover crops. The fact that so many farmers are seeing financial success in the status quo is an incredible impediment to change. That said, much of that success is coming not from the market, but rather in the form of government subsidies. Over 34 percent of net income for farmers in 2020 came in the form of government direct payments. That's \$46.5 billion. Another impediment to change is the infrastructure and industry that developed around the grain farmer to supply them with synthetic fertilizers and insecticides. Lots of money is made by industrial ag by supplying the farmer with inputs. Shaking this up means lost revenue and that means resistance. When talking about global warming, many are pointing the finger at agriculture and at the beef industry in particular as a problem. We in agriculture and in the state of Nebraska have a challenge to prove this claim wrong. Beef cattle and the reintegration

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of livestock into soil management can play a significant role in reducing greenhouse gases and we need to tell the story. From the perspective of the grain trade, I can testify that buyers everywhere have this topic on their minds. Industrial ag is reading the tea leaves. Most have sustainability objectives and many are talking about regenerative ag and want to understand how they can participate. A little over a year ago, I attended a working group in Minneapolis sponsored by Target. Target, a company that I associate with my wife's frequent spending sprees, was hosting a working group on healthy soil. They wanted to talk about soil health and how they might put food products on the shelf that will allow their clients, i.e. Target customers and my wife, to express their concern for the environment by shopping at Target. This blew my socks off. This truly is a demand pull phenomenon that we, Midwest farmers and the ag industry and leaders everywhere, should listen to and take heed. I believe in offering customers choice and giving them the option to buy what they want to buy, whether that be cage-free eggs, organic milk or simply cheap food. That said, when talking about soil health, good food, and clean water, I believe this is something that we should all be of interest. How we produce the food we eat and its effect on the environment and our communities at large is of note. It is for the greater good that we move our entire food system towards a more regenerative, sustainable method of farming. It is my hope that production ag will evolve and that we will change our system of grain production that will treat soil as a living ecosystem with the ability to regenerate itself with fewer commercial inputs, reducing erosion, fending off drought, lowering our carbon footprint. As a result, clean up our water supply. In combination, this will have a positive impact on human health. As this system evolves and we employ more people on the land, we can reinvigorate rural communities, create opportunities for families to grow and prosper. The Healthy Soils Task Force provides a road map for us to follow. It focuses on creating win-win scenarios in which no one is dictating to farmers how to farm. Its focus is where it should be: on increasing producer profitability while improving the soil and protecting the environment on a voluntary basis.

**HALLORAN:** OK.

**GREG LICKTEIG:** Thank you.

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**HALLORAN:** Thanks for your testimony, Mr. Lickteig. Is there any questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Mr. Lickteig, right?

**GREG LICKTEIG:** Lickteig, yeah.

**J. CAVANAUGH:** I believe we've met before.

**GREG LICKTEIG:** Yeah.

**J. CAVANAUGH:** Thank you for being here. And from I guess a commodity standpoint, you talked a lot and I think you did address profitability. But if we were to achieve the objectives set out in this report, would it have the effect of decreasing the cost of the end agricultural product?

**GREG LICKTEIG:** In the end, I see economics is going to rule the day. It's going to-- farmers are going to make their decision as to how they farm and what they do based on economic success here. And what I have found and what I see is that farmers can reduce their inputs by taking a look at the soil differently and employing different inputs. It's very likely reducing synthetic inputs and increasing human capital. It does if we're not talking about necessarily increasing the cost of commodities.

**J. CAVANAUGH:** So, again, so that's my question. By decreasing those-- the, I guess, chemical inputs, does that have the potential to decrease the cost of a, you know, box of cereal basically?

**GREG LICKTEIG:** I don't see a decrease in the cost of the box-- box of cereal. Commodities and the cost of the-- of the actual commodity in the food product on our shelf is minuscule. It's very small there. So I don't see that as having an impact.

**J. CAVANAUGH:** Would it have the potential to decrease the cost of a-- of a-- I guess I don't have the vocabulary, a ton of grain, then?

**GREG LICKTEIG:** I don't see it reducing the cost of the grain. I don't necessarily see it increasing the cost either, but I don't see it reducing the cost.

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**J. CAVANAUGH:** So from an economic standpoint, what is the benefit of healthy soil?

**GREG LICKTEIG:** Of healthy soil? It-- it has to be looked at at a holistic approach and attending, you know, conferences like that Target seminar. And it was-- it was looking at the inputs that the farmer uses themselves. It's the impact on water supply and the quality of the water. It's sequestering more carbon. It's about all of those things here.

**J. CAVANAUGH:** So it's affecting the entire economy as a whole. It's not in any one particular level then.

**GREG LICKTEIG:** I think it affects the farmers first and foremost and then the rural communities. But it has-- it has greater impact throughout--

**J. CAVANAUGH:** So--

**GREG LICKTEIG:** --society

**J. CAVANAUGH:** And I apologize for if I'm not asking the questions appropriately. But so-- so it would potentially make the farmers more profitable then by decreasing the input costs or?

**GREG LICKTEIG:** Farmers very often are just finding a way to be-- looking for a way to be profitable. I mean, very often there are so many things that are out of their control: weather, their prices are out of their control. They're dictated by world economics, trade disputes. And so, first off, the farmers are just trying to make ends meet. And so this is not necessarily-- I don't think you pursue this or go down this route to make farmers more profitable. I think the point is, is that there is a profitable way to farm and to take care of the soil and to farm a different way. And it's about a continuum. It's not black or white. It's about evolving and changing.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** Thank you, Senator Cavanaugh. Any further questions? Thanks for your testimony. So how many are still available here to testify after this testimony? Raise of hands, please. OK. Thank you. You may proceed. Good morning.

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**MIKE McDONALD:** Morning. Hi.

**HALLORAN:** How are you doing this morning?

**MIKE McDONALD:** I'm well, thanks for the opportunity. It brings back a lot of memories. In about 1983, I was a page. So I was thinking about those guys over there, for Senator Shirley Marsh and Senator Haberman. So it's kind of weird coming back here. My name is Mike McDonald, M-i-k-e M-c-D-o-n-a-l-d. Thanks for the opportunity. I worked closely with Keith and Senator Gragert and him and his staff on this task force as a member. There's been really a lot of good questions. So I'm going to add one thing here before I get going. If you're looking at action steps or possibilities, think of it as a Nebraska Business Ag Consumer Innovation Act. It's been brought up many questions today, the what if, where do we go next steps? But I'll just plant that seeds with you as we go. I'm a lifelong Nebraskan. I received three degrees in University of Nebraska-Lincoln. After teaching future teachers for several years and farming part time. My wife recently retired and I farm just east of Lincoln about 35 minutes. I serve on the Otoe County Farm Bureau Exec Board. I don't mean to use I statements, just trying to give context for my background. I'm in my third year of the Nebraska Natural Resource Commission Board that primarily works with the Water Sustainability Fund. I just began my ninth year on the Nemaha Natural Resource Board. I've served the last three years on the exec board and I was elected chairman last month and I'll serve that two years here. Beginning in the summer of 2019, I was selected as one of the two NRD members to serve on the Healthy Soils Task Force. We were lucky: Jeff Steffen, Lewis and Clark, but we had a third person, Jerry Allemann, from Lower Elkhorn, so we really had 3 out of 17 from NRDs. These are context for me, my background, and my experiences. And also Senator Slama's my local senator. I worked closely with her and Senator Gragert and their staff work tremendously with us here. I am only testifying to my role as a task force NRD-related member, producer, and former educator. I stand in full support of LR5 and the task force report. We now ask for your full support as we begin formation steps this spring. We purposely, I want to restate, we purposely did not ask for money or submit a formal bill this year. We talked to a few senators. The question has been asked today, what are you asking for? We can talk about that. There's good and bad in that decision. We do not want mandates. We purposely want to take our time to build grassroots effort and voluntary involvement. I'm now going to approach a little bit different. Keith did a great job, Tim, all the

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other presenters on the nuts and bolts. But on the back side here of page 1, I want to talk about each of you. So how does this make a difference in your neck of the woods? OK. Senator Halloran, the Water Sustainability Fund has made Hastings a prime focus. You know the issues with water quality, water supply and health. Goals 1 and 2 stand prominent. How can we get people, consumers working together? Your business development director is outstanding. Your nearby farming and business communities have collaborated. You are a focus of a possible hub. We put money out, but we do not have long-term data on spending over \$66 million. Senator Brandt, I know several people who work and live with you, near you. Plymouth and agriculture regions are heavily impacted by the erosion and water issues near the Little Blue. The education by quality Extension educators such as Randy Pryor and Paul Hayes, freshly retired, are critical. The Proving Grounds was drafted with input from Randy Pryor. Goal three provides a new way to develop new NRCS Extension producers. Senator Groene. Sorry. Senator Brewer, my wife is from Scottsbluff. I grew up in central Nebraska, but I moved to Imperial in 1978. Water quantity and our amazing Sandhills are foremost. They're mutually important. The drought. We have several farmers and ranchers from your area that several of us here are involved in a grant with them, water. During this ongoing drought, the importance of retaining every drop of water and weather resiliency stand even taller. And this year looks like it's going to be even tougher waterwise. Goal 5 was focused on western and southwest Nebraska. The Panhandle Research and Extension Center, sometimes west Nebraska is left out, was developed with them in mind. Senator Cavanaugh, Senator Lathrop, in the early 1980s I taught at Gretna. As we witness the exponential growth of cities, as you go out to Millard, Northwest, you see that we're losing the sponging capacity of our soils. I think you asked the question earlier. These floods are not if. They will continue and that isn't trying to be negative. You got to have land to suck up the water. At least \$1 million of every year from the Water Sustainability Fund goes off the top to Omaha. That was written into law. That money, as we look at it, sorry. Senator Gragert, we've already talked. Senator Hansen, it's been talked about a new process and a new project up by your neck of the woods. Thirty-nine states have soil health initiatives. That's been talked about. We only have enough funds to fund 3 percent of acres in Nebraska for EQIP and 7 percent for [INAUDIBLE] stewardship.

**HALLORAN:** We need to wrap it up, Mr. McDonald.

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**MIKE McDONALD:** Yep. On the last page, we had different areas and what  
was worked on. And so we've got people that you can see have supported  
this, Governor Ricketts, his quotes; Senator Slama and so forth.

**HALLORAN:** OK, thank you. Any questions for the testifier? Seeing none,  
thank you so much.

**MIKE McDONALD:** Yeah, thank you.

**HALLORAN:** Thank you, Jonathan. We will proceed with proponents if they  
are wishing to testify as a proponent. OK. Seeing none, we'll move on  
to those opposed to LR5. Seeing none, we'll look at those who are in  
the neutral capacity on LR5. Welcome.

**STEVE EBKE:** Thank you. Good morning, Chairman Halloran and members of  
the Agriculture Committee. My name is Steve Ebke and that's spelled  
S-t-e-v-e E-b-k-e. I operate my family's farm located near Daykin. I  
currently serve on the board of the Nebraska Corn Growers Association.  
And I'm here today on behalf of the Ag Leaders Working Group  
testifying in a neutral capacity on LR5. The Ag Leaders Working Group  
consists of the Nebraska Cattlemen, Nebraska Corn Growers Association,  
Nebraska Farm Bureau, Nebraska Pork Producers Association, Nebraska  
Soybean Association, Nebraska State Dairy Association, and the  
Nebraska Wheat Growers Association. The groups I represent today thank  
the task force and all those who participated in the process to meet  
the requirements of LB243. The handouts distributed are just an  
example of some of the soil health outreach within Nebraska. Many  
Nebraska farmers and ranchers have implemented and continue to adopt  
soil health principles. They have been assisted by a multitude of  
resources provided by Nebraska Extension, NRCS, Nebraska Department of  
Agriculture, NRDs, commodity organizations and checkoffs,  
agribusiness, NGOs, and fellow farmers and ranchers individually, but  
more often in collaborative situations. Soil health demonstrations,  
education opportunities, incentive programs, multiyear research  
projects and studies, and other soil health initiatives have been  
offered to Nebraska farmers and ranchers. New Nebraska soil health  
opportunities continue to be offered to Nebraskans annually. Nebraska  
farmers and ranchers will continue to work with all of the  
stakeholders involved in Nebraska soil health activities to better  
understand the management, environmental impact, and economic benefit  
of soil health principles. Our neutral stance results from a concern  
that a new layer of salaries and overhead is proposed, rather than

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asking Nebraska Extension with-- with assistance from other stakeholders to assume a role that we believe is within their mission. We acknowledge the report emphasizes the intent to improve soil health and protect the environment through voluntary, nonmandated means. However, there is a lingering concern that a failure to meet the specific metric goals which will eventually be established will result in mandates or regulations. Furthermore, the report states, the aim is to avoid what was-- what has happened in other states where a lack of voluntary action brought public pressure, resulting in strict mandates and regulations. We will take the report as intent, but note that good intentions in other states, in our opinion, did not end well for the farmers and ranchers. The ag leaders, Ag Leader Working Group members strongly support soil health principles implemented on a voluntary basis, recognizing the diverse nature of Nebraska farming and ranching practices. The members of the association comprising the Ag Leaders Working Group endorse the voluntary incentivized adoption of soil health principles. And we look forward to continuing to improve the health of Nebraska's soils and highlighting the positive soil health activities of Nebraska's agriculture industry. I really thank you for your consideration today, and I will try to answer questions that you might have.

**HALLORAN:** OK. Thank you, Mr. Ebke. I just about called you Senator Ebke. I don't know if there was a relationship there or not.

**STEVE EBKE:** It was, yes, cousin.

**HALLORAN:** Cousin, all right. Any questions? Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Steve, for testifying today. Steve and I only live, what, 15 miles apart, something like that. I don't-- you stated that this would create salaries and infrastructure and all that. I don't-- I don't think that was anywhere in the LR, was it?

**STEVE EBKE:** It's in the report.

**BRANDT:** It's in the report. And then you stated in other states this didn't end well. Do you have an example of another state where something happened?

**STEVE EBKE:** Actually, I'm repeating language that's in the report.

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**BRANDT:** OK. OK. And then you're testifying today for the Ag Leaders,  
not specifically for the Corn Growers.

**STEVE EBKE:** I'm testifying for the Ag Leaders Working Group, which is  
comprised of those--

**BRANDT:** Yeah.

**STEVE EBKE:** --that I mentioned. Yes.

**BRANDT:** OK, thank you.

**HALLORAN:** Thank you, Senator Brandt. Any further questions? Thanks for  
your testimony.

**STEVE EBKE:** Thank you.

**\*STEVE WELLMAN:** Chairman Halloran and members of the Agriculture  
Committee, my name is Steve Wellman, S-T-E-V-E W-E-L-L-M-A-N. I am the  
Director of the Nebraska Department of Agriculture. In my role as the  
Director of Agriculture I served as a voting member on the Healthy  
Soils Task Force. I'm here today in the neutral position on LR5.  
Throughout the meetings and discussions, I continually advocated for  
some basic principles. 1. Meet the requirements set out in LB 243. 2.  
Do not impose requirements that would infringe upon property rights.  
3. Allow for multiple production practices for crops and livestock  
including grazing land, crops (organic, tilled, no till, hay, Sand  
Hills, etc.). 4. Provide baseline measurables for water and soil  
quality. 5. Create measurable actions and results. The task force  
report met some of these requirements, but it has fallen short in  
others. The taskforce tried to address the wide variation of climates,  
crops and livestock grown in Nebraska, but the report falls short of  
properly considering diverse production practices. While I believe  
no-till and conservation tillage are important practices that benefit  
other conservation practices, farmers and ranchers have the right to  
make decisions on their own property. One example is that soil  
disturbances occur while harvesting potatoes and sugar beets. I'm  
concerned these or similar practices are not considered by the report.  
The report also features several action items but fails to give a  
starting point for measuring success. The report has goals for  
creating infrastructure intended to improve soil quality, but the  
report fails to identify the current status of soil health in

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Nebraska. You do not manage what you do not measure. I advocated against the recommendation of creating another entity. This report actually goes much farther by recommending the creation of a hub governed by a board of directors, an advisory committee and full-time staff. I believe more focus needs to go to the farmers and ranchers working to improve soil health to realize enough economic benefit to keep moving forward. The task force received feedback from multiple stakeholders, including farm and commodity organizations that I value highly. Their written response to the proposed report brought up substantial questions and points that concerned them. In my opinion, the final report does not resolve their concerns to the level where I believe we need to be. As a farmer for 40 years in southeast Nebraska, I realize the value of healthy soils. Early into my farming career we adopted no-till production practices to improve our conservation of soil and water resources and to improve soil health. We also practice crop rotations including winter wheat and alfalfa. Throughout my farming career, we have enrolled and participated in two five-year Conservation Stewardship Program contracts and several Environmental Quality Incentives Program contracts. Some of the practices we implemented included using cover crop seedings to enhance water intake, lessen compaction and improve soil health. The goals are commendable, but the actual outcomes are not always what we expect. In Nebraska, cover crop seeding shortly before and immediately after fall harvest can be fairly successful or fail badly, depending on rainfall and other weather factors. In closing, I support farmers and ranchers working to improve the health and productivity of their soils. There are already several ongoing programs that help implement practices to improve soil health. Of the five goals in the Healthy Soils Task Force report, only one of them is truly focused on implementing actual practices at the farm and ranch level. I understand I am one member of the task force and my opinions and goals may differ from the other members. While I appreciate the passion and work of all of the task force members, for the reasons laid out in this testimony, I voted no, on a motion to adopt the final report. Thank you for your time.

**HALLORAN:** Any further testifiers in neutral? If not, I think, Senator Gragert, you're on board for closing. We've got letters received for the public record and these are in your books, committee members. We have nine letters in support and we have a letter from Director of Nebraska Department of Agriculture, Steve Wellman, in the neutral capacity. Welcome back.

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**GRAGERT:** Thank you, Chairman Halloran. Well, I just want to wrap this all up. We've heard a lot of good information. I want to just wrap it up in the next 30 minutes and try to bring this to close the circle, because really, is the report a perfect report? No. I think everybody on the task force would say, no, it's not a perfect report. But I will sit here and tell you that it's an excellent report with some excellent recommendations in moving forward. They fought the uphill battle of, well, this is already being done. Why-- why do we need this? It's already being-- everybody's doing this. But that is what I see this hub that they're envisioning as a one-stop shop. After working for the Natural Resource Conservation Service for over 30 years, I had a number of individuals come in and just didn't know what was going on or how to get involved. And that's what this hub will-- that's what this hub will do for those individuals. Again, a lot of good things going on out there by all the different organizations that we just heard. But we need to bring it together in a communication, coordination, collaboration, one-stop shop. So that's what I feel that-- that this report and the final why I'm bringing the resolution here, because why are we doing this and how do we do this? Well, there's not a silver bullet out there, guys, to fix this complex soil erosion, water depletion, whatever, or water quality. But this will be-- this will move us in that direction to do this. It's going to take-- it took years to-- to happen and it's going to take probably years to fix. With the blowouts, Senator Brewer, I know we have organizations and such on the federal level, Natural Resources Conservation Service organization that does tremendous work on blowout and fixing a blowout, but that's going to take commitment. And I tell you, this is going to take commitment on the producers' part. They've got to believe in these conservation practices. It's not how many-- how many acres are being no tilled at this time. That's one conservation practice of many of the soil management, the soil testing, nutrient management, irrigation, water management, with along-- a lot of others for different addressing things. So it's a combination of things. There's not a silver bullet. Well, I no till so I'm the best-- I'm the best producer out there. Well, you're on the way, but it's like being on a gravel road to the highway to the interstate. And that's where we're trying to go with this-- with this program. So I think the resolution shows the commitment to the Soil Health Nebraska Wealth initiative. And-- and I ask for your favorable vote for advancing out of committee. Thank you.

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**HALLORAN:** Thank you, Senator Gragert. Any questions for Senator Gragert? Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. Well, first off, Senator Gragert, I've learned a lot. And I had kind of fancied myself to be fairly knowledgeable. I, you know, grew up in a ag community, was in 4-H and FFA. And-- and it wasn't until I had a chance to kind of dig down and see some of the work you guys did that I really had some of this hit home. I did have someone say, why is Gragert so nutty about soil? Now, you shared some of it, but just so we have it on the record, you worked for and how many years again, Soil Conservation Service?

**GRAGERT:** Thirty-one years.

**BREWER:** And correct me, when you deployed to Afghanistan, you were not a pilot. You went over there on a ground assignment and you worked soil and waters and that was direct support to the Afghan communities. I mean, what-- what all did they have you do there?

**GRAGERT:** I actually I was-- what that agriculture development team was made up of Air and Army National Guard troops. We took our own security, but we had 12 members specifically like my kind of background with ag and we were also in the National Guard. So us, the 12-member ag team had our own security, we went around. What I specifically did, and actually I took what we do here in the United States with the natural resources districts in our tree program, I incorporated that program into working with the guy guy called Quadual Gul [PHONETIC], the district forester there, and we were able to start a program to where they could reforest or reforest their mountains, which they had badly depleted the trees. So that's the type of thing, you know, I get wrapped up in this. But I mean, somebody that's worked their career for 30 years is going to get wrapped up in. So but I know Senator Lathrop wants to know, hear a lot more, but with time we probably better not.

**BREWER:** Well, the point I want to make is this, that a lot of us have passions in life, but understand that at that time, Tim Gragert was a warrant officer flying helicopters for the Army National Guard. You know, he did that on weekends. He did his work for soil conservation during the week. He volunteered to step out of that cockpit where it's-- it's a whole lot safer than it is walking the grounds of Afghanistan. But he was passionate enough that he volunteered and gave

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up a year of his life to go over and do that. So, you know, when people ask me, why is Gragert so nutty about soil, I think you can understand that it's a true passion with him. And he's-- he's given a lot to have that knowledge. So, Tim, thank you for what you've done.

**GRAGERT:** Thank you.

**HALLORAN:** Thank you, Senator Brewer. Thank you, Senator Gragert. Any further questions? Any more love?

**LATHROP:** I might need to give some love. I, of course, got involved in healthy soils last year when we had a hearing that went and we had a great number of testifiers and I learned a great deal about healthy soils. And I appreciate your commitment to the topic. And I see the benefit to not just the rural folks, but the urban folks as well. So I do appreciate what you do.

**GRAGERT:** Thank you.

**HALLORAN:** Well, thanks for sharing the love with us today, Senator Gragert. That concludes LR5. Thank you all for coming, appreciate your testimony. We will clear the room so we can make room for our next hearing, LB584. All right, welcome to the Agriculture Committee. I'm not going to go through my spiel again because it's quite similar to the other committee spiels on COVID protocol. We have today before us we have Senator Vargas' bill, LB584. And for the record, Senator Vargas will be monitor-- monitoring the hearing of 584, LB584 from home due to quarantining. His legislative aide will-- will introduce the bill on behalf of Senator Vargas. Welcome.

**MEG MANDY:** Thank you. Good afternoon or good morning, Chairman Halloran and members of the Ag Committee. For the record, my name is Meg Mandy M-e-g M-a-n-d-y. I'm the legislative aide for Senator Vargas, who represents District 7, the communities of downtown and south Omaha. I'm here on his behalf, as you said, Senator Halloran, because public health guidelines require him to be in quarantine after being exposed to COVID. For those of you on the committee for the last couple of years, LB584 will be familiar. Senator Vargas introduced this bill in 2019 as LB732, and we've been working on this issue over the past couple of years. I'll note from the get-go that LB584 is not the bill we expect or believe should come out of committee. It represents some of the conversations we've had with various

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stakeholders over the past couple of years, but know that there's still a lot of work to do on it. In today's hearing, we hope to discuss the overarching goals that we want to accomplish with this legislation and to hear more from stakeholders about the reforms to our current regulatory framework that should be adopted in the interest of supporting small businesses, this growing sector of our economy, and consumer choice. Nebraska has been recognized by food writers and world-renowned chefs as the unexpected home to a burgeoning creative, delicious food scene. We've seen some of the best restaurants and chefs in the region and the country right here, and our food businesses are well supported and successful. Senator Vargas' district in particular, is home to some of the state's most successful restaurants, breweries, distilleries and food trucks. He was approached by food truck owners a couple of years ago about the complications they faced while trying to operate their businesses, which was the impetus for this legislation. These issues arise from our current regulatory framework, which is a patchwork of regulations from county, municipal, and state governments that make it difficult and costly for food truck owners to navigate and comply with. The overall goal of LB584 is to streamline these regulations while respecting the unique needs of municipalities across the state and maintaining our state's high standards for public safety and public health. To better illustrate some of the issues food trucks face right now, I'll briefly go into some examples. Right now, food trucks face different regulations and costs to do business in every location where they operate. Food trucks are mobile by nature. That's the whole point of their business, is to go where they have existing customers or have the opportunity to reach new customers. A food truck has to be licensed by the health department of every location where they operate. So maybe on Monday they want to operate during the lunch rush in downtown Omaha. On Tuesday, they want to go to Bellevue, Wednesday in Lincoln, and then over the weekend go out to the tri-cities. They have to be licensed, inspected, and permitted by every single one of those health departments and pay for all of those associated costs. And the costs have risen a lot over the past few years. For example, in Omaha, the cost to be licensed used to be \$100 per truck and now it's around \$500 per truck. So if there's an owner operating multiple trucks in the city, it's \$1,000 or more. The profit margins in the food industry are pretty slim. So those rising costs get passed down to the consumer and not really for any good reason. The other issue these food trucks run into are the frequency, timing, and length of

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inspections. In the hearing for LB732, the president of the Omaha Food Truck Association gave one example of being at a big community festival, Papillion Days. And 15 minutes before they're scheduled to open and do business, the health inspector came to his truck so he wasn't able to serve any customers for about 40 minutes, and at that point, a line of dozens very hungry people had formed. So the issue to deal with here is not that food trucks don't want to be subject to health inspections or health and safety standards. It's that they don't want it to interfere with their ability to serve their customers, especially for these trucks that have been doing this for a long time with no issues. So, again, what we're seeking to do here is streamline the regulating and permitting processes and fees and inspections. In the hearing for LB732, public health came in neutral, and my understanding is that what this different version of the bill they've submitted a letter of soft opposition. We've been in conversations with the cities of Omaha and Lincoln who both agree that supporting these small businesses through smarter policy is a good idea, but want to tweak some of the elements of it. And the retailers and restaurant associations have some concerns about how to protect brick and mortar shops and restaurants. I think striking the right balance is yet to be determined, but we hope to be able to work with the various stakeholders and the committee to move this pro-business legislation on to General File this year. With that, I'll close and try to answer any questions.

**HALLORAN:** Thank you, Ms. Mandy. Typically we don't ask real, how would you, philosophically or political questions of the LAs. But if there's technical questions maybe within the bill that you have as committee members, I'm sure she'll try to answer those or get back to us. Are there any questions? Senator Brandt.

**BRANDT:** Well, I think were you the LA last year that worked on this? OK.

**MEG MANDY:** Yes.

**BRANDT:** So the simple question is, what's different from last year to this year?

**MEG MANDY:** Some of the costs for the permits are different. I think LB732 also included a provision that would require food trucks to be a certain number of feet away from the entrance to another restaurant or

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retailer. This bill doesn't include that, but we're not opposed to including it. I think it was just kind of the evolution of conversations we were having as we were floating amendments out there to see what would be supported or opposed. So this-- this bill is the most recent amendment of LB732, just turned into a bill and we're going to continue to work on that.

**BRANDT:** All right. Thank you.

**MEG MANDY:** Yeah.

**HALLORAN:** Thank you, Senator Brandt. Any further questions from the committee? All right. That's-- that covers it. Thank you. We'll move on to proponents for LB584. Are there any proponents for LB584? Seeing none, move on to anyone that wishes to testify in opposition to LB584. Going once, going twice.

**\*ERIC GERRARD:** Senator Halloran and members of the Agriculture Committee: My name is Eric Gerrard and I represent the Friends of Public Health in Nebraska. The Friends of Public Health in Nebraska (FPHN) opposes LB584 as it is currently drafted. In 2019, Senator Vargas brought forward LB732 to address concerns on how food trucks were regulated in Omaha and nearby jurisdictions. Senator Vargas worked closely with local public health departments to modify several provisions, some of those changes are incorporated into LB584. An area we would like to work on to strengthen the bill is the ability of issuing local permits and permit reciprocity in different jurisdictions. This is needed for our ability to protect the public health from immediate health risks posed by unsafe food preparation or storage. Lincoln Lancaster County Health Department and Douglas County Health Department have agreed to allow food trucks that are permitted in our respective jurisdictions to operate at events without issuing a separate local permit. This addresses one of the biggest concerns raised by food truck operators. We pledge to work with Senator Vargas on other local changes that could address food safety inspections and permitting concerns. Friends of Public Health in Nebraska would like to work with this committee, other interested parties, and Senator Vargas to find a balance with the goals of this legislation and the principles of public health.

**\*JIM OTTO:** Chairman Halloran and members of the committee, my name is Jim Otto and I am a registered lobbyist for the Nebraska Restaurant

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Association. I am expressing the opposition of the Nebraska Restaurant Association to LB584 as introduced. It is important that I emphasize "as introduced" because the Nebraska Restaurant Association fully recognizes the importance of food trucks in the industry and has worked with Senator Vargas on his previous attempts to coordinate the permitting process. That previous communication resulted in agreements that are not contained in LB584 as introduced. We look forward to working with Senator Vargas to come to agreement again. Until that agreement occurs, the Nebraska Restaurant Association remains opposed to LB584. Thank you for your time and consideration.

**\*ANSLEY FELLERS:** Chairman Halloran and members of the Agriculture Committee: My name is Ansley Fellers, and I'm executive director of the Nebraska Grocery Industry Association (NGIA), testifying in opposition to LB584, which would allow for adoption of the Mobile Food Unit Act. While we thank Senator Vargas for bringing this bill forward and do believe there is room for compromise, NGIA and its members are asking the committee to consider parity and food safety when passing this or any legislation attempting to streamline food service regulations. This bill would preempt local control over increased standards for food safety and the regulation of food establishments, and establishes a maximum inspection fee for mobile food units, regardless of the size or level of risk. Nebraska communities vary in population as well as the number and size of food service establishments. Not unlike other sections of statute--e.g., building codes and fire codes--federal and state governments have found it necessary to set basic standards for food safety, but reserved the rights of local governments to adopt stricter standards. The Nebraska Food Code, adapted from the FDA Food Code, provides the foundation from which local communities develop and enforce regulations to ensure a high standard for food safety and minimize opportunities for foodborne illness. When outbreaks do occur, this system also allows regulatory agencies to localize the effects through early detection and location of the source. Mobile food units are valued and we know operators of the vast majority of mobile food trucks, like brick and mortar food service establishments, are professional and trained in food safety under existing policy and regulations. We believe the regulations, as well as the fees and schedules which accompany them, should continue and be applied uniformly across the industry, whether your establishment is mobile or not. Thank you for your time; please feel free to reach out with questions or concerns.

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**HALLORAN:** Is there anyone in the neutral capacity that wishes to  
testify? Good morning.

**NICOLE FOX:** Good morning, Senators. Nicole Fox, N-i-c-o-l-e F-o-x,  
testifying on behalf of the Platte Institute, director of government  
relations and I am here testifying in a neutral capacity. So in 2018,  
the U.S. Chamber of Commerce had released a study called Food Truck  
Nation. And according to that study, a food truck wanting to start up  
and just maintain an operation in that first year had to complete 45  
separate mandated procedures over the course of 37 business days and  
spend over \$28,000 on permits, licenses, and legal compliance. These  
costs are significant. The intent of LB584 is to streamline and  
standardize the permitting and inspection processes for food trucks  
across the state of Nebraska. Currently, our system is very fragmented  
and food truck owners have to navigate several different permit  
requirements, inspections, and fees across various cities and counties  
and events throughout the state. LB584 achieves some of this  
streamlining, but not entirely. LB584, as introduced, requires  
reciprocity between local health departments and inspections and  
health permits in metropolitan-class cities and first-class cities, as  
well as counties that those that they reside in. But for other  
municipalities, for smaller municipalities, it's not required  
entirely. It is more an option. It's more optional in manner. So the  
goal really should be to create a path for licensing, inspecting, and  
guiding operations where food trucks-- food trucks can operate freely  
across all jurisdictions in the state of Nebraska and not have to  
navigate the redundancy of multiple municipalities. So what the Platte  
Institute envisions is a bill that would do the following, like I  
said, establish complete reciprocity so that food truck owners don't  
have to obtain a license in each city in which they desire to operate.  
It's one that requires that different counties honor the health  
inspection of another county, because I don't think that in crossing  
county borders, the food truck becomes unsanitary; require that fees  
charged not exceed that of the actual cost to do, say, the  
administrative paperwork or the actual inspection and then even just  
to streamline some of the event permits if possible. In 2017, Utah  
passed a food truck bill which encompass-- encompassed what we  
envision for the state of Nebraska. And we have been one of those  
groups that have sat down with Senator Vargas and his staff and talked  
about what we would like to see changed with the bill. And we've  
provided some guidance and we hope to see that come forth in the form

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of an amendment. Many brick and mortar restaurants start out as a food truck operations. Obviously, it is a much lower startup cost, even though currently there are-- there are several fees. But while these costs are low, all of the permitting often creates barriers to entry. Over the course of the pandemic, there were a lot of operations, food trucks or restaurants actually that-- that used food trucks as a way to navigate some of the directed health measures that limited their operations. We thank Senator Varagas for bringing this bill forward. We-- we think the bill has potential, but we do need to tweak it some way in some ways to streamline the process even further. So with that, I'm happy to entertain any questions that the committee may have.

**HALLORAN:** Ok. Thank you, Ms. Fox. Any questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Ms. Fox, for being here. Do you know if the different jurisdictions in Nebraska have different standards for their health inspections or are they all [INAUDIBLE]

**NICOLE FOX:** Well, I mean, as I understand it now, if there's a food truck and they're operating in multiple places, I mean, they have to get a health inspection in the county that they're in. I don't know, like if-- well, I take that back. I mean, I can't say for sure for food trucks, but I do know some experience as the Platte has seen, like, for example, cottage foods, Lancaster County had different regulations for cottage food producers than the rest of the state. So I would say if it's the case for that, I wouldn't be surprised if it's the case for food trucks as well.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** OK. Any further questions? Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Ms. Fox, for testifying today. The-- the only one I really have a question about. So if you're an established restaurant and you're very successful and you've been there and you build up that clientele in your brick and mortar in whatever city this is in and this food truck pulls up in the gas station right next to you. And is-- I guess I sort of see it as somewhat taking advantage of another business. What's your opinion on that?

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**NICOLE FOX:** Well, first of all, I think competition is good. It makes everybody better. And I think, you know, if you think about the, say, the brick and mortar establishments, you can go to a lot of strip malls or even downtown in the Haymarket or downtown Omaha and there are two restaurants right next door to each other. So I don't-- I mean, I think when people are going out to eat, they a lot of times have this perception in mind as far as what they're hungry for, the type of food they want, the atmosphere. And I think somebody that wants to go to a food truck is probably looking for a more casual dining experience. They-- they-- they might be looking for more of like a takeout. They might be getting it at the food truck and eating it there or taking it home as opposed to sitting down and being served and those types of things. So I-- I don't see it as and I don't think that their intent is to take away business or clientele from another business. I think it's just it's an opportunity for them to enter the market. And in fact, there are food truck owners I know both here in Lincoln and in Omaha that have a brick and mortar restaurant. And they also have a food truck on the side as a way to supplement their business and reach different clientele. And I also know that there are, for example, caterers that-- that do both catering and have a food truck operation. So--

**BRANDT:** And I guess my concern isn't necessarily, let's say, a food court where you've got 10 different franchisees or brick and mortar restaurants next to each other because they're all in the same boat. They're all paying leases, they're all paying land taxes. They're doing all this. I'm talking about somebody that can arbitrarily just roll up for four hours during your high time in that restaurant.

**NICOLE FOX:** Yeah.

**BRANDT:** I mean, if you have a line outside of your restaurant, you're right. It's a free market.

**NICOLE FOX:** Yeah.

**BRANDT:** But that-- that individual is doing something different with his business model on the food truck than that brick and mortar restaurant. And I just-- I just see it a little bit of encroachment there.

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**NICOLE FOX:** Senator Brandt, I understand-- I understand where you're coming from, or at least I think I do. And I-- I think really what this bill is about, first of all, is opportunity. It's-- it's, again, an entrance into the market because a lot of food trucks start out as a food truck. They go into, you know, a brick and mortar. And I know there-- I've had conversations with a couple of other senators about concerns about well, they're not, you know, a brick and mortar that's paying, say, property taxes; but some of these people may be. Because if they've got a commercial kitchen somewhere where they're doing some food prep and then take it, you know, then they're putting that food on the truck, I mean, they might be paying property taxes somewhere. But I think, too, the-- the unique thing, for example, that food trucks, I mean, food trucks can bring kind of a unique, I don't know, choice to the market. For example, I know and I speak a lot for Omaha and Lincoln just because that's where I've, you know, partaken in an-- in purchasing foods from food trucks. But for example, I know like our craft brew community, they don't have a kitchen. You know, they just have maybe a tap room. And a lot of times they will invite a food truck to come on a certain evening or afternoon so that the customer and it's a way to draw, you know, customers to their establishments. So it's mutually beneficial for both. So I just-- I-- I think that, you know, what we think, again, it's opportunity. It's an opportunity for other small businesses to be creative. So I-- I don't, again, I don't really think that their intent is to take clientele away. I think if anything, they can attract clientele to some businesses.

**BRANDT:** And don't get me wrong, I'm all for food trucks. I'd like to see a food-- food truck zone right here next to the Capitol between 11:00 and 1:00 every day [INAUDIBLE]

**NICOLE FOX:** Well, downtown. I mean, you know, downtown Omaha used to have one prior to the pandemic. They used to have one on Thursday afternoon. So, yeah, I agree.

**HALLORAN:** OK, you're making me hungry. Any further questions?

**NICOLE FOX:** I know my stomach's growling too.

**HALLORAN:** Senator Gragert.

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**GRAGERT:** Thank you, Chairman Halloran. Just a quick question then. Is there a minimum distance like if I owned a cafe that this food truck, could it pull up next to my cafe or out front of my cafe?

**NICOLE FOX:** I believe, I mean, OK, so that, I mean, that's part of the issue. Right currently is that we envision a bill that is streamlined across the state. So if I go to the depart-- as the bill is written, if I go to the Department of Ag and I get a license to operate a food truck, then the hope would be is that whatever the operational requirements are, whether it's the 50-foot, like Meg had pointed out, that that's consistent across the state and right now it's very fragmented. So you might go to-- to one city or town and they have a rule and you go somewhere else and there's another rule. So, I mean, our goal would-- I mean, the Platte Institute would-- would probably say we'd favor no distance requirements, but I know that there are cities that want one. So I don't. So basically it's fragmented. We would at least at a very bare minimum, like to see some, you know, if there-- if it's felt that that is an absolute must, that we'd want to see some consis-- consistency and of course, the minimal distance possible. Yeah.

**GRAGERT:** Yeah, I guess I just see up in northeast Nebraska with smaller communities that it isn't the scenario you built, that this individual has a brick and mortar place and now they got a vehicle that they're riding around in and delivering it. They're pulling up next to a cafe, you know, in the small town. So where you, you know, you get into the property tax, you know, that type of thing. So I got it. Thanks.

**NICOLE FOX:** Future payers.

**HALLORAN:** OK, any further questions? Going, going, gone, thank you.

**NICOLE FOX:** All right.

**HALLORAN:** --for your testimony. Any further testimony in the neutral capacity? OK. Seeing none, Senator Vargas will be allowed to submit a written remark or written remarks which will be included in the hearing transcript by the end of the day tomorrow due to his quarantine. And with that, we have some written-- written testimony. We have written testimony from the Institute for Justice in support. In opposition, we have received the following written testimony: Jim

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Otto with the Nebraska Restaurant Association and Ansley Fellers, Nebraska Grocery Industry Association; and Eric Gerrard, Friends of Public Health, all in opposition. OK, that ends our hearing for this morning. I would like to ask the committee just to stay for just a brief Exec Session. We'll deal with the appointment we had this morning just to get that moved out.

**HALLORAN:** Welcome to the Agriculture Committee. I'm Senator Steve Halloran. I'm from Hastings, Nebraska, and I represent the 33rd Legislative District. I serve as Chair of this committee. For the safety of our committee members, staff, pages, and public, we ask those attending our hearings to be-- to abide by the following procedures. Due to social distancing requirements, seating in the hearing room is limited. We ask that you only enter the hearing room when it's necessary for you to attend the bill hearing in progress. The bills will be taken up in the order posted outside the hearing room. The list will be updated after each hearing is to identify which bill is currently being heard. The committee will pause between each bill to allow time for the public to move in and out of the hearing room. We request that everyone utilize the identified entrance and exit doors to the hearing room, which are clearly marked. Please note the exit doors on the side of the hearing room to my right, to your left. We request that you wear a face covering while in the hearing room. Testifiers may remove their face covering during the testimony to assist committee members and transcribers in clearly hearing and understanding the testimony. For committee members, I will leave it to your discretion to wear face covering because we are adequately protected by plexiglass dividers and we have adequate social distance from the testifiers and the public audience. I am personally choosing not to wear a face mask covering so that the transcribers can clearly hear my statements. Pages will sanitize the front table and chair between testifiers. Public hearings for which attendance reaches seating capacity or near capacity, the entrance doors will be monitored by the Sergeant-at-Arms who will allow people to enter the hearing room based upon seating availability. Persons waiting to enter a hearing room are asked to observe social distancing and wear a face mask covering while waiting in the hallway or outside the building. The Legislature does not have the available-- availability due to the HVAC project of an overflow hearing room for hearings, which attracts several testifiers and observers. For hearings with a large attendance, we request only testifiers enter the hearing room. We ask

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that you please limit or eliminate handouts. The committee will take up the bills in the order posted on the agenda. Our hearing today is your public part in the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee members might come and go during the hearings. This is just part of the process as we have bills to introduce in other committees. I ask that you abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phone. Please move to the reserved chairs when you are ready to testify. Those are chairs in the front row, either side of the center aisle. Introducers will make initial statements followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please pick up a green sign-in sheet that is on the table at the back of the room. Please fill out the green sheet before the-- before you testify. Please print and it is important to complete the form in its entirety. When it is your turn to testify, give the sign-in sheet to a page or the committee clerk. This will help us to make a more accurate public record. If you have handouts, please make sure you have 12 copies and give them to the page when you come up and testify and they will be distributed those to the committee members. If you do not have enough copies, the page will make sufficient copies for you. When you come up to testify, please speak closely into and clearly into the microphone. Tell us your name and please spell your first and last name to ensure that we get an accurate record. We will be using the light system. How many proponents do we have today? How many opponents? OK. You'll have five minutes to make your initial remarks to the committee. When you see the yellow light come on, that means you have one minute remaining, and the red light indicates your time has ended. Questions from the committee may follow. No displays or support or opposition to a bill, vocal or otherwise, are allowed in public hearings. Committee members with us today will introduce themselves, starting on my far left with Senator Cavanaugh.

**J. CAVANAUGH:** John Cavanaugh, District 9, midtown Omaha.

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

**LATHROP:** Steve Lathrop, District 12, which is Ralston and parts of southwest Omaha.

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

**BREWER:** Tom Brewer, District 43, 13 counties of western Nebraska.

**GROENE:** Mike Groene representing the people of Lincoln County.

**B. HANSEN:** Ben Hansen, District 16: Washington, Burt, and Cuming  
Counties.

**HALLORAN:** To my right is committee research analyst, Rick Leonard, and  
to my far left is committee clerk, Rod Krogh. And just a quick  
reminder, Senator Tom Brandt is the Vice Chair of the committee. Our  
pages for the committee are Reid Preston. He is a sophomore at UNL  
with a major in agricultural economics. And Jason Wendling, he is a  
sophomore at UNL with a major in political science and history. OK, we  
got that out of the way. I'm going to have the clerk time me from now  
on, maybe put [INAUDIBLE] So we start with the first bill today in the  
hearing is LB235. Senator Brewer, welcome.

**BREWER:** Thank you, Chairman Halloran and fellow members of the Ag  
Committee. Tom Brewer, T-o-m B-r-e-w-e-r, for the record. Again, I  
represent District 43, which is 13 counties in western Nebraska. I'm  
here today to introduce LB235. It is a meat-- state meat inspection  
bill. And because I forgot my readers, we'll just put that aside. We  
don't need it anymore. The-- the purpose of this bill was brought  
about from a meeting that we had in Mullen followed by a number of  
other meetings that addressed the issue of the unavailability of  
federal meat inspectors. And as we worked along trying to figure out--  
I'm good. He'll be offended if I don't read his speech, but he'll get  
over it. Anyway, the more we researched this, more realized that the  
problem goes back a long ways; 1967 was when the federal Meat  
Inspection Act was started. It was only a few years later in 1971 that  
the state of Nebraska opted to no longer participate in a state meat  
inspection program. At that time, I think the federal program was  
maybe more robust-- glasses all over the place. The concern was that  
those smaller meat lockers couldn't get inspectors when they needed  
them. So what they had to do is adjust their kill days according to  
what was available in the way of federal inspectors. And as I-- as I  
talked to them, they said here's the problem. Pick a location.  
Obviously, the one we were at that-- that day was Mullen. And nobody  
wants to go to Mullen, especially not and be there TDY because there's

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not a lot of fancy places to stay and the per diem isn't what they'd like and it's a challenge to get there. So there was enough issues to where it was difficult at best to get that federal meat inspector there, and it was hindering the ability of the lockers to be able to produce the meat that they wanted to produce. And then what we realized, especially when the COVID-19 kicked in, that all of a sudden the big packers had problems because of the number of employees that were affected by COVID and all of a sudden shelves were empty. But if you're just doing custom meat, then you're just taking someone's cow, you're butchering it, you're giving it back to that individual. That doesn't require that level of inspection. Any time you sell meat to the public, that's when you have to have the federal meat inspection. But we had few options there. So the more that we researched this, we realized that if you go back and look in 2001, there was a Senator Robak who attempted to do what we're trying to do here and it passed. It got all the way to the Governor and then the Governor vetoed it. And when they came back and tried to override the Governor's veto, they fell short by one vote, 29 instead of 30. So it isn't like this hasn't been an idea before that we've looked at. But what we're trying to do now is stagger this so that the first year is simply taking a look at what is the need? How do we get there? What's the true cost? Because if you look at the-- the A bill, I don't think it's realistic. You guys may find this hard to believe, but sometimes the ones that come up with those seem to be on a different planet than reality. And-- and I think that's why it's critical in the first year we figure out the feasibility of this, the-- the true cost of it, how many do we need? Where do they need to be? There's a lot of questions that need answered. Now Senator Halloran was very gracious in allowing the Ag Committee to have an interim study where we brought people in. We got input from folks. And, you know, we're going to have people in support; we're going to have people in opposition. Again, you know, the disappointing part I have is or the disappointment for me is that those who want to pooh-pooh this and stop it probably aren't the ones that are struggling to be able to run a business. And, you know, if the Department of Agriculture really wants to see us take this gift that we have in Nebraska beef and to expand it and do great things with it, we've got to think out of the box. And this is one of these options to be able to think out of the box and do things that will take Nebraska and give us the ability. And I shared this earlier that, you know, why can't we be to-- to beef what California is to wine? Our problem is we don't market it. We don't-- we don't do the things we

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need to do. Potentially we could. But again, we've got to get the right minds together. We've got to figure out how to get there. And this, I think, is part of that-- that stepping stone to get there. Now, obviously, the second year is where we would take it and actually implement it. So as you read through and you see that, that's the process we're looking at here. I think the first year was 187K, second year was \$1.6 million. Now there'll be some that follow me that will-- will go into more detail and some of the programs that are available, that are federal programs that can take some of this cost away if we match the federal program, which we'd want to do anyway. So with that said, I will close and ask for questions and then at the end, we'll wrap this up and try and-- hopefully by then have answered all your questions on the overall program.

**HALLORAN:** Thank you, Senator Brewer. Any questions from the committee? We can't let him convince himself he's this thorough that there's no questions. Senator Groene.

**BREWER:** And if anybody needs a copy of Tony's speech, I have it here.

**GROENE:** I got a question for you.

**HALLORAN:** Senator Groene.

**BREWER:** Yes.

**GROENE:** Would you put your glasses on so you understand it?

**BREWER:** Sure, I will. Thank you.

**GROENE:** Just kidding you. I've seen it, too, in my area where we're short of meat and the local lockers were overwhelmed; took a year or two, a year, year and a half to get a schedule for beef in. Did you find that that problem is part of the rationale because of the inspection because they were-- it's too hard to-- for little lockers to expand or?

**BREWER:** Well, I think part of the problem is without a guaranteed avenue to-- to market that meat, you're at the mercy of trusting that there'll be enough people walk through the front door with their own beef that they need to process to keep things going. To-- to get folks to move to some of these more rural communities, though, you know, they need to be able to have, I don't want to say guarantee, but a

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higher probability that they're going to be able to be open, you know, eight, ten hours a day for five days a week to process enough to make ends meet. And that's where the ones I talked to struggle is they said, we-- we'd like to go down to the banker and tell him that, you know, we'd like to double our operations, but currently we don't know that that's realistic. And-- and--

**GROENE:** Is the--

**BREWER:** Go ahead.

**GROENE:** In a meatpacking plant, the inspector is always there watching.

**BREWER:** No, just during the kill day.

**GROENE:** That's when the inspectors are in.

**BREWER:** Right.

**GROENE:** In an IBP plant or--

**BREWER:** Well, you get to the bigger ones where they're processing thousands. I suppose they have to be there all the time for those. But I'm thinking more on the small [INAUDIBLE]

**GROENE:** Now a small locker has to have an inspector there what, when they're killing.

**BREWER:** When they're killing, sir.

**GROENE:** Even for custom?

**BREWER:** Yes. Well, if it's not-- if it's just for an individual, then they wouldn't.

**GROENE:** All right, so that explains why when I go to my locker and I'm-- when I-- he has a display there and he has meat there, he always tells me, I didn't butcher that. That came from the-- the packing plant. He can't put his own beef that he slaughters and sell it retail.

**BREWER:** If it-- if it wasn't inspected, then he couldn't, no.

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**GROENE:** All right. Thank you.

**BREWER:** I mean, that's kind of where they've run into some problems, where you-- you have your beef that you're going to process. And then if you want to go and sell it on your own, you're kind of stepping into some kind of murky area there that could get you in trouble.

**GROENE:** Thank you.

**HALLORAN:** Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Just to clarify, maybe some of the confusion is, you're right, you cannot-- that locker could not retail that beef. So what the lockers do is they get halves in from IBP. And then that locker can cut up that federally inspected half or quarter and then they can sell that meat out of the front. Where this program would tremendously help a locker in Morrill or Maxwell or these places, under state inspection, they can sell interstate.

**BREWER:** Interstate.

**BRANDT:** So then they could-- they could send that meat to Lincoln or Omaha anywhere inside the state. Or if we had a cooperative agreement with another state, with meat inspection, then it would be legal. So that's how you expand the market for those small lockers and they could send gift boxes or things like that out of their locker. Senator Brewer, does that sound accurate?

**BREWER:** Yes. And had I actually read the speech I was given, it probably would have been in there.

**HALLORAN:** OK. Any further questions? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Senator Brewer. I actually had a question along the lines of what Senator Brandt was just sort of articulating. But I'm going to ask it more of a question than a statement I guess. My understanding is that this would allow for intrastate sales. And you made a reference to making Nebraska like the California of wine for beef, which, of course, is a goal I would share with you. How does this advance that objective?

**BREWER:** Well, I think, for one, if we can produce enough beef so that, you know, we're able to meet the needs internally, it does open up

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other possibilities. And-- and again, I don't want this to be the end state. I think this would be a stepping stone to get to where we could go beyond there. But, you know, in a perfect world, if we could sell beef to, say, surrounding states and it'd be specialized in some way, some-- something unique about it that makes you want Nebraska beef. I think what we need to do is take and combine the Department of Economic Development with the Department of Ag, combine for the purpose of a study to see how we do that. How do we sell it and how do we-- how do we get it out to more places? You know, you're right. What we're trying to do here is fix a Nebraska problem. But I think that we need to think out of the box beyond that, because the potential's there. It's just how do we get there? And traditionally, you know, we-- we have not had a orchestrated effort to, I mean, Omaha Steaks is probably the best example of a Nebraska specific company that's been able to sell, you know, Nebraska beef. But, you know, if you travel overseas, especially in Europe, a lot of the restaurants will have in bold letters Nebraska beef. And I think the potential is there for us to do that in other places. And I've heard, never been there, but Japan evidently is-- is pretty high in Nebraska beef, too. I just think that the potential to expand our capabilities with how much beef we could produce and how we can send it both state internally and nation and worldwide is there. And this helps us to meet some of those needs.

**J. CAVANAUGH:** And as to that sort of inter-- interstate agreement, do you have any idea what the complexities of that are? Is that a particularly com-- a difficult process or?

**BREWER:** Well, I mean, that was kind of the idea behind the study the first year is to see, you know, what-- what the demands are as far as, you know, would we need X number of inspection-- inspectors? And where are the locations now that are struggling to-- to process beef because of inspections? And then to find out, you know, what's-- what's unique about a particular locker? Because each lockers have kind of their own particular, oh, I don't want to say personality, but they do certain things better. Some of them might make Slim Jims or jerky. Some of them, you know, specialize in certain steaks. But if they can't process the meat to have that specialty, you know, it's for naught and we're not reaching the potential. And so this is-- this is more of a small town economic development issue, I think, than-- than it would be on a scale that would affect a Lincoln or Omaha.

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**J. CAVANAUGH:** Thank you.

**HALLORAN:** Senator Groene.

**GROENE:** So this would be the big packing plants would still have federal and then we'd have another program where meat-- we'd hire state inspectors and they might be-- live in Ogallala and they would have--

**BREWER:** They would have--

**GROENE:** One locker would kill on Monday, one would kill on Tuesday, and that inspector would have five or six accounts he would--

**BREWER:** Right. He might have a 150-mile circle and he-- he would take care of those lockers within that, maybe not a lot different than how we've got, you know, brand inspectors that are responsible for a particular area.

**GROENE:** Well, right now, if you grew up in farm and you live in Omaha and you were used to beef from a locker, you have to go find a farmer and buy beef and then have it slaughtered or where I end up got a network of people and we put a cow quarter here, half, they have to find that. But if we could do this, they could call a locker they trust. You said, you know, you're going to bring in five head from a local farmer and I would like a half, quarter of beef. Right?

**BREWER:** Right.

**GROENE:** Right now they can't do that unless they own the cow.

**BREWER:** Or if they have federal inspection readily available to them. But that's a pretty small number of those that are trying to do this particular type of work.

**GROENE:** So I don't know if it's legal, but I pay for the cow goes in, the farmer drops it off. I take it-- in fact, I just did it last week. I take a half and I pay the locker fee and pick it up. But it would not only this, it would also expand the local market, wouldn't it?

**BREWER:** Sure. And that was kind of the idea behind it when we were looking at how to do that economic development for the communities.

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**GROENE:** Probably could-- would help the organic market, too, wouldn't it?

**BREWER:** Yeah, because you, I mean, if you raise them and you could certify, then, yeah, you would.

**GROENE:** My assumption is when you go to Whole Meats or something or Whole Foods, whatever that is, that beef probably isn't-- is it slaughtered in Nebraska? Because I doubt there's a packing plant in Nebraska that does just organic beef. It comes in from somewhere probably, doesn't it?

**BREWER:** I haven't been to all of them so I couldn't tell you for sure.

**GROENE:** Thank you. Somebody might answer that later.

**HALLORAN:** Thank you, Senator Groene. You know, Senator, it's not too late to read your prepared statement [INAUDIBLE]

**BREWER:** I could, but for the sake of the public, I probably won't. Thank you.

**HALLORAN:** Thanks. All right, after we do some sanitizing here, we'll be prepared for the proponents for LB235. So if the person that wants to be a proponent after this testifier would like to come up to the front row and be prepared to step in when you're ready would be great. Good afternoon.

**BRENDA MASEK:** Good afternoon.

**HALLORAN:** Welcome to the Agriculture Committee.

**BRENDA MASEK:** Oh, good afternoon, Senator Halloran and the rest of the Agriculture Committee. My name is Brenda Masek, B-r-e-n-d-a M-a-s-e-k. I serve as president-elect of the Nebraska Cattlemen. I am here today on behalf of the Nebraska Cattlemen to testify in support of LB three, excuse me, LB235. I am a third generation rancher from District 43, and I greatly appreciate Senator Brewer bringing this issue forward for discussion. The cattle and beef industry supply chain is fragile. In the wake of COVID-19-related plant slowdowns and closures, in addition to other black swan events, Nebraska cattle producers are interested in seeking solutions that result in additional resources to bolster continuity and security of the beef supply chain. Reinstating

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state meat inspection to expand marketing and processing options for our members is one of those solutions that Nebraska Cattlemen support, provided that the program's health and safety regulations are at least equivalent to or greater than federal inspection. Our organization understands that state meat inspection will not fix the greater cattle industry marketing woes. But however, it is another tool in our toolbox that can help some sectors of the industry utilize different processing options while supporting businesses in their communities. We continue to see incredible innovation from cattle producers across the state. Particularly in terms of direct retail sales from ranch to consumers, state meat inspection will provide more processing and marketing options for our members looking to expand their businesses through direct marketing. It would also allow our producers to utilize pending federal legislation like the DIRECT Act, which would allow state-inspected meat to be sold across state lines through e-commerce. While this is currently allowed in Nebraska under the system of federal inspection, there are a limited number of USDA-inspected facilities to process smaller amounts of product to accommodate the farm-to-table business model. This challenge is compounded by the inability of some small town lockers to access USDA meat inspectors. Cutting out the federal red tape and empowering Nebraska is a worthy goal that our members support. We do recognize that a major detractor of state meat inspection program is the cost. The federal government has cost-share programs for state inspection programs where the Food Safety Inspection Service, or FSIS, reimburse state programs up to 50 percent of inspected-related cost. Additionally, there are merits to a fee-based system to alleviate the needs for the state appropriations to run and maintain a state meat inspection program. The bottom line here is the Nebraska Cattlemen believe these warrant-- these options warrant further discussion, and we thank Senator Brewer for advancing the conversation. Thank you for your time today. And I would be happy to answer any questions.

**HALLORAN:** Thank you, Ms. Masek. Questions from the committee? Senator Cavanaugh.

**J. CAVANAUGH:** Thank you. Thank you, Chairman Halloran. Thank you, Ms. Masek. I just-- I know you're not here to testify about the DIRECT Act, but could you just give a little more context? Is that something that potentially we need to make specific decisions about how we would do state meat inspection to be able to participate in that program? Or if you're not here to talk about that, that's OK.

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**BRENDA MASEK:** No, that's fine. I'm actually glad that you asked that question because I was going to ask if I could help answer the question that you asked to Senator Brewer. This-- this DIRECT Act, it was introduced into the House by a senator from South Dakota. It was brought last year and I can't remember, it was called the PRICE Act or something like that, under the same-- it would allow for states that already have a state meat inspection to be able to cross state lines in an e-commerce situation, not-- it would have to be shipped and ordered online. But no, I do not think there would have to be any other provisions, because that's on the federal level. Just if the state had a existing meat inspection system of their own, they could be eligible for this if this passes through the federal side of it.

**J. CAVANAUGH:** And so there wouldn't be any limits in terms of having that kind of reciprocity agreement with those other states existing.

**BRENDA MASEK:** Not that I'm aware of, but I'm not, again, not an expert on that.

**J. CAVANAUGH:** Thank you.

**BRENDA MASEK:** I don't think so.

**HALLORAN:** Thank you, Senator Cavanaugh. Thank you. Yes, Senator Groene.

**GROENE:** Thank you, Chairman. How many states have state inspectors?

**BRENDA MASEK:** 27. We would be 28.

**GROENE:** How many around us? [INAUDIBLE]

**BRENDA MASEK:** All of them but Colorado. Every state that borders us has a state meat inspection except for Colorado.

**GROENE:** So what's going on there? Are they California with beef?

**BRENDA MASEK:** [LAUGH] I can't speak on Colorado. I can't. I don't-- I know there's been some work--

**GROENE:** Colorado [INAUDIBLE] said they don't. But I'm talking about the other states that do have the state inspection.

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**BRENDA MASEK:** Oh, oh, yes. They would all be eligible for e-commerce if they're-- if this DIRECT Act would go through. Is that what you're asking then?

**GROENE:** No. You-- states that already have state inspectors.

**BRENDA MASEK:** Um-hum.

**GROENE:** You said there's 27 of them.

**BRENDA MASEK:** Yes.

**GROENE:** Everybody around us but Colorado.

**BRENDA MASEK:** Correct.

**GROENE:** But we heard implications that if we did this, the local locker could sell it to somebody in Omaha. In the display case, they could have their own butchered beef instead of bringing some of it in from a packing plant. Is that right?

**BRENDA MASEK:** Correct.

**GROENE:** How has that affected-- what have you heard from other cattle men associate-- women associations? Has it helped their business? Has it helped expand the locker business, small slaughter facilities?

**BRENDA MASEK:** I do believe so. A lot of this is due to the-- the different-- the consumers have changed. The way consumers buy their product has changed a lot in the last few years. You know, back in the-- in the '60s when we had this before, it was a whole different dynamic. And this is-- is quite-- the consumer demand is different. And I think this does play into that quite a bit better and those other states are taking advantage of that.

**GROENE:** So they're getting a website and they're selling their beef on the Internet to somebody in Chicago or somebody--

**BRENDA MASEK:** Yes, they could.

**GROENE:** --somebody [INAUDIBLE]

**BRENDA MASEK:** Well, they can't be right now, not until the DIRECT Act is approved, but they can be sending it to--

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**GROENE:** I'm confused. The DIRECT Act is a federal issue?

**BRENDA MASEK:** Yes.

**GROENE:** I'm not talking about--

**BRENDA MASEK:** OK.

**GROENE:** I'm talking about what--

**BRENDA MASEK:** They can't, I mean, as far as I know, they can't send it  
to Chicago because it would just be like us. We still couldn't-- we  
couldn't send it to Chicago without the DIRECT Act.

**GROENE:** But somebody in Pine Bluff, there's a locker in Pine Bluff,  
Wyoming. They can sell, they can butcher beef, sell beef. Somebody in  
Cheyenne can get on the Internet and say--

**BRENDA MASEK:** Yeah, yeah.

**GROENE:** --send me a box of steaks.

**BRENDA MASEK:** Jackson, Cheyenne, you know,--

**GROENE:** We can't do that--

**BRENDA MASEK:** --as long as it's in-state.

**GROENE:** We can't do that in Nebraska.

**BRENDA MASEK:** Not right now,--

**GROENE:** Thank you.

**BRENDA MASEK:** --but we could with-- with a state meat inspection  
program.

**HALLORAN:** Any further questions? Senator Gragert.

**GRAGERT:** Thank you, Chairman. Thank you for your testimony. Back in  
1967, '71, the date that was thrown out there, Nebraska chose not to  
go with the state inspection program. Why was it? Do you-- do you know  
why it was that they chose not to go with the state inspection  
program?

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**BRENDA MASEK:** I have done quite a bit of research trying to find that out. And the answer I get is cost at the time. And I do believe that things have changed since then. I think the consumer demand is different. It was definitely a cost issue at the time, but-- and to be frank, this isn't my grandfather's or my father's cattle business anymore. This is a whole different animal. And I think that in this day and age that this would be warranted with the consumer demand that we have today.

**GRAGERT:** Cost even-- even back then, it was cost shared by the feds.

**BRENDA MASEK:** No, I do not believe it was. I could never find an answer exactly. But I do not think there was any cost assistance from the federal government at that time.

**GRAGERT:** So today it is by 50 percent.

**BRENDA MASEK:** Correct.

**GRAGERT:** Thank you. Thank you.

**HALLORAN:** OK, any further questions? Thank you, Ms. Masek.

**BRENDA MASEK:** Thank you.

**HALLORAN:** OK, the next testifier after we've had a little bit of sanitizer. I've drawn the conclusion that the testifier's table was the safest place to eat lunch in this building. Good afternoon.

**AL JUHNKE:** Good afternoon to you, too. Mr. Chairman and members of the committee, I'm Al Juhnke, executive director of the Nebraska Pork Producers Association. My name is spelled A-l J-u-h-n-k-e. So first, I'm here to remind the author of the bill that there are pigs in the state, too, and not just cattle. So and they use, those farmers like Senator Brandt, use those lockers also. So we're going to-- we're going to try and-- it was maybe in his prepared speech to mention swine. But anyway, so I'm not here as an expert in lockers, but I am here to support Senator Brewer's bill. I think there's a number of reason-- I asked the same questions when this first came up. Why isn't Nebraska an inspected state when all the other surrounding states in the Midwest: North Dakota, South Dakota, Minnesota, Kansas, Iowa, they're all inspected or have their own programs? Why is that? Because, frankly, if you have a state program, it has to be equal to

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or greater than the federal program. So you're not gaining anything on the inspection because it's the same as the federal and you can get a federal inspector if there's one available. That's one of the reasons to have a state program. If you can get a federal inspector, it's free of cost and he or she is in your plant and doing the work. Why do we need to double up with a state inspection? One of the good resources I would recommend the committee and it's a little older now. This was 2001 and you maybe seen it or not, our own University of Nebraska put together a white paper on why or why not Nebraska should pursue a state inspection program. So most of my comments were pulled out of here because I really had questions and this was Nebraska specific. They actually looked at two states in this study, Minnesota and Kansas, both who had just implemented-- one had just implemented, Minnesota. The other one, Kansas, had been there for a while and they asked the questions. So what they found out, and I like this statement: Being equal to is not the same as being the same as. So what we're finding in state inspection programs is people are telling us the plants, the farmer users, the consumers, even the inspectors, there's greater flexibility with the state operation. We've already heard that. You may be able to get overtime hours easier when you need them, game and exotic species inspection. Our game and bison and other things are less costly. People are saying it's more reasonable with state inspection, more accessible, easier to work with state inspectors than federal inspectors. Federal's tends to be enforcement oriented, where our state inspectors, as we insist in our state of our public employees, they tend to be more cooperative with the people they're working with and problem solve with them and get things done. So, you know, overall, I think that there was-- there was a goal to get state inspection because it's more flexible, easier to use. Again, as we've already mentioned, if you have a plant in the middle of the Panhandle and there's no inspector there, no one's going to drive out there and inspect even though it's free and the fed should do it, they don't have an inspector, they don't have an inspector, and you can't get it done. Most federal inspectors, as was already mentioned, are at the plants full time. These are large, medium to large plants that are processing daily. So they'll have an eight-hour shift with an inspector to inspect those animals. Now, the bill, I like it. I guess the other caution I would give people, because there is a caution here and I agree, if we could do this as a fee-based system. So I started thinking about that. If you charge fees, there will be absolutely no state cost eventually. But I'm not sure if you can. And looking at all

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the states, I found no fee structures in any of the Midwest states I looked at. And in fact, in North Dakota, they had a statement on their site since-- since inspectin-- inspection is government mandated to produce inspected and passed products, the government pays for all fees for typical inspection procedures. And then there's times when they don't: overtime, inspecting out in the field, doing other things, if you want them on a holiday. Otherwise it's free. One of the things if this passes that the Department of Ag and-- and/or the people working this are going to have to ascertain is will the USDA allow a fee structure, A. And B, if they allow a fee structure, why would someone want to use that if it's free and all the other states are free where they have state inspection? So that fiscal note you have for 1.6 or whatever million probably is realistic as a half cost, and that then would be General Funds, not fee-based funds. So I would give you that as a caution. I think we do have more discovery on this to do. But as pork producers, we think the business will be good. We can sell our products further. There'll be more opportunities and there will be opportunity for growth in the livestock industry, especially the small specialty brand-- branded items that we want to sell. Thank you, Mr. Chairman.

**HALLORAN:** Thank you, Mr. Juhnke. Any questions from the committee?  
Senator Gragert.

**GRAGERT:** Thank you, Chairman Halloran. Thank you for your testimony. I just want to confirm that. So federal state inspectors are free to the locker plant.

**AL JUHNKE:** Mr.-- Mr. Chairman and Senator Gragert, that is correct.

**GRAGERT:** OK, so that surprises me because up in Knox County we only have one locker plant that is USDA inspected. And so that's-- that's just because they want to go through the hassle of finding that USDA inspector for the amount of time that they butcher. And it's only while they're butchering, right?

**AL JUHNKE:** Mr. Chair and Senator Gragert, that is correct. There could be a number of reasons why you're not a state-inspected plant. First of all, your custom-exempt business where you're just doing owners' animals probably is big enough and plenty you don't need any more. So why would you go through the hassle? Senator Brandt will talk about it later on, has a bill to provide grants to some of these plants if they

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want to redo their-- their-- for example, I don't know the current rules federally, but I know in here it indicated back when this was written in order to set yourself up for a federal inspection as a small plant, you had to provide an office space for that inspector with a shower. I would guarantee you most small plants don't have that. And who's going to spend 50 or 100 grand to redo that plant for one day of inspection from a federal inspector? So there was-- there was some reasons, a lot of reasons people didn't go to the federal. Federal inspection also allows you to sell to other states. Most people don't have that goal or ambition at this point in time. But as you heard, if the DIRECT Act comes in and that's a proposed federal legislation, one of the reasons to go that route with us is so we have a state inspection. So those are state inspected the day and if the DIRECT Act passes, we can start selling to our neighbor states. If we don't, our neighbor states will start selling to us and we will be missing that business going the other way. So that-- and the last thing I'd say, too, as long as you asked me a question, I appreciate it. The other caution and we need-- I think we need to explore it and I think we can rectify it is workforce. If you're going to expand and grow your plants, I would ask the Department of Ag in their studies to say, what's the average age of a-- of a butcher in a local locker? My guess is it's like farmers. They're getting up there in age. Where is the new workforce coming even for our existing plants? If we're going to go all this trouble to set this up, are we going to have a workforce? Do we have vo techs, two-year schools, that are set up with training programs? We might have one or two. I don't know that for a fact. If not, ought we not do that and get a next generation interested in this business? I think that's another point that we're going to have to address as ag people is workforce, even in a bill like this.

**GRAGERT:** I'm just going to ask you one more question then. Is the USDA inspector, are they short or are we just-- we just are not in demand?

**AL JUHNKE:** Mr. Chair and Senator Gragert, I don't know the exact answer to that. We'd have to call USDA. But if you have a large enough plant where you have a full-time inspector there eight hours a day or more than one like we do in our-- our larger facilities, our processing and packing plants where we're doing 15,000, 20,000 animals a day, USDA will hire inspectors. Remember, a lot of these USDA inspectors are veterinarians, too. So it's not-- it's not just, you know, a two-year degree inspector. I'm inspecting meat. These are

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veterinarians and highly trained people. But they will hire them and they'll become residents of Crete or Fremont or-- or Madison, Norfolk or wherever the plants are. And that's not a problem. The problem is where do you get a-- so the federal government's required to inspect. But again, if you have one plant requesting it that's a six-hour drive away, you can't even get an inspector from one of these towns there in a day and back without overtime or housing or everything else. And it's just a difficult thing. They will make the attempt if they have the personnel. But if they don't, I don't think they're going to go hire someone for that one plant.

**GRAGERT:** Thank you.

**AL JUHNKE:** You know, again, if you had, like someone said in a state inspection, if you had a circle of 150 and you had 10 or 20 plants within there and they are all doing a day or half day or two days, well, now you've got an opportunity to hire a full-time inspector to make that route and still get home at night.

**HALLORAN:** Thank you, Senator Gragert. Senator Groene.

**GROENE:** Thank you for the clarification. So I can quit paying my federal taxes because it's free now, government services are?  
[LAUGHTER] That's news to me. But anyway, hogs, you're-- it's hard to find one in Nebraska or anywhere in the country that ain't owned by China from the birth to the--

**AL JUHNKE:** What?

**GROENE:** Isn't owned by China.

**AL JUHNKE:** Oh.

**GROENE:** Didn't hogs get down to about 9 cents this year, really low, well, during the pandemic?

**AL JUHNKE:** Mr. Chair and Senator Groene, no, they did not get-- they got down that low back in the 1980s.

**GROENE:** Open market price, what was the open market?

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**AL JUHNKE:** Open market price, cash price when you were selling pigs was probably down about 25 or 30 at the low. Now they're back up to 60 today, probably on cash; contract 85, 90.

**GROENE:** My dad got 65 cents back in '73.

**AL JUHNKE:** Not bad.

**GROENE:** But anyway, wouldn't this open up-- there was livestock shot, young pigs killed because I didn't see the price of pork go down in the grocery store. That if we had some competition here for the-- and the producers could have another place to market their-- their hogs, it might drive the price up a little bit for the monopolies that own the packing businesses nowadays.

**AL JUHNKE:** Yeah. And Mr. Chair, Senator Groene, that's exactly right. Now, we can't make up that entire production. Our plants were slowed to 40 percent, 50 percent because of COVID within the plants at the time, so we didn't have the workforce. Nebraska was fortunate. We only had one plant close for a couple of days. That was our Tyson plant up in Madison for hogs. Unlike Minnesota, for example, they have about four plants they ship their hogs to: Sioux Falls, the plant, a Smithfield plant in Sioux Falls; a JBS plant in Worthington; and the Hormel plant in Austin or the-- no, it was a plant in-- in Iowa. Anyway, three of their four which process 15,000 to 20,000 animals a day closed, closed. And so there was, again, pigs are different than cows. Right? And we all know that. Pigs you can't just put out to pasture for another month or two while you wait for the plant, feed them on, you know. Pigs keep gaining weight. Pigs need to go to market at certain weights. We learned how to hold our pigs. My estimate, less than 10,000 were put down in Nebraska compared to hundreds of thousands around the country.

**GROENE:** For a small producer, somebody who had 20 sows, the guy owns an acreage, how hard is it for them to sell at market, their product now to the--

**AL JUHNKE:** Mr. Chair and Senator Groene, I think there's all sorts of ways to sell it. And you have a smaller producer sitting on your panel here. You can ask Senator Brandt later when he's got--

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**GROENE:** He could load up his pigs and take them to Crete and drop them off.

**AL JUHNKE:** If you can-- if you have a relationship with a local processor, it isn't hard at all. But as you mentioned, we're a year and a half out now from the-- if I just want to do that starting today, I can't find a local processor. So this does add the opportunity for expansion and hopefully pick up some of that overflow. Should, knock on wood, we ever get into a pandemic or a slowdown or that situation, it will somewhat help alleviate it. But I'm not going to pretend you can make up that entire daily kill that's going on at those large slaughter plants. And we have about five of them where we ship pigs between 10,000 and 20,000 pigs a day. You'll never make that up with the small plants.

**GROENE:** And a lot of consumers just want to find meat that wasn't raised in a mass production, never seen dirt in their lives. They got a pink ham instead of a red ham. It's hard to find that anymore.

**AL JUHNKE:** Mr. Chairman,

**GROENE:** This might open that market up--

**AL JUHNKE:** Right, right.

**GROENE:** --and create a whole new market.

**AL JUHNKE:** And Mr. Chair, Senator Groene, I agree with you. Personally, take my hat off, throw it away, I would buy a pig that I knew was raised on the road any day over something that came off a line at a bigger plant, if I knew it was grown local and I'd even pay more for it, knowing I'm helping a local farmer. Just like ethanol, I burn ethanol because I know it's helping the local corn guy.

**GROENE:** I used to, but I can't find one anymore.

**AL JUHNKE:** What, ethanol?

**GROENE:** Hogs.

**AL JUHNKE:** Or pigs?

**GROENE:** Hogs that have been raised on dirt.

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**AL JUHNKE:** Mr. Chair, Senator Groene, we can find you a pig raised on dirt.

**GROENE:** Will you do that for me [INAUDIBLE].

**AL JUHNKE:** You give me a call, we'll get one or Senator Brandt will find you one too. They're around.

**GROENE:** I've been to his farm. I could [INAUDIBLE] in there.

**HALLORAN:** All right. Thank you, Senator Groene. And Senator Groene alluded to something I was considering talking about, too. And it's not disparaging your use of the word free when it came to--

**AL JUHNKE:** Yeah.

**HALLORAN:** --nothing, nothing from, well, nothing is free to begin with, but anything dealing with the federal government, is prepaid by the taxpayer. Right? Maybe no additional charge.

**AL JUHNKE:** Right.

**HALLORAN:** But--

**AL JUHNKE:** Mr. Chair, it's no cost to the processor. There is a cost to someone for doing that. And we've decided as a public that we want inspected safe meat in our refrigerator and we're willing to pay that cost.

**HALLORAN:** Right. Just wanted to clarify nothing's free. Thank you. Appreciate it. All right.

**AL JUHNKE:** Thank you, Mr. Chair, members of the committee.

**HALLORAN:** Greetings. Good afternoon.

**ROBERT BERNT:** Mr. Chairman, members of the committee, appreciate the time that you're going to allow for this. My name is Robert Bernt. That's R-o-b-e-r-t B-e-r-n-t, from Spalding, Nebraska. And I am a small fourth generation farmer and rancher from outstate Nebraska. And I do have hogs and I do have beef and I do milk cows. The problem with it out there is, like it is anywhere, is our end product. Where does it go? Who's going to buy it? Being small, it's hard. Years ago I

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built a cheese plant on the farm so we could continue to milk 40 head of cows. We market that cheese nationwide from state inspections here in the state. It works fine. Gets us by. The meat side was tougher, so I got tired and I built a meat locker. So this is the third year that we've had a custom-exempt meat processing plant with intentions of marketing our own product until last spring when COVID hit. At that point, there was such a huge demand from people not being able to, on both consumer side access product for their family and producer side finding a place to market their product that we did get way overwhelmed. Being a family operation, I have four boys and a daughter that work in the facility and myself and I've got time. We at five o'clock, we didn't quit. Two o'clock in the morning there were mornings we quit. We had some hog producers that couldn't market their product to the factory. They weren't buying them, was bringing us 50 hogs at a time that they actually had been able to presell to people in Omaha and Lincoln in areas that were looking for them. I was-- I was amazed at them. We've seen first-time producers selling for the first time ever direct to consumer. We seen consumers for the first time ever buying products directly from the producer and that link between us and them paid off. We worked and we worked hard to get through it. And actually we are still in this. But the idea that-- that we can now access another outlet could open up a whole new door. And as I said earlier to this committee in Grand Island, the inspection side of it is relatively easy. An inspection of a custom-exempt processing plant, in my opinion, is dangerous because we're utilizing USDA and they are not adequate at being there. They're not. When I compare that to my state-inspected cheese plant, which is on the same premises, we're inspected every six months. We get busy, we get overwhelmed. I'm glad to see him come in there and say, hey, you better straighten this up or-- or else. We need that on the meat side. We don't have that with USDA custom exempt. So we could exist. The existing inspectors could be utilized for this program. And when I started milking in-- in the '70s, we had over 3,000 dairies in the state, actually 3,880. Today there's less than 180. We got half as many inspectors traveling those roads, inspecting those dairy. Why can't we utilize those individuals to inspect our facility to make it adequate and safe for the product going out the end? When it comes to the inspected meat product, my son worked at a USDA locker. First thing the USDA inspector, when he had a question, he called a vet to come and inspect that animal. Why can't we utilize the veterinarians in the local areas to inspect those animals prior to being killed for

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health papers to carry it on out? Actually, one local locker does exactly that. I spoke to several vet clinics to see if they're willing to do this, including the state health, state vets, and they're all willing to do this if they have to take extra classes to do it. But that one locker is utilizing a vet to come and inspect the animal just to make sure that there's any questions they can be answered. So they're there. That-- that cost is reflected on to the producer, which then goes to the end user, the consumer. And the answer Senator Brandt or Senator Groene's issue with the hogs, you know, we've been producing hogs in outstate Nebraska for umpteen years. We ship pork into California to a company called Primal Pastures and have for three years. They're Omaha Steaks of California. So they source out products to that are-- that are satisfying their clientele's needs and Nebraska has that especially on the beef side. By utilizing this program in this bill, we're going to open up a door that it's going to help the bottom line for the producers. I've had one producer that brings the bottom end of his livestock, fat lot cattle, into our facility to process. He just started it. He says the bottom 10 percent, the packer was bidding him 65 cents a pound. The top set he was getting \$1.05. He turned those 65-cent-a-pound cattle which were foundered and an eye problem, nothing wrong with the meat, into \$1.20 live weight cattle. So he improved-- he improved his revenue on his 2,000 head herd on the bottom 10 percent being animals with problems to \$40,000. We all face property issues out there. If we can reach parity, as Mr. Hansen knows very well, we could solve this problem without having all these other issues. And that would be part of this with these processing facilities and this plant. Thank you.

**HALLORAN:** OK, very good testimony. Thank you, Mr. Bernt. By the way, I think at the interim hearing in Grand Island--

**ROBERT BERNT:** Yes, sir.

**HALLORAN:** --full disclosure, it was a small sample of cheese you gave me. So it wasn't a bribe, but very good. Do we have questions from the committee?

**GROENE:** Over here again.

**HALLORAN:** Senator Groene.

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**GROENE:** Clarify, a farmer can bring his cow in and have it butchered  
and then sell it?

**ROBERT BERNT:** That animal has to be processed in the existing laws are  
sold prior to coming to my facility.

**GROENE:** Has to be sold prior to.

**ROBERT BERNT:** Yes.

**GROENE:** That's the way I buy it.

**ROBERT BERNT:** Yes, you have to take ownership of that animal prior to  
me processing that animal [INAUDIBLE] custom-exempt processing  
facility.

**GROENE:** So you pay the farmer for the live weight and then you pay the  
processing fee.

**ROBERT BERNT:** Yes, sir.

**GROENE:** That's the way I do.

**ROBERT BERNT:** Yes.

**GROENE:** But this farmer was-- that you said that sold all his cattle  
was preselling the--

**ROBERT BERNT:** Yes, he was. He was able to market. And there's a--  
there's a huge demand out there right now today. Well, we can go back  
to the buy fresh, buy local programs as intro-- was introduced in  
Nebraska, that stepped us into a direction where people wanted to  
source local products. All right. So now we've got this demand, as  
people prior to me testified, looking and searching out products  
locally. You know, my vision and I'm on the Nebraska Food Policy Board  
and we recently had a meeting. We're hoping to not-- we cannot  
convince the nation to take on a country of origin labeling, but we  
can develop a Nebraska origin of labeling. So if we can label Nebraska  
T-bone or Nebraska ribeye or Nebraska pork chop or Nebraska lamb chop  
as that one from Nebraska and it ends up in a restaurant in Omaha,  
that gentleman in Omaha or lady will more than likely purchase that.  
It's a very simplified method of getting it there. And it's simplified  
for them to be able to recognize where it come from and truly

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understand that and spend their dollar purchasing that product. Now, what does that do in the long run? It goes back out here to where it needs to go to help that land owner with his issues that he has, whether it's property tax or otherwise. We've got to be able to source these products locally and satisfy that demand.

**GROENE:** So you said earlier about the present system works. You're not talking about the present system with the federal inspectors.

**ROBERT BERNT:** No, that does not work. That system does not work. And it's for the reasons I've said that-- that inspector is very seldom on premises.

**GROENE:** Oh, he's booked, probably booked. What part of the state are you from?

**ROBERT BERNT:** North central, Wheeler County is between O'Neill and Grand Island.

**GROENE:** So you-- you're not that far from the packing plants in Grand Island.

**ROBERT BERNT:** Correct. And there's USDA lockers. My son worked at them. But when I built this locker, I was scared with all the paperwork involved doing USDA. But I still built it according to their specs, if you could find the specs. And when I finished my-- my facility, I contacted USDA and I says I am done and I would like to have an inspection so I can hang my shingle and get started. And they says we do not do that. So I-- he said contact your state. I contacted the State Department of Ag, told them what I had done, wanted to get started. We do not do that.

**GROENE:** So we heard about Panhandle Nebraska, Mullen. But the reality is any inspector around Grand Island is fully booked. He's working at some packing plants. Is there a number, like you said, you can call and say, hey, I want an appointment for an inspector sitting here, sitting there with nothing to do to come out to my little plant on a Monday morning, inspect my kill?

**ROBERT BERNT:** I went through my process with that phone number to three individuals and the last one said it could be two to three years before they show up, and it was two to three years. It was three years before they showed up.

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**GROENE:** So every inspector in the state of Nebraska is fully booked.

**ROBERT BERNT:** Is booked. And I was requesting not an on-site kill. I was inspecting my facility to be inspected so I could feel comfortable that I had met the criteria for a facility.

**GROENE:** Thank you.

**HALLORAN:** Thank you, Senator Groene. Further questions? Thank you, Mr. Bernt. Good testimony. Good afternoon.

**EDISON McDONALD:** Good afternoon. My name is Edison McDonald, E-d-i-s-o-n M-c-D-o-n-a-l-d. I'm the director of government affairs and development at GC Resolve. We work with communities, nonprofits, foundations, institutions, law firms, farmers, tribes, and those that advance-- aim to advance good causes. And we believe that increasing opportunities for small meat packing is one of the best causes our state could pursue. Therefore, I'm here to express GC Resolve's support of LB235. Our current laws make local processing businesses overreliant on federal inspection, which makes it hard for small processors to get inspected consistently, restraining the volume of livestock that can be processed. This limits the ability for farmers and ranchers to access more sale opportun-- opportunities and limits consumers access to the local meat supply. During the ongoing pandemic, we have heard stories from dozens of farmers all across the state who have been told they will not be able to process their livestock until late 2021 to early 2022 in many cases. If COVID-19 persists into next fall/winter, we could see further disruption to the local supply chain, which creates unneeded new risks for livestock producers and hungry consumers alike. Attached is a short video that highlights the kinds of problems we keep hearing from our farmer friends. Billy Alward of Little Mountain Ranch and Garden in Fort Calhoun clearly articulates how this impacted his Nebraska farming businesses. He said basically every USDA-inspected locker is booked out years in advance now. We could have easily gone up a bit in scale this year. The demand is there, but we would have never been able to get them processed. As we look to key provisions to consider how we work to implement LB235 into law, we believe that it's important to consider increasing reciprocity with other neighboring states. This would help simply involve our state signing on to the USDA's Cooperative Interstate Shipment Program, as many of our neighbors, such as Iowa, have already adopted. This would allow farmers living in

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counties along state borders to engage in interstate shipment of their livestock with consumers in neighboring states. GC Resolve believes the benefits of legalizing state inspection outweigh the investment in the state inspectors, as this policy will create new businesses as well as increased sales opportunities for farmers and ranchers. In summary, we believe state inspection is the single most important thing the Legislature could do to open up new economic opportunities around food production and to enable the formation of more resilient, long-lasting communities. We appreciate the efforts by Senator Brewer and members of the Agricultural Committee to seek economic development solutions that build upon our long agricultural-based history and to create long-lasting and thriving communities. Thank you and any questions?

**HALLORAN:** Thank you, Mr. Edison [SIC]. Questions? Yes, Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Mr. McDonald, for being here. So the USDA Cooperative Interstate Shipment Program is the program that was alluded to earlier.

**EDISON McDONALD:** Um-hum.

**J. CAVANAUGH:** That if we did state meat inspection would allow us to sell that outside of the borders in Nebraska.

**EDISON McDONALD:** Yes.

**J. CAVANAUGH:** If you join that, does that give you access to all the states that are a member or do you have to negotiate a specific agreement with each individual state?

**EDISON McDONALD:** My understanding is it's the states that are members.

**J. CAVANAUGH:** So we'd only have to basically make one agreement and that would increase the access.

**EDISON McDONALD:** No.

**J. CAVANAUGH:** No.

**EDISON McDONALD:** No, we don't have to make.

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**J. CAVANAUGH:** We'd have to join that compact.

**EDISON McDONALD:** Yes.

**J. CAVANAUGH:** That would be the action. It wouldn't be-- my interpretation was we have to make an individual agreement with Iowa and an individual agreement with South Dakota. But what you're saying is--

**EDISON McDONALD:** That's not my understanding.

**J. CAVANAUGH:** OK. I-- my basis my understanding is testimony here today. So do you have any idea how many states are members to that compact already?

**EDISON McDONALD:** No. I have to get back to you on that.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** Thank you, Senator Cavanaugh. Any further questions from the committee? OK. Mr. McDonald, thank you much. Good afternoon. Welcome back.

**JOHN HANSEN:** Mr. Chairman, members of the committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. We're the second oldest, second largest general farm organization in the state of Nebraska. We're also certified USDA beef nominators. We have a very substantial number of livestock producers in our organization, including Mr. Bernt, who was here earlier. And we've been working on ways to try to increase the capacity of the actual meat processing facilities in rural Nebraska, as well as also expanding the marketing opportunities. And so because of that and because of our experience with the realities that surround USDA inspection, we have pursued state meat inspection. I believe this would be probably about the fourth time that I've been before the Ag Committee to support a bill. And we-- we worked closely with Senator Robak on her bill. And the reason that we do is because when you get down to where the rubber meets the road, you know, there's this gap between theory and practice. And the theory is that there are USDA inspectors there who are able and willing to be able to carry out the needed task in order to be able to provide the appropriate inspection so that they're there. As the animal comes in, they're able to inspect the animal before it's slaughtered. They're able to be there during

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the process. They're able to look at the carcass when it's done. They're able to do that in a timely fashion that works. And-- and yet in the past, as we have worked on this issue and we did kind of the spadework, what we found was that there were significant gaps between the theory and the practice. And so folks would have animals that were already in the facility. They already have the help lined up. They would be all ready to go and the inspector doesn't show up and he doesn't tell them that he's not coming. Well, that inspector, as we'd say, a bit of an attitude issue with that particular plant. And so then what was the remedy? Then how do you fix that when, you know, all of our inspectors [SIC] are done by human beings and human beings are not perfect, as we all know. And so issues do develop. And so when there is an issue, then what happens? Well, the ability to be able to resolve that issue was problematic because there was no clear chain of command where we could actually get things done. And so we would document those kinds of cases and bring them forward. And so one of the reasons that the-- the Ag Committee and the Legislature look favorably on this before is because they said it's worth our investment, even though it's additional money, so that we get the benefits of control and we get the benefits of management and we get the ability to be able to be more or less user friendly while we're still being equal or greater than the quality of inspection that you get with federal USDA inspection. And so when I look at the fiscal note, what I would observe is that compared to the total value of meat production in the state, we're the number one red meat producing, processing state in America, why do we come to a different conclusion about whether or not this cost or this investment is worth it based on our state's interests when all of our neighboring states, except Colorado, look at those additional costs and say, well, yeah, it costs more money, but we also have more control and we get more benefits. And so I think that the state, to the extent that we have not been willing to invest, has been shortsighted and it has cost us. And so this particular bill is one that we support. And we also look at a whole host of other federal bills, including the DIRECT Act and other things. I would tell you that we also worked on the federal legislation. And when we thought we had equivalency, we did to the very end when we lost the ability to be able to sell state-inspected meat across state borders. That was what we started out with originally, that we lost that at the very end. So the DIRECT Act is simply trying to go back and pick up what we thought we had when we did the federal inspection. But we think that this is an investment

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that will pay dividends and it will increase our ability to be able to connect more and more producers with more and more consumers and that when you do that, there's a clear economic advantage to the producer and there's the clear advantage to the consumer. And with that, I'd be more than glad to answer any questions.

**HALLORAN:** OK. Thank you, Mr. Hansen. Any questions from the committee? Senator Groene.

**GROENE:** Do you think the producers would be willing to-- I heard about a fee process, but checkoff, change the checkoff spending or increase the checkoff that some money could-- could be used towards this-- this-- help the state out to pay for those inspectors?

**JOHN HANSEN:** Well, that's, Mr. Chairman, Senator Groene, that's a very interesting question that would open up two really substantial boxes of regulatory legal questions. But I like the out-of-the-box thinking. But, you know, the-- we-- we have an awful lot of smaller facilities across our state. And I've been at this a long time. We have a lot of facilities that are old and tired. And they-- they need to be updated. They need to be expanded. They need help with workforce. They really struggle. I-- you know you're in tough shape when you have guys like me help you find folks to cut meat, which I do occasionally. And-- but-- so there's a whole bunch of chances there. But so if you look at why a lot of those facilities that both the USDA, the small end USDA inspected plants as well as the-- the custom slaughter plants is it's the capital investment; it's the age of the folks. It's trying to find new younger owners. And so when I think about fees, getting back to your question, these guys are not looking to spend more money. These guys are-- are struggling to kind of get by now. And that's why they're, you know, they're looking at this huge new increase in-- in participation, which is a good thing. And a lot of the questions the folks I talk to are saying, gee, is this a blip or is this a long-term trend? And if it's a long-term trend, then they're more willing to borrow money to capitalize.

**GROENE:** Who are you talking about? The guy who owns the locker?

**JOHN HANSEN:** The guy that owns the locker that owns either the custom-- the custom slaughter facility--

**GROENE:** No, I'm talking about the producer.

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**JOHN HANSEN:** --or the small USDA.

**GROENE:** I'm talking about the producer, the big-- China could pay a little bit on all the hogs they own on a checkoff, all the huge cattle yards would pay a little bit on every cow added to the checkoff system to help the little guy out with paying for the inspectors in the state. It's just out of the box.

**JOHN HANSEN:** Yeah.

**GROENE:** I'm not talking about the locker. I know they're overwhelmed. They're not looking for more business, but.

**JOHN HANSEN:** Yeah.

**GROENE:** But anyway, they can't expand either because [INAUDIBLE]

**JOHN HANSEN:** Well, at the end of the day, if we're going to move forward, we have to not only expand marketing opportunities, but capacity. And so I just don't want to do anything to saddle the local guys with more fees or with fees.

**HALLORAN:** You're talking about the producers?

**JOHN HANSEN:** Well, the locker or the producer, either one.

**HALLORAN:** OK, all right. Thank you, Senator Groene.

**JOHN HANSEN:** I think we ought to have federal meat inspection. I think we ought to have quality inspection for.

**HALLORAN:** OK.

**JOHN HANSEN:** It's a good thing.

**HALLORAN:** Any further questions for Mr Hansen? Senator Gragert.

**GRAGERT:** Thank you, Chairman Halloran. Thank you for your testimony, John. I was just wondering, with the smaller plants that we're going to have in Nebraska in all the years you've been at this, at the consumer, when we're looking at the consumer, where's-- where's the range that I suppose the bigger plants are going to be more efficient, more effective, you know, in deep produc-- you know, processing. Where is that range or do you have any idea? Like if I went in and bought a

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ribeye for seven, eight bucks a pound versus, you know, when it's  
Nebraska beef versus that other one sitting there at maybe six bucks  
or where is that cutoff that people are willing to say, yeah, I'm  
going to pay that much more for that Nebraska beef?

**JOHN HANSEN:** Well, the-- of course, it depends on the consumer, but  
there's-- there's a lot of options right now for consumers, for them  
to work out arrangements with-- with cattle producers directly. And  
so, you know, the ones that I work with the most are USDA inspected  
because they want to be able to sell across state lines. And they  
also, if they have excess production, they want to be able to sell it  
to a restaurant or, you know, a vendor. So there's-- but there's a lot  
of smaller USDA plants that are already doing what state  
meat-inspected plants could do in state. And so we need more of those,  
too. So what is the price point? I don't know. But there's, you know,  
there's-- there's folks calling the locker today for a beef I just  
sold that's ,you know, they're-- they're-- they're picking up the--  
the costs all in and they're, you know, across the board for  
everything. They're in the three and a half area a pound and the  
producer's making money and they're-- they're getting really good  
quality stuff for less money than they would buy it in a grocery store  
by far. So there's-- there's real opportunities there if you can  
figure out the processing and the capacity side for both the producer  
and the consumer.

**GRAGERT:** Thank you.

**HALLORAN:** Thank you, Senator Gragert. Thanks, Mr. Hansen. Any further  
questions? Appreciate your testimony.

**JOHN HANSEN:** Thank you, Mr. Chairman and members of the committee.  
Good luck.

**HALLORAN:** OK, if the next-- if there are further proponents, please  
come forward. Any additional proponent's? OK, we'll move on to those  
that wish to testify in opposition. Good afternoon.

**STEVE WELLMAN:** Good afternoon. Good afternoon, Senator Halloran and  
members of the committee. I'm Steve Wellman, S-t-e-v-e W-e-l-l-m-a-n.  
I'm here to respectfully speak in opposition of LB235. Nebraska is the  
number two state in red meat production, with 82-- 8.2 billion pounds  
processed in 2019. Nebraska is also a leader in red meat exports, with

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1.35 billion of beef and \$472.5 million worth of pork exported each year. Obviously, the production of state-- the production and sale of meat is a big part of Nebraska agriculture. The harvest, processing, and sale of meat is a highly regulated industry to ensure the safety of meat and poultry products and that livestock are handled in a humane manner. By law, the USDA's Food Safety Inspection Service has a responsibility for ensuring the safety of all meat and poultry products sold in the U.S. FSIS directly oversees facilities at slaughter and processed meat and poultry traded in interstate commerce. LB235 states: It is the intent of the Legislature that the department should implement a state meat inspection program and participate in the Cooperative Inspection Program-- Cooperative Interstate Shipping Program by January 1 of 2023. These are two separate processes with different safety standards, and until a meat inspection program is in place, Nebraska would not be able to apply for the CIS program. The FSIS approval of these programs often takes years to finalize. A state program has to meet at least equal to standard of federal meat inspection, meaning Nebraska could make it more stringent, but not less. For the CIS agreement, our program would need to be same as meaning. It would need to match federal requirements exactly. If a facility cannot meet USDA standards, the facility would not meet state standards. Nebraskans would cover 50 percent of the inspection cost for state-inspected facilities, if not in the CIS program or Nebraska would pay 40 percent for the CIS facilities, whereas federal inspection costs are covered 100 percent by the federal government except for holidays and overtime hours. Currently, custom-exempt facilities in Nebraska, which is about 75 facilities, are subject to oversight by USDA. If Nebraska creates a state program, the state would be required to take on the full cost and responsibility of regulating all custom-exempt facilities. Currently, 27 states run the state meat inspection program; 25 of those also implement a poultry program. Of the 27 states, only 8 have been accepted into the CIS program. In 1995, 27 states ran programs covering 2,890 plants. In 2020, 27 states have programs that covered 1,900 plants. The drop in plants demonstrates that state inspection programs do not lead to an increased number of processing facilities. Today if a Nebraska facility is approved by USDA for slaughter and/or processing, that facility can sell product across the country and internationally. In a state- inspects-- inspected facility, product can only be sold in state. By joining the CIS program, an individual plant would apply to the state for approval and once approved, would

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be able to sell across state lines and internationally. Implementing a state inspection program takes time and resources. As you will see from the fiscal note, we anticipate a significant cost. In determining these numbers, we analyzed the programs in Iowa and Kansas, as both have similar profiles to Nebraska. Starting a program would add a complex regulatory structure and have fiscal impacts to the department and to consumers. The fiscal note only reflects the cost to run a program for one half of 2023. The annual cost of a state meat inspection program would be more than \$3 million annually. There are currently 109 operations in Nebraska that are USDA inspected. Our state also has a robust custom-exempt network. The department is concerned that implementing a state program would have minimal positive impacts for agriculture and consumers in Nebraska. While the department supports the efforts of the meat processing industry of all sizes and locations, we do not support the creation of a state inspection program and the duplication of the federal efforts. The department will continue to work with the industry to meet their needs and maximize ways to enhance what Nebraska livestock producers are currently doing, providing consumers with the highest quality meat in the world. We ask that you vote no on LB235. Thank you. Willing to answer questions.

**HALLORAN:** Thank you, Director Wellman. Are there questions from the committee? Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Director Wellman, for testifying today. On page 2, Item number 4, the first line said a custom-exempt plant can only slaughter and process livestock for the exclusive use of the owners. And then it goes on to say these facilities are subject to a periodic risk-based inspection by USDA FSIS and/or state authorities. Do we inspect custom-exempt facilities today?

**STEVE WELLMAN:** We do not currently inspect custom-exempt facilities. That's USDA responsibility. If we create a state inspection program, the USDA walks away from that responsibility and hands it over to the state to do those custom-exempt inspections or oversight.

**BRANDT:** So should that statement even be in there?

**STEVE WELLMAN:** I think it was accurate. Is that in the testimony or is that in the other documents?

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**BRANDT:** It's in your testimony. Page 2, number 4, line 3, it says  
state authorities.

**STEVE WELLMAN:** I guess I still don't follow you on where that's at.  
Sorry.

**BRANDT:** Well--

**STEVE WELLMAN:** Again on the testimony, which page?

**BRANDT:** Page 2.

**STEVE WELLMAN:** Or that's on the supplement?

**BRANDT:** Oh, I'm sorry. I'm sorry.

**STEVE WELLMAN:** I'm sorry.

**BRANDT:** I'm sorry. I'm on the wrong one, yeah, supplement.

**STEVE WELLMAN:** So that-- the supplemental information here is  
information that we collected in preparation for this testimony. And--  
and quite honestly, I pulled this from a lot of different resources  
that I trust, either USDA FSIS or-- or the National Agricultural Law  
Center. This particular information is from USDA. So I'll take it as  
accurate.

**BRANDT:** If-- if Nebraska were to have a hybrid program and by that I  
mean if just the inspection of the facilities was done by your-- you  
have grocery store inspectors and inspectors of that nature

**STEVE WELLMAN:** Sure.

**BRANDT:** --for cleanliness, which is exempt-- exactly what a  
custom-exempt plant basically is, and not inspect the livestock, if  
that was done some other way, is that a possibility?

**STEVE WELLMAN:** I don't believe we have the state authority to do that.  
I think the federal government has the full regulatory responsibility  
on that currently.

**BRANDT:** OK. All right. Thank you.

**STEVE WELLMAN:** Sure.

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**HALLORAN:** OK. Thank you, Senator Brandt. Senator Groene.

**GROENE:** Thank you. We're not-- we would still keep the federal system  
and they would do the big packing plants, right?

**STEVE WELLMAN:** Well, the federal system is still in place. And any--  
any currently any facility operating in Nebraska, whether they're  
federally inspected or custom exempt, could opt for state inspection.

**GROENE:** Could.

**STEVE WELLMAN:** We have-- they could. And we have many small or very  
small plants that have USDA inspection already in Nebraska. We have  
109 facilities in Nebraska that slaughter and have USDA inspection.  
Not all of those are large. Most of those, 90 percent of those are 10,  
10 percent are the ones you're thinking about, I think, with the  
larger processors.

**GROENE:** Ten percent of them are larger processors.

**STEVE WELLMAN:** That's my rough estimate.

**GROENE:** Are these other ones specialty, they make beef jerky?

**STEVE WELLMAN:** It'd be-- I think one of the gentlemen that's going to  
follow here is-- is an owner of a USDA facility that a small, small  
town or whatever type of location that maybe you're thinking of.

**GROENE:** So the federal inspector now goes out to my little local  
locker and inspects it, what, once a year, twice a year, what?

**STEVE WELLMAN:** On a custom exempt, they-- they have the authority to  
regulate it at their discretion, I think normally. And it's a  
risk-based system. So it depends on what they believe the risk is for  
those particular facilities.

**GROENE:** So they do have a regular inspection schedule. They go out and  
inspect them, walk through the plants.

**STEVE WELLMAN:** They-- they have the same sanitation standards that  
USDA would implement on those custom exempts.

**GROENE:** But they do go inspect them.

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**STEVE WELLMAN:** They do show up on-- in, yep, at the location.

**GROENE:** All right. And-- that's all.

**HALLORAN:** OK. Thank you, Senator Groene. Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you. Director Wellman. In your remarks, you said that this would be an unnecessarily duplicative of the federal efforts. Everything I've heard here today was sort of a parallel system that would allow for an expansion of inspection and not duplication inspection. Is that--

**STEVE WELLMAN:** Well, our reason for that is that we currently have federal inspection in many facilities already in Nebraska. These facilities obviously already qualify for USDA inspection and can ship product internationally. If we have a state inspection program, and one thing I will agree that if we're going to do a state inspection program, we want to be part of the CIS agreement. We want to be able to ship product across state lines and internationally. But when you do that, you step up your requirements to be same as USDA. So that's the point about being duplicative. If we're already there with USDA inspectors, where is the need for the state inspection program? Because, again, for international, it has to be the same as. And-- and one thing I didn't discuss was that means pulling samples, testing samples exactly as FSIS does it and to the same standards that the samples are pulled and the tests are conducted.

**J. CAVANAUGH:** So kind of to clarify, the state inspection to be intrastate is similar to or same as or up to the standard of the federal inspection, but not exact, right?

**STEVE WELLMAN:** Equal to--

**J. CAVANAUGH:** Equal to, OK.

**STEVE WELLMAN:** --is the term. It's equal to for within the state; same as when you want to do-- have interstate commerce.

**J. CAVANAUGH:** OK. That was going to be my next question. So to actually be able to sell state-inspected meat outside the state, we would have to raise-- it would have to be more cumbersome than if [INAUDIBLE]

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**STEVE WELLMAN:** You raise the level-- you raise the level of inspection requirements to be a part of that cooperative interstate shipping agreement. And again, that's for-- for the state to have a state inspection program, we have to work with USDA. They have to be comfortable that-- that we can conduct the safety measures according to them. We have to work with them to create a budget that they will share the cost in. And then when you go to the CIS agreement, the separate facility applies to the state to be part of that CIS, the interstate portion of it. Once-- and then we-- the state would work with USDA to get that individual facility approved for CIS. So it's a one-by-one step to get the CIS implemented for the facilities.

**J. CAVANAUGH:** I-- may I continue, Mr. Chair? I have one more follow-up question.

**HALLORAN:** Sure, one more.

**J. CAVANAUGH:** So it does sound like there is a process to join the CIS, which if we were to go this route, you would say that we should do that. I guess my question or hang-up is when you're saying it's duplicative, my understanding is and maybe you don't disagree with this, is it would be a duplication of the same process, but it would be an expansion of availability. The complaint seems to be that there's a finite amount of federal resources for inspection. And this would allow us to expand the amount of meat that's being inspected and therefore the amount of meat that's being processed and the amount of meat that's being sold at a faster rate. So it wouldn't actually be a duplication. It would be an expansion.

**STEVE WELLMAN:** Well, I think the question that we have is, is-- is it-- will it lead to expansion? When we look at the numbers of state-inspected facilities from 1995 to 2020, they've decreased by about 1,000 facilities across the United States. So to me, those numbers do not say that state inspections create facilities to be built. OK. So I don't believe that that drove any increase. I think and-- and there's probably reasons other than state inspection that that number went down. Right? I mean, we didn't get into that part of it. The, again, at same as so-- and administrator Kicker when he was here, of course, the USDA, he was in Nebraska and testified at the field hearing. He flat out stated that to his knowledge there's-- if we need an inspector, a USDA inspector at a facility in Nebraska, he will get an inspector there. Now, that's his words at the time so.

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**J. CAVANAUGH:** On what time scale, I guess, is the question that we've heard here today?

**STEVE WELLMAN:** Right. But again, that has to-- are you-- are you driving an increase in demand? Are you driving an increase in shackle space? I think the big key here is shackle space. I mean, all these facilities that we're talking about today on the custom exempts and the USDA-inspected facilities that are in Nebraska, I mean, they're at max capacity. It's a year to two years on a waiting list to get animals to have a shackle space time. So that's-- or do-- how do we grow that capacity? And is it through expansion of current facilities? Is it expansion of new facilities? I'm all in favor of increasing our shackle space and our capacities. I'm not a believer that this bill does that.

**J. CAVANAUGH:** Thank you, sir.

**HALLORAN:** If I may jump ahead of, on that note, what is the answer to increase the shackle space for the custom exempt?

**STEVE WELLMAN:** Well, I think--

**HALLORAN:** And clearly the demand is there. There--

**STEVE WELLMAN:** There currently is now and is it long term? I think that was brought up earlier. And I-- I've had discussions with several Directors of Ag across the U.S. on this, and I've talked with owners of custom facilities in Nebraska. It's workforce, it's capital, and it's the-- just a business plan and the ability to think that-- that this demand will continue long enough to recapture the capital investment. Now, those are big questions. I mean, the newest federally inspected facility was approved in December of 2020 in Johnson, Nebraska. Their storefront opens in Nebraska City on February 11. They obviously-- it's two brothers. It's obviously something they believe in that was worth their time and investment. So are there more folks like that? I believe there are. But is that-- what role do we have to do that? I, you know, I think that's a good discussion to have. I

**HALLORAN:** I think if Amazon would have waited for demand, it would never have grown to the size that it is, right? I mean, sometimes you have to create the demand by offering the opportunity to supply something of service to the customer or in this case the producers as

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well. So I guess I'm-- I'm-- I'm looking for solutions. And now, if  
this isn't the solution, I guess we're looking for some constructive--

**STEVE WELLMAN:** Right.

**HALLORAN:** --ideas and what that solution is.

**STEVE WELLMAN:** And, I'm sorry.

**HALLORAN:** No, go ahead.

**STEVE WELLMAN:** I didn't mean to cut you off. And I appreciate that.  
And I'm a farmer. I've lived my whole life, third generation farm at  
Syracuse. It's what I did until I got the opportunity to serve as  
Director of Agriculture. I want what's best for Nebraska agriculture,  
no doubt about it. I mean, I'm not here-- and I can understand  
disagreements on how to get there. And that's why I think we're here,  
is to have that discussion. So I-- I, you know, willing to help in  
that manner. Again, when we have bills that come before the Department  
of Ag since I've been there, my first question to my team is, how does  
this impact agriculture? Is it good for agriculture? Is it good for  
farmers and ranchers? The next step is what do we do as an agency? How  
does it affect us? And of course, then we do the fiscal notes and that  
type of thing. So-- so I can-- I can-- I understand that we can  
disagree on some of these topics and just have the discussion. And--

**HALLORAN:** [INAUDIBLE]

**STEVE WELLMAN:** --I really don't understand any type of criticism on  
what the intent is from the Department of Agriculture, especially--

**HALLORAN:** Certainly, and I appreciate that.

**STEVE WELLMAN:** --from that part of it.

**HALLORAN:** But I'm, you know, I'm looking for proactive solutions, and  
I know you are as well. But-- but in lieu of that, if this isn't it, I  
guess in the future I would look for some-- some-- some--

**STEVE WELLMAN:** Understand, sir.

**HALLORAN:** --some suggestions for the-- for a proactive solution if  
this isn't the right one.

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**STEVE WELLMAN:** Very well, thank you, sir.

**HALLORAN:** Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. So Sen-- or excuse me, Director Wellman, what do you tell-- on the previous testimony we had some people say that the USDA is not up to the task. So you've got a small facility at Maxwell or something like that. And how this works is-- is maybe one day a kill is custom exempt, but then you have a producer that has his own USDA label and he's got those ten steers that are ready to go. And now that USDA inspector doesn't show up. That is a tremendous hardship for everybody involved. Do we have leverage with the gentleman at USDA that he will provide those inspectors? Because we do not have state meat inspection. That is the only--

**STEVE WELLMAN:** Right.

**BRANDT:** --alternative to have a viable program is I, as a producer, would have to have my own label. And a label isn't cheap. So, you know, to coordinate all this, that gentleman has to show up because he is the key to USDA inspection.

**STEVE WELLMAN:** They do have to show up. And I mean, I-- I what I would say to that is we have a good working relationship with many of the folks at USDA. I'd be more than willing to have discussions and make sure that we do everything we can to-- to meet the needs of the facilities here in Nebraska. Again, the USDA control, but I-- and we could have a state inspector that doesn't show up some day, too. I mean, unfortunately, that could happen.

\_\_\_\_\_: Sure.

**STEVE WELLMAN:** I wouldn't like it. I mean, there would be circumstances from it, right? But-- but it could happen so. And just when we're talking about inspections and her comments about state inspectors now that stop for the-- for the food inspection, then the cheese processing and dairy. And I appreciate that. Those inspectors are there for a couple, three hours probably or maybe half a day to do the inspection. What we're talking about the state meat inspection is antemortem to postmortem through the whole process and also looking at humane slaughter or humane treatment. So they could be there eight hours a day for five days a week. I mean, I talked to a local custom

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exempt that slaughters five days a week. So if they-- he would choose to be inspected, it would be a full-time inspector just for that location. Right? So, again, we want to be helpful. We're not here to be in the road.

**BRANDT:** All right. Thank you.

**HALLORAN:** Senator Gragert.

**GRAGERT:** Thank you, Chairman Halloran. Director Wellman, I guess with the COVID this will kick this all off and yeah, up in northeast Nebraska, every locker plant is a year out, year and a half out, so now the demand is there. Is the ball in our court now to request more USDA inspectors in Nebraska?

**STEVE WELLMAN:** Well, I mean, that has to come from the industry and the facility. Is that what they want to do? Are the-- are the facilities that are now custom exempt do they want a federal inspection? That's their-- their option to choose that or they can continue to operate at full capacity or wherever they're at now under custom exempt. I don't know the answer to that. You know--

**GRAGERT:** I guess that's what we're trying to get with this whole process is so we can sell interstate, intrastate. Right? I mean, I think that's where we're trying to go here. So and if we got to meet or exceed federal and I'm hearing that, you know, we can't get enough inspectors for this, can we request more inspectors? I guess they're free. [LAUGHTER]

**STEVE WELLMAN:** So I will answer that from, first of all, if there is an example of someplace where there's not an inspector, I'm more than willing to go to USDA and say, hey, we need your help. We need inspectors located in these facilities because they're requesting the USDA inspection. There is an example at the field here in Grand Island a facility that had one inspector, federally inspected, they had one inspector on staff. They were expanding due to COVID and due to demand. They worked with USDA. They have a second inspector. So I think there are examples where the facilities have requested additional inspection from USDA and they've been granted that.

**GRAGERT:** I guess I just-- I guess I'm kind of looking at this as an opportunity with the demand there to be if we got out in western

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Nebraska, if we got community, six or seven communities, maybe this is  
the opportunity to place a USDA inspector out there and serve those  
six communities, you know what I mean?

**STEVE WELLMAN:** Yeah.

**GRAGERT:** You know, take advantage of the demand right now to request  
that so.

**STEVE WELLMAN:** And I'm not sure what their, how they share their  
workload with those USDA inspectors, but obviously that's

**GRAGERT:** Yeah.

**STEVE WELLMAN:** --their management right.

**GRAGERT:** Thank you.

**HALLORAN:** Senator. Groene.

**GROENE:** Is the more stringent the requirements to be a custom packer  
or I mean to be a USDA inspected versus just a custom packing plant?  
Is that why some of the lockers don't want to do it? There's more  
stringent--

**STEVE WELLMAN:** The custom exempt has periodic regulations by USDA. A  
fully inspected USDA inspected facility has an inspector there  
antemortem to postmortem--

**GROENE:** On slaughter, during slaughter, not every day.

**STEVE WELLMAN:** During processing, certain parts of processing.

**GROENE:** Now, is it all or nothing? Because you made it sound like this  
packing plant that had five custom [INAUDIBLE] he slaughters five days  
a week. But to clarify what Senator Brandt said, so you have one day  
you're going to slaughter for to sell on the open market. The rest of  
the week, they slaughter custom for the guy who brings his deer in.  
Does it have to be all or nothing?

**STEVE WELLMAN:** No, it does not have to be.

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**GROENE:** Well, so that packing plant, that small custom guy that killed five days a week, doesn't mean an inspector needs to be there five days to clarify. Right? If he says I [INAUDIBLE] slaughter today--

**STEVE WELLMAN:** If they-- it's their choice. I mean, they do have the flexibility to have USDA inspection on certain days--

**GROENE:** On certain days.

**STEVE WELLMAN:** --and operate custom-exempt--

**GROENE:** They can slaughter on other days for custom.

**STEVE WELLMAN:** Yeah.

**GROENE:** All right.

**STEVE WELLMAN:** They just have to manage that.

**GROENE:** So now you, in your testimony, said 34 employees. Why couldn't we start out with one or two as a--

**STEVE WELLMAN:** So--

**GROENE:** --inspectors and then do what we said station in place, is work with a cooperative bunch of custom guys. On Monday, I'm slaughtering for-- to fill my-- my locker, I got a customer. I got a grocery store in my town who I want to slaughter for. He wants me to slaughter for that small grocery store.

**STEVE WELLMAN:** Um-hum.

**GROENE:** All right. That's the other market you're not talking about I haven't heard today. But the other four days I'm going to slaughter as I am for the-- for the local farmer.

**STEVE WELLMAN:** So in our fiscal note, those 34 FTEs, again, we compared our Nebraska to Kansas and Iowa. And granted, that's an estab-- they're both established programs. They've had those programs since pre-1971. So it's this-- it probably-- they probably have grown over time. And our program would not start out that large exactly.

**GROENE:** So it wouldn't be 34.

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**STEVE WELLMAN:** But-- but I will say it would be ground up. We currently have and I love my team. I have a lot of talented folks on the-- in the agency and on our team, either in as veterinarians, but they're animal disease and traceability and epidemiology experts. We also have food inspectors that inspect food establishments. Totally different deal from what we're talking about here. Quizzing my team, we do not have anyone currently that could step in and do any of these roles without further education. And if they do, then, of course, we have a vacancy in where they vacated.

**GROENE:** You think you got it bad. I had hearings yesterday about a Racing Commission is going to have to manage casinos pretty soon.

**STEVE WELLMAN:** Very good, sir, yeah.

**GROENE:** They got a bigger problem. But anyway, I don't understand why, you know, on the slaughter or-- when they custom slaughter, they got to cut them into steaks. They got hamburger. When they-- when they USDA slaughter, they could-- they could sell halves or quarters to the grocery store because they have their own butcher. That would increase their market, more production through the facility. There's a lot of opportunities here. And I-- when I was on the Revenue Committee, I kept getting more and more, we're going to do angel-- angel Investments. We're going to spend a lot of state money because we're going to try to win that lottery and one company is going to get bigger and employ a lot of people. That's the same here. We don't know. We don't give the opportunity for those two brothers in Johnson who might turn that thing into a hundred employees and slaughter 500 head a day. But we don't give them that opportunity.

**STEVE WELLMAN:** Well, but yeah, they do have-- I mean, they did apply for USDA inspection, were granted an inspection. So, I mean, they can ship internationally, right, when they have that. So it's just a different [INAUDIBLE] Do we want to have a system offered by a state inspectors or are we--

**GROENE:** Both.

**STEVE WELLMAN:** --are we OK with the USDA?

**GROENE:** Both right. We could do both.

**STEVE WELLMAN:** Or they-- and they could choose.

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**GROENE:** Thank you.

**HALLORAN:** OK, any further questions? Senator Gragert.

**GRAGERT:** Thank you. OK, but to clarify, to do both, it's still going to cost-- what's it going to cost the state of Nebraska to do both? Whether we're all in or we're all out, like you said, we could do this. We could do that. What's-- what's the figure then if we-- we're halfway state and--

**STEVE WELLMAN:** Well, I don't know that I have the numbers for you. I mean those, the states that we based off of, Iowa and Kansas, they have-- they have USDA facilities also and they have state inspected facilities,--

**GRAGERT:** OK.

**STEVE WELLMAN:** --similar to what we're talking about here. So that's why we based and when we look at that, I mean, Kansas is and Nebraska fight for the top two spots in feeding cattle. Normally, Iowa is the number one state right now in meat and red meat processing. So they compare to Nebraska. They have both. That's where we came up with our estimates on the fiscal note.

**GRAGERT:** Thank you.

**HALLORAN:** OK, any further questions? Director Wellman, appreciate you being here. Thank you.

**STEVE WELLMAN:** Thank you.

**HALLORAN:** Any additional testimony in opposition to LB235? Good afternoon.

**DENNIS SCHAARDT:** Good afternoon. Good afternoon, Chairman Halloran and Agriculture Committee. My name is Dennis Schaar dt, D-e-n-n-i-s S-c-h-a-a-r-d-t. I'm with, excuse me. I've been sitting here too long, got a dry mouth. I'm with Den's Country Meats out of Table Rock. I'm voicing my opposition to LB235 to create a state meat inspection program. As I'm happy that Senator Brewer is looking for more ways to expand our sales of Nebraska meat products, I don't believe this is the way. I was a custom-exempt meat plant for 15 years. Then the processing got slow so I looked for ways to do more. It was decided

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that we would become a federal meat processing plant so we would be able to buy live animals and sell them anywhere in the world. Everyone told me it was hard to become a federal plant; but with the help of many, we did it. Believe me, when we-- when they sent the rules to me and there was a stack that was about this tall of everything I needed to know, it was very overwhelming. I'm not sure how familiar you are all with, but to set up a state program, you have to follow all the USDA FSIS rules as you heard for the last hour and a half now, equal to or greater than. Usually the USDA will help pay for 50 to 60 percent of this of your program, then fund the rest, our tax dollars. USDA will be in to audit your program to make sure it's equal to or greater than their program to pass. I'm sure you will hear from states that have a program how great it is. I belong to the American Association of Meat Processors and have numerous friends in them states that have switched to federal inspection because of the inability to only sell their products in the state. Other reasons I won't-- don't want state. I was down here 20 years ago testifying against this same type of bill against Ms. Robak. I just don't understand why we want to go backwards with inspection in Nebraska. If we want to do something, we should develop a grant program to help these plants expand. In closing, I don't believe that creating a state program is going to outweigh the cost of doing it. Maybe Department Ag should have a person that would help custom plants become federal plants so they could sell their meat to grocery stores and the world. We need help with labor and expansion, not more government regulations. That's what I typed up last night. But I haven't been here for 20 years so I'm a little nervous. I can't tell. But I've been in this business 35 years and I've got a lot of friends. Excuse me, get myself together. I will. Anyway, I have a lot of friends that-- in these other states that do state meat inspection, and a lot of them have switched because of the headaches of the state programs. Our national association, American Association of Meat Processors, most of his calls are from the state plants that have problems with the state programs. I mean, we all think it should be. It's our state. It should be better. We should be good. But there's just so many issues, so, so many issues that come up, guys. And just like the two boys in Johnson. They went to UNL up here, graduated, and went home back to the farm. They're farmers. They're trying to farm. They built their own little plant. And it's just 17 miles away from my plant. They're just going to kill their own animals and market these animals in Nebraska City. They're going to get high dollar for them. They're Wagyu beef which is

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a very expensive beef, like 40 bucks for ribeyes I think. You know, I wish them luck selling that. But there's only a certain market out there of people that will pay that type of money for things. I mean, I don't care how much inspectors we have out there, you still got to look at the market. There's only about probably 30 percent of people are going to pay that high-priced stuff. There's about another 40 percent, 30, 40 percent that's going to come to me and do that. And then you got the other 34 percent are going to go to Walmart because that's all they can afford. So we were busy before COVID hit, not as busy as what we are now. But I just-- you guys, I mean, the guy that talked that's got the plant up at Spalding, you know, yeah, he's doing great guns and everything else. I-- I really wonder how legal some of this stuff is that they're doing. I know there's another bill coming up after this that we're going to talk about. But this custom-exempt thing that Mr. Groene, you've talked about and everybody's question about what you can and can't do is there's a very gray area in there what you can and can't do. It states that they have to own that animal before it goes to that plant. You have to pay for it. There's a lot of plants that don't do that, guys. They're usually it shows up in the plant and they find out what it weighs and they pay it then, you know. It's after the fact. That's not legal. And we're touching on the very laws that the USDA has got out there. And we're trying to kind of hide them, I think, by doing some of this stuff. I think the biggest thing that most of our plants, I mean, I wish other locker plants were coming. I wish you guys would come maybe do your hearing out at one of our state associations or something where there's a locker plant. You could hear each and every one of them, hear their side of the story, why they can't do more. Me and my wife were secretary/treasurer of this state association for ten years, about 15 years ago, and I went to a lot of these plants. And there's a reason why a lot of these plants are not federal plants. It's like they talked earlier. They're getting dated, they're old. They do a good job and they do their best. But, you know, they need a lot of work to be-- to be a sanitary plant. And with that, I'll open up to any questions. I have 35 years of being-- 15 years of custom-exempt plant and 20 years as a federal plant so.

**HALLORAN:** OK, thank you, Mr. Schardt. Yes. Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran. Thank you, Mr. Schardt, for being here. I don't know if you remember you-- you packed some cattle for me here six, seven years ago when Diller was down for a while.

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**DENNIS SCHAARDT:** Yeah.

**BRANDT:** You have a very nice facility. So I guess regardless of  
whether you're a USDA or a custom-exempt, the cleanliness standards  
and the standards of the facility are the same. Yes or no?

**DENNIS SCHAARDT:** No.

**BRANDT:** OK, so can you tell me--

**DENNIS SCHAARDT:** They should be the same, but they're not.

**BRANDT:** Well, but by the book-- by the book, they're the same?

**DENNIS SCHAARDT:** So USDA says that you have to produce a wholesome  
product. As long as you can produce a wholesome product, your plant  
can be old wood building falling in. But as long as you can keep it  
clean and sanitary, it can be a custom plant. Me as a federal plant,  
this morning, first thing we did is we sent a sample out. Two pounds  
of summer sausage is going to some lab in California to be tested.  
That's just part of being under inspection. They have-- they'll sample  
that. They'll sample ground beef. Listeria is a big sampling. They do  
random samples inside. So, I mean, for a plant when you're under  
inspection, it don't cost us more. It don't cost us to have that guy  
there, but it costs us.

**BRANDT:** So what percent of your production is federal versus custom  
exempt?

**DENNIS SCHAARDT:** Well, when we started, we thought that theory of  
being inspected like one day a week and doing the rest custom would  
work. It don't. You're either in or you're out because you got to keep  
everything separate. So we run everything federal. And there's  
misconception about when the inspector has to be there that's going on  
up here. Everybody thinks he's only there when you slaughter. He's  
not. He's there all the time. So we all have HACCP plans that are a  
plan that we write down temperatures and sanitation and different  
things. And he's in checking on that also while you're slaughtering,  
too. So when you're processing meat, he has to be there part of the  
time, not all the time. The big plants, they're right on the line, but  
they have to be there while you slaughter. They look at that animal to  
make sure it looks good. If they have a question, our inspector cannot

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condemn that animal. I can condemn the animal, but they can't. So they  
have to be there the whole time.

**BRANDT:** Last question. So for your federal inspection, are you running  
your own label or are you also doing federal inspection for producers  
that have their own label?

**DENNIS SCHAARDT:** Both.

**BRANDT:** OK, all right. Thank you.

**DENNIS SCHAARDT:** Yep.

**HALLORAN:** Thank you, Senator Brandt. Any further questions? Seeing  
none, thanks for your testimony.

**DENNIS SCHAARDT:** Thank you for your time, guys.

**HALLORAN:** I hope you're not allergic to sanitizer.

**ANSLEY FELLERS:** You would think so.

**HALLORAN:** Good afternoon.

**ANSLEY FELLERS:** Thank you. Thank you for having me. Good afternoon,  
Chairman Halloran and members of the Agriculture Committee. My name is  
Ansley Fellers and I'm here on behalf of the Nebraska Grocery Industry  
Association, as well as the Nebraska-- Nebraska Association of Meat  
Processors testifying in opposition to LB235. Just wanted to bring a  
little bit of the retail perspective. I know that's come up a couple  
of times today. I have a kind of brief edition here that's not in a  
copy I handed to you, but I can certainly get you another copy if you  
have any questions. The Association of Meat Processors represents 19  
federally inspected facilities and 38 custom-exempt facilities. And by  
and large, both segments of the industry believe a state level  
inspection program would be expensive and duplicative. By meeting the  
minimum requirements of having a hazard analysis and control plan,  
sanitation, standard operating procedures, and a suitable facility,  
USDA FSIS will provide inspection services at no charge up to 40 hours  
per week. While the grocers and meat processors thank Senator Brewer  
for his efforts to support our industries, it's important to remember  
many Nebraska producers and processors are already engaged in niche  
marketing and retail. And federal inspection allows these retailers to

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sell their products across state lines, something state level inspection wouldn't do. Also, from a retailer standpoint, you're risking adding some complication here. Currently, you're either inspected for retail or you're not. You're adding a-- you're risking adding a little bit of gray area to all of that. And I'm happy to expand on that if anybody has any questions. Everyone in the industry welcomes ideas to allow folks to expand businesses, reach more customers, and retail more Nebraska products. But a state level meat inspection program can cost hundreds of thousands, if not millions, of dollars per year, even with federal reimbursement. Why should we spend more tax dollars on a duplicative program that actually offers access to fewer markets? Some of you might have heard me say this at the interim hearing in Grand Island, but it bears repeating. Most challenging issues facing meat processors, like many small businesses, will not be addressed with state meat inspection. Finding and keeping employees, the cost of providing benefits and the expense of updating equipment and expanding cooler space are some of the chief obstacles. Instead of creating more government, we would encourage you to use dollars to provide grants to small lockers for upgrades, employee retention, or even federal inspection. Thank you for your time. I'm happy to answer any questions.

**HALLORAN:** Thank you, Ms. Fellers. Any questions from the committee? Wow. Easy.

**ANSLEY FELLERS:** Thank you.

**HALLORAN:** Thank you for your testimony. Any additional testifiers in opposition? Any testifiers in a neutral position? If not, Senator Brewer.

**BREWER:** All right, thank you, Mr. Chairman. Again, fellow members of the Agriculture Committee, I must say that I am a little stressed at hearing the remarks of late here. Let's-- let's see if we can't kind of cut to the bone here on the issues, because what we've heard is I've got a facility that's inspected. I don't want other people to have it. OK? Don't know if that's going to be a very good idea or a way of looking at things. And if we look at the issue of the Nebraska Department of Agriculture not wanting it because it is work, and I think that's part of the problem here. Someone's going to have to do a lot of work. Someone's going to have to figure out how to make this work. They're going to figure out how much it costs and how to-- how

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to bring all the things together we need to do. But the part that I find most frustrating is that if we're trying to expand the opportunities outside of Lincoln and Omaha, this is the kind of thing that we're going to have to figure out how to-- how to fix. OK, now they said, well, you just call an inspector. Well, I got news for you. I've been there. I have seen the days that they kill. And that inspector, for one, he isn't there every day. That's bull. He came in. He was there for the kill day. Now, some of that meat was brought in, but he looked at the contents of the organs. He looked at the animals after they were dressed and he was gone. Now, if you look at the-- the website for the USDA, they've got over 400 open positions for inspectors. I don't doubt that they struggle to meet the requirements. The problem is, if he's not there, he's not there. And you can-- you can have all the agreements in the world you want. But when that packing plant cannot process because there isn't an inspector, they have just lost the opportunity for having-- having their business be able to do what's needed. And-- and just to come in here and say, well, you know, it's a lot-- it's a lot easier just to not have a program because it's got to be expensive. And again, just while he was sitting here, we went from a million and a half to three million. We don't know. That's the idea behind the program is we slow step in. We figure out what the cost-- costs are. We figure out how to do it in this first year, and then in the second year we execute if that's a realistic option. But part of it is figuring it out. Just to say no out of the get-go I think is wrongheaded. Let me look through some of these notes here because I need to go back and try and remember, you know, for the ones that came up and-- and shared some of the, you know, the-- the past history, that's probably the reason we should be looking at doing it, because we've lost opportunities. Now, I agree. We sell a lot of beef in Nebraska. But I think realistically, there's a choke point where we're not able to to bring it through because we've got so many limitations and no [RECORDER MALFUNCTION] are self-imposed, and we're saying is, we're not going to figure out how to unplug that. We're just going to accept the fact that this is it and we can never have anymore. That was the idea behind the bill as we looked at all these options. You're telling me, you're dairy inspectors they don't have the skills or the time to figure out how to-- to go over and inspect beef. Well, we talked about veterinarians. You know, why can't we, again, just take a moment, think out of the box. Why couldn't you take that veterinary and say, listen, give us one day a week. You can be like a traveling nurse and you'll come in

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wherever that place is and you'll help them get through that day. And then those remote places in Mullen or Gordon or wherever, they can-- they can still execute what they need to do. We don't have to add all these people to the payroll. I mean, there's got to be some. No one's willing to deny that, but to say, well, we're just arbitrarily going to be in Iowa or Kansas when they've had programs all these years is a good way to kill the program. Say it's too hard, cost too much. We don't want to look at it because it'd be easier just to kill it. You know, that's-- that's-- that's a sad way of doing it, because obviously from the get-go, there's no desire to have the program. You know the purpose of why we're here is to figure out how to avoid work, then fine, we're on the right track. But if we want to fix this, I think this gives us a stepped way of doing it. All right, I've said my peace. Thank you, Mr. Chairman.

**HALLORAN:** Thank you, Senator Brewer. Senator Brandt.

**BRANDT:** Thank you, Chairman Halloran, and thank you, Senator Brewer, for bringing this bill. In regard to the veterinarian before we had the meeting in Grand Island last summer, I talked to my local veterinarian. What's happening in rural Nebraska is-- it's sort of the opposite of each other. We're having a hard time finding large animal vets and the large animal vets that are left are seeing a big reduction in business. Case in point, we used to have a lot of dairies in our area. Now there's virtually none. So I asked him about that. I said, are you as a-- as a practicing veterinarian, could you go inspect? And he said, well, he would be willing to do that but he felt he had to go back for about three or four weeks of continuing education.

**BREWER:** Right.

**BRANDT:** And then he felt he would be qualified to do that. I think that is a great point, because most of our very small communities that have these lockers also have large animal vets that maybe are looking to diversify their income. So I just thought I would point that out to you.

**BREWER:** Thank you.

**BRANDT:** I don't know if you have any comments on that or not.

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**BREWER:** Well, again, I think we have to approach this in a way so that we can figure out how to save our smaller communities. We're dying on the vine. And it's because too many people in Lincoln that don't get out to realize how much pain there is out there are willing to just continue to let things be the way they are. We need to-- we need to figure out solutions. And it may be painful and it may be some work, but doggone it, that's what we're here to do.

**HALLORAN:** Any further questions? Senator Gragert.

**GRAGERT:** I don't really have a question, I guess as much as I have a statement that even taking that one step further, I know a lot of our community colleges are putting out a lot of vet techs. And what's the potential for even a vet tech out especially in our-- in -- we have one veterinarian where maybe four or five vet techs are underneath that veterinarian. Maybe that's another thing we need to look at too as far as trying to get this to roll.

**BREWER:** Agreed, and if you look at some of the-- the folks that are, you know, in the business, when I talk with Jacob Weinbach, I said, well, what what did you do before you became a, you know, a person running the facility and a butcher to understand how to do this and do it right? And he said, I-- I worked on nuclear reactors for the Navy. You know, we-- we probably have a very limited number of folks that truly understand how to butcher meat and do it right. And as we continue to wither, some of these smaller communities and that talent's gone, I think it's a hard talent to bring back. I'd equate it to being like a blacksmith. You know, once all the blacksmiths are gone, I'm not sure how we're going to fix the old stuff.

**HALLORAN:** OK, thank you, Senator Brewer. This strikes me a little bit, and it's not the only example, but it strikes me a little bit as David and Goliath. OK. USDA has got a monopoly in-- in--on this, on meat inspection and I can list off an arm's length of-- of-- of agencies that the government has, it becomes a monopoly in what they do. And it's tough to challenge a monopoly and a monopoly historically doesn't care about small town, small communities. A little guy, you know, it's dismissive of that. So I admire you bringing this bill and it looks like it's a staged effort to look at-- at least look at what the groundwork is to get it done. And if it-- if-- if after all that, it's not doable, that's another question. But-- but I appreciate you bringing this bill.

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**BREWER:** Thank you.

**HALLORAN:** OK, any other questions? That draws an end to LB235. For the record, we have three position letters, one for support of LB235 from Nebraska Appleaseed, one in opposition from the Nebraska Association of Meat Processors, and one neutral with the Platte Institute. And these are all in your-- OK. I'm guessing we're not going to clear the room too much because most everybody is going to be interested in the next bill. So let's take a-- let's take a break until quarter to 4. Be back at quarter to 4 and we will start.

[BREAK]

**HALLORAN:** We will proceed in a moment with LB324. I'm not going to go through the protocol and bore you all with it. I think you all understand what that is. And I am seeing a lot of familiar faces and I welcome you back to the almost a sequel in a passion, but it will be an interesting bill to listen to. So we're going to bring up LB324 with Senator Brandt.

**BRANDT:** Good afternoon, Chairman Halloran, and the Ag Committee. I am Senator Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32, Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster County. Today, I'm introducing LB324, a bill that makes it easier for the consumer to purchase meat directly from the producer or processor. It also creates the Independent Processor Assistance Program, which provides a roadmap for increasing local processing capacity and expanding market access for small producers. The coronavirus pandemic has disrupted our food supply. Outbreaks have impeded work at many regional packing plants. When these plants reduce line speed, backing up finish livestock on the farm, beef and pork producers turn to local processors to fill the void. This has created a bottleneck at every local meat locker in the state. They simply do not have the capacity or equipment to keep up with demand. Small and mid-sized livestock producers are struggling as a result. Local processors play a fundamental role in a small livestock producers business plan. Producers sell their meat directly to the customer and view local processors as a trusted partner. Before the pandemic, a typical producer scheduled locker dates four to six weeks in advance. Now the wait time can be 20 to 24 months. This means reservations must be made before the animal is even born. Uncertainty affects both producers and consumers. Consumers are demonstrating a newfound

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appreciation in increasing demand for local foods that cannot be met. Families who are now spending more time cooking at home or learning that high quality local meat provides a better and more affordable alternative. Many people have purchased a freezer only to find out they cannot find meat to fill it. This bill will help address these issues. Section 10 of the bill gives the consumer more options. It is the beauty of the free market in action. It allows the consumer to buy a share of a producer's live animal known as animal share or herd share, knowing full well who is slaughtering the animal and exercising their personal freedom to make that purchase. Purchase of a share gives the consumer a claim to ownership under the Nebraska Meat and Poultry Inspection Law and Federal Meat Inspection Act. This claim to ownership allows the producer and consumer to do business under the custom exemptions established in Statute 623 of the Federal Meat Inspection Act. This freedom to do business creates new options for the buyer and seller, including the flexibility-- excuse me, including the flexibility to decide where an animal will be processed and which cuts will be sold. LB324 establishes a set of guidelines to ensure compliance with state and federal law and documentation to prove ownership and address food safety considerations. LB324 is modeled after legislation enacted recently by Wyoming that excludes from regulation meat procured by customers-- excuse me, consumers through animal share agreements under Wyoming State and Federal Meat Inspection Program. Under an animal share arrangement, a producer sells shares in an animal or herd to multiple owners whose ownership interest entitles them to a share of the meat when the animal is ultimately slaughtered. Under this agreement, the producer provides a service of caring for the animals owned by herd share owners. Provided the ownership is established and documented before the animal is presented for slaughter, meat procured through herd share animals may be processed under custom exempt rules. I am aware that USDA is reviewing animal-- or excuse me is reviewing Wyoming's animal share law and I believe that LB324 is well within our rights under federal and state law. We have been in contact with the Wyoming Department of Agriculture and they believe there is nothing to be concerned about. They have spent the past several weeks working with the USDA Food Safety and Inspection Service to fine tune implementation. Our guidelines were developed with feedback from this process. The other major component of this bill is the creation of the Independent Processor Assistance Program. This part of the bill found in Section 11 is meant to expand capacity. Today, 16 other states have developed

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grant programs using CARES Act funding to help local processors manage this unprecedented demand. To qualify for this program, the applicant must meet a set of minimum eligibility standards and approved applicants can receive financial assistance for eligible expenses such as expansion, modification and construction of buildings, packaging, processing and storage equipment, technology to improve logistics or enable E-commerce, costs associated with state or federal inspection, educational or workforce training programs. Some of the eligibility rules for the Processor Assistance Program include: They must currently operate as a slaughter or processing facility in good standing here in Nebraska, demonstrate employment of fewer than 25 employees and demonstrate existing sales revenue of less than \$2.5 million annually. Herd share legislation has precedent. State law permits the sale of multiple animal shares in Oregon and Wyoming. Legislatures in Colorado, Montana and Texas are currently considering similar legislation. At least 16 states have created programs to increase the capacity of local meat processors in response to the current pandemic, including Iowa, Kansas and Missouri. As was mentioned before, this bill is based on a Wyoming law, but we've added some guardrails for Nebraska's version, including stipulating that the producer must reside in Nebraska and register with the Nebraska Department of Agriculture, NDA. The producer is asked to document all animal share sales and report these annually to the NDA. The number of animals that a producer can sell annually is eliminated. As for the fiscal note, some of these expenditures can be addressed by amendments to the bill. The \$80,000 proposed for a program specialist to create the Independent Processor Assistance Program could be covered by requiring funds received for the program to also be used to cover administration with the total expenditure contingent upon the program actually receiving funds. There is no cost to administrate unless grants are awarded and received. Some of the operational expenses, such as the producer being asked to report animal share sales annually to the NDA and animal limits were intended to build on the Wyoming law. Additional regulatory hurdles are not the intention of this bill and can be removed, thus eliminating the fiscal note. We are working with the Nebraska Department of Agriculture to address the regulatory costs in the fiscal note, and we appreciate their cooperation and transparency. Johnathan Hladik of the Center for Rural Affairs, who brought us this bill, will be testifying after me. He has been studying and researching animal share intensively, and he can answer a

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lot of your questions about animal share. I would be happy to answer  
any questions from the committee. Thank you.

**HALLORAN:** Thank you, Senator Brandt. Any questions from the committee?  
Seeing none.

**BRANDT:** Thank you, sir.

**HALLORAN:** Can I have a show of hands of how many people plan on  
testifying? Hold them high so I can get a good idea. OK, thank you. We  
will start with proponents and we're going to do four minutes, but  
there'll be plenty of questions to extend your time. So, Rod, four  
minutes. Good afternoon.

**JOHN HLADIK:** Good afternoon, Chairman Halloran, and members of the  
committee. Senator Brandt makes a true statement. I have spent too  
much time on this issue and I never thought I'd have to know more  
about it. I'm handing you a lot of papers. One is just a copy of the  
testimony I'm giving, but I also have examples of herd share  
agreements, and--

**HALLORAN:** Could we have your name and spell it please for us?

**JOHN HLADIK:** I'm sorry. John Hladik, J-o-h-n H-l-a-d-i-k. And I also  
have an example of the bill of sale. And as we'll discuss later,  
follow both federal and state law. There is a strong need to establish  
ownership in a very clear way and those are the documents that will  
help us get there. Senator Brandt very eloquently, I think, talked  
about the challenges local processors and producers are facing, and I  
think others today have done the same thing. And so I'll focus on the  
content of the bill. Section 10 allows Nebraska-based livestock  
producers to make multiple shares of an animal or herd of animals  
available for consumer purchase in a safe and responsible manner.  
Purchase of a share allows the consumer to become a part owner of the  
animal under state and federal law. And this claim of ownership allows  
the producer and consumer to do business under the custom exemption  
established in the Federal Meat Inspection Act. I'll refer to it as  
FMIA. This legislation is consistent with FMIA, which establishes the  
standards that determine how and where that meat needs to be  
processed. All exemptions, including the custom exemption, can be  
found in Section 623 of that act. That section explains the state and  
federal inspection of meat is not required if the animal is processed

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exclusively for consumption by an owner of the animal and members of his or her household, employees or guests. However, facility safety and facilities sanitation standards still apply as we heard earlier. The USDA Food Safety and Inspection Service, I'll call that FSIS, is responsible for developing the regulations needed to implement FMIA. And this is where the important terms such as ownership are defined. FSIS guidelines published in May of 2018 explicitly state that there may be more than one owner of a live animal processed under the custom exemption. That same document explicitly states that sharing a live animal is acceptable, provided proof of ownership of the live animal is available upon request. And I'm glad to provide copies of those sections to those who are interested. This legislation is also consistent with state law. As we've heard earlier today, the USDA already has a role to inspect custom exempt facilities for safety and sanitation. Those facilities are held to the same standards with respect to safety and sanitation as a USDA facility is. The difference is USDA inspects the meat. The same facility standards apply. Those facilities are already allowing animals to be split by the half or by the quarter. This legislation simply enables the department to provide a safe and responsible path to doing the same thing at a smaller scale. Critically, LB324 also includes important requirements that demonstrate compliance with both state and federal laws and regulations. As Senator Brandt mentioned, these requirements were refined after discussion with the Department of Agriculture, who was also-- excuse me, the Wyoming Department, who has been working with FSIS to develop and implement their own version of this program. Requirements include the use of a herd share agreement and bill of sale to exhibit ownership, prohibit resale, arrange for boarding and address food safety. And a producer operating under the agreement must reside in Nebraska, register with our State Department of Agriculture and follow any guidelines they may establish. The producer also must keep records and report animal share sales annually. Finally, Section 11 creates the Independent Processor Assistance Program. This creates a roadmap for increasing local processing capacity and expanding the market for smaller producers. And I see my lead-- my light is read, so I will stop and take any questions if you have them.

**HALLORAN:** OK, first question. Johnathan. Johnathan, right?

**JOHN HLADIK:** Yeah.

**HALLORAN:** How do you pronounce your last name?

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**JOHN HLADIK:** Holodick.

**HALLORAN:** Holodick.

**JOHN HLADIK:** Yeah.

**HALLORAN:** Are there questions for Mr. Hladik from the committee?

**BREWER:** How's this--

**HALLORAN:** Yes, Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. Since you've been kind of working this issue, I'm trying to make sure that the information that I've been given is-- is at least somewhat accurate as far as limitations on the ability of USDA to provide inspectors when needed in a timely manner. Is that just a Nebraska thing, or do you see that in other places?

**JOHN HLADIK:** Well, I have heard different versions of that. I think one of the reasons for this bill is, it recognizes that custom-exempt facilities can be a bit more flexible and certainly with state inspection you'd have more flexibility than you do with the USDA. But if you're going to start a USDA facility from scratch today, it's going to take you a heck of a lot longer than if you were to start a state inspection plan, and especially if you were to start a custom exemption plan. So what we have right now is a food supply emergency that is significantly hurting our direct consumer industry and a lot of our producers and a lot of our processors. So if you're going to be nimble and you're going to be quick and you're going to help address that, custom-exempt, we believe, is the pivot point. That's the best way we can let private enterprise solve that problem.

**BREWER:** Makes sense. Thank you.

**HALLORAN:** OK, thank you, Senator Brewer. Senator Cavanaugh.

**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you for being here, Mr. Hladik. So you talked about how Wyoming's having, I guess, some experience with this. Could you elaborate on have they implemented actual-- have they had some herd share sales? How is that going? What-- what are we going to expect if we enact this?

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**JOHN HLADIK:** Yeah, that's a great question. And frankly, I'm relieved that we are not going first because I think that there's no question that this is legal under FSIS regulations and under FMIA. That is 100 percent true, 100 percent established. The implementation, though, I believe was difficult for Wyoming and the-- over the past several weeks, FSIS has been out there helping them with that and establishing what is and is not permissible and what can and cannot be done. I've heard some great examples of this being used already in Wyoming. A really good example would be if you have an open heifer or maybe a cow who's three years old, but she's just a bad mom. Nobody wants those steaks. Nobody wants those roasts. So there's a producer in Wyoming who just grinds her into hamburger and sells shares ahead of time because it's straightforward. You're going to get 50 cents per pound at the-- at the sale barn, but you're going to get about five bucks per pound of hamburger and that's going to make excellent hamburger. It's easy. Sell shares in that cow, sell shares in that pen of open heifers, go ahead and move forward. So that's an example that is working in Wyoming very well. There's another. Father Bryce Lungren, who we've got to know pretty well. He was able, because of this, to actually stand up a custom-exempt shop pretty quickly. He refitted an old semi-trailer. Sounds nasty, but it's not, it's about as clean as it could be. But having this program and having just a small number of-- of people that he's working with, like a membership or like a cooperative is kind of what he calls it. It's an Indian analogy that he uses. Because of the herd share agreements are there, he had those people he could lock in as customers right away. It made them easier for to take the dive to invest in the equipment for custom-exempt locker, something that would be fine under those regulations and move forward. So-- so those are two, Steve Doyle and Bryce Lungren, are two individuals who have taken this in Wyoming, ran with it, created some economic activity and helped relieve some of those pressure points.

**J. CAVANAUGH:** And how long-- how long has this been going on in Wyoming?

**JOHN HLADIK:** This was approved, I believe the Governor signed it in March 12th of last year in Wyoming. And I believe they had it implemented by May. And the FSIS audit took place, I believe, in January, and they're wrapping that up right now. So I was able to get on the phone with representatives of the Department of Agriculture there who was kind of working one on one with FSIS on implementing this. So thankfully, he was able to tell me what their questions were,

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what they want to see changed and what needs to happen. And those things are either in the bill right now or they will come as pretty small tweaks as amendments to that bill.

**J. CAVANAUGH:** To the bill we're looking at today.

**JOHN HLADIK:** Precisely. Yeah.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** OK, very good. Thank you, Senator Cavanaugh. Any further questions? Seeing none, that was very informative. Thank you.

**JOHN HLADIK:** Thank you.

**HALLORAN:** Next proponent for LB324. Good afternoon.

**AUNBREA ZELENY:** Good afternoon. All right, hello, my name is Aunbrea Zeleny, A-u-n-b-r-e-a Z-e-l-e-n-y. I go by Anna. That's a lot easier for everybody. I am a meat wrapper machine special-- specialist, scheduling coordinator, advertising human resources. I am, Anna, where is this? --at our local locker, open processing over in Oakland, Nebraska. It's about 45 minutes south of Sioux City. You call with questions and I generally have the answers. Mike has instilled a lot of knowledge into me in the last seven years, not only information that pertains to our business daily, but how to keep it running when he passes the torch unless they figure out how to make man into machine, and I will be blessed with him forever. I'm here today to testify in support of LB324. Not only will this bill help us grow our business, but it will help us with our biggest challenges we face today. We are a family owned business. I came into this family 11 years ago and I have been a part of this business exclusively for seven. We decided a couple of years ago that we could expand our horizons by raising our own cattle. Raising our own cattle has brought in our business tremendously. Over the last year many people have learned you don't have to raise your own beef or even know a farmer. We are eliminating a middleman for that, for the people that don't have access to one. Sorry, very nervous. Our business can post a Facebook post, run a radio ad, etcetera, but our biggest attribute is word of mouth by our satisfied customers. Since COVID-19, we have served our regular customers and gained hundreds of others. If I could describe our crew in one word, it would be pride. We work physically

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way too hard for not enough money. We aren't working for vacations and a second home. We are feeding our community, our neighbors, our families, not only us, but this bill will let us grow with our local farmers. We survive off of our reputation. Our customer-base has family, friends, old coworkers, even IBP packinghouse friends of Mike's from way back when. We go to wrestling meets for our children and we run into our customers. You go grocery shopping and they are there complimenting our work and are commenting our clothing right when we are getting done, asking if we're starting our night shift or we're just getting done with the day. We are known for our hard work-- work and respected for it. In the aspect of food safety, we would never jeopardize our business over carelessness. We would never tarnish a name that might have been building for the last 27 years. We aren't asking for this bill to be passed so we can get our meat over to Walmart. We are asking for this bill to be passed for our small farmers with one or 20 cattle at home in their backyard. The farmer that butchered a beef for his family and had extra hamburger that he knows that he's not going to use, he will let his neighbor, family, friend, be able to have a share in that. Every piece of meat coming out of our door is-- is to the quality standards that we would want on our dinner plate at home or we would put on our grandma's dinner plate. Our customers expect nothing but the best of us, and we assure that quality to each and every animal out our door. Everything is looked at in detail multiple times by multiple people, not just one person on the line for twelve seconds to say it's acceptable. A recall on our end would lose us customers, it would lose our-- lose us business, it would lose us income, it would cause a cycle of doubt in our customers that would cause a lifetime of doubt in everybody around us, something that we would never tarnish. We are here in support of LB324 to keep us little guys alive and thriving. Not everyone has \$700 right now to purchase a quarter beef for the meat and the processing fees. Not everyone has access to a freezer that is big enough for all of it. Not everyone has what some people do have here today. We are trying to make it possible for everybody to get smaller amounts to get to their doors. I guess I'm out of time. I guess I'm here to clarify any questions you may have working in the meat locker in Oakland.

**HALLORAN:** Thank you, Anna. So just for clarification, you have-- you raise livestock, you raise cattle.

**AUNBREA ZELENY:** Yes.

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**HALLORAN:** And you have a locker?

**AUNBREA ZELENY:** Correct.

**HALLORAN:** Custom-exempt locker. Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. Well, first off, thank you. It's refreshing to have someone tell the story. I mean, a really good story about where they are and where their business is. Let's see again, the town that your business is in?

**AUNBREA ZELENY:** Oakland, Nebraska.

**BREWER:** Oakland, OK. And how many people do you employ there?

**AUNBREA ZELENY:** We had to get extra help lately, obviously, since COVID has happened. But our full-time employees are five to seven. We have our boss who is not on payroll. He is dedicating all of his time to us. We do have a couple part-timers. We have some people that would like to learn and we've got to figure out whether they are able to learn or not, because it's not a-- it's not an easy--

**BREWER:** Yeah.

**AUNBREA ZELENY:** --you don't just pick it up and do it off the back of your hand.

**BREWER:** Yeah, we have the same problem here trying to find people who can learn. The issue that we've been going back and forth on is-- is-- is this something that impacts a small community enough to where, you know, it makes a difference? Because a lot of the little towns we've talked about with-- with meat lockers that are struggling because they can't get the USDA inspectors to come in at all in the-- what's the population of Oakland, just out of curiosity?

**AUNBREA ZELENY:** 3,500.

**BREWER:** OK, so you're not a huge business, but significant in that there's probably not a lot of businesses that are going to employ more--

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**AUNBREA ZELENY:** We are-- we are a growing business. We are a very big business for our small little town. We have a very busy main street and you don't see that in our little towns up in that area.

**BREWER:** And--

**AUNBREA ZELENY:** We have grown tremendously.

**BREWER:** LB324 is going to give you the ability to expand even more.

**AUNBREA ZELENY:** We can't expand, we are landlocked. We are going to have to build a new building.

**BREWER:** OK, thank you.

**AUNBREA ZELENY:** We were built way-- and I believe the 60s. Correct me if I'm wrong when you come up here, Mike. We can't raise the roof any-- we can't raise the roof up. That's what we're going to have to do to become USDA inspected.

**BREWER:** But some of the testimony earlier, it made it sound like the facilities that were older, you know, they were dying. They're on their way out. And that's part of why, you know, the idea of being able to expand it wasn't realistic. It really it is realistic if I'm understanding you correctly.

**AUNBREA ZELENY:** With the funding, it would be.

**BREWER:** With what LB324 could do, you-- you have that potential.

**AUNBREA ZELENY:** Yes.

**BREWER:** OK, thank you.

**HALLORAN:** Thank you, Senator Brewer. Senator Hansen.

**B. HANSEN:** Yes, glad to see District 16 represented here so far. Had Johnathan from Lyons and Oakland here.

**AUNBREA ZELENY:** Yes.

**B. HANSEN:** And how long is your wait list right now, then?

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**AUNBREA ZELENY:** Actually, we are booked for cattle until November of this year. And pigs you can bring in in April.

**B. HANSEN:** OK, good. Self-serving question, because usually when-- I usually get my-- buy my quarter half from you guys. When we take it up there and you guys process it for us, and so.

**AUNBREA ZELENY:** Yes, come on over.

**B. HANSEN:** So I-- I know how long the wait list is so I got another year yet, so I appreciate it.

**AUNBREA ZELENY:** Not a problem.

**HALLORAN:** Thank you, Senator Hansen. Yes, Senator Gragert.

**GRAGERT:** I got a real important question.

**HALLORAN:** I'll bet you do.

**GRAGERT:** Do you know a Tom Mallet?

**AUNBREA ZELENY:** Do I-- Tom Mallet. He actually helped me pull my car out of a little ditch last year. So he's a very good man and his son works very closely with us, so.

**GRAGERT:** Tell him I said hello, would you please?

**AUNBREA ZELENY:** I sure will.

**GRAGERT:** Thank you.

**AUNBREA ZELENY:** I sure will.

**HALLORAN:** OK, that's off the record. [LAUGHTER] So just a quick question. Are you-- are you processing a volume of meat beyond what you raise? In other words, you-- you raise cattle?

**AUNBREA ZELENY:** We raise cattle, yes.

**HALLORAN:** Are you exclusively processing just the meat that you raise, or--

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**AUNBREA ZELENY:** No, sir. We'd have our regular list. We do our full capacity of what we can do and then we work late on a Saturday and it doesn't bother you to kill your own beef on a Saturday or a Sunday to be able to get them in there.

**HALLORAN:** Yeah, I'm just trying to get a feel percentagewise of all the meat you process, what percentage is it above and beyond what you produce as livestock do you process?

**AUNBREA ZELENY:** I would not know those numbers. I know that we-- we have two pens of cattle that we bring in if people need them and they're only ready two to three times a year.

**HALLORAN:** Right.

**AUNBREA ZELENY:** So we have a full schedule beyond that with all of our other customers.

**HALLORAN:** OK, very good. Any further questions? Seeing none. You know, there was a little bit of anxiety to begin with, but you did very well.

**AUNBREA ZELENY:** Thank you.

**HALLORAN:** All right. Thank you.

**AUNBREA ZELENY:** I appreciate it.

**HALLORAN:** OK. Additional proponents for LB324. Good afternoon. Welcome.

**MIKE BOELL:** Good afternoon. Thank you. My name is Mike Boell, M-i-k-e B-o-e-l-l. I'm the owner of Oakland Meat Processing in Oakland, Nebraska. Anna didn't leave me much to say. She did a good job covering everything but I-- give a little bit of background. I started out at 18 years old at IBP working the line, working my way up through management. Have worked with government multiple times. I'd say over the years I've dealt with 100, 200 inspectors. I'd say Anna pretty well-covered-- covered everything about our locker. You know, I think she had a question about percentage of beef that we bring in our own. Very small percentage, maybe 2 or 3 percent of our business. I guess the reason I'm here, I guess some people were saying food safety could be an issue. You know, we are regulated, you know, basically the same

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as a USDA inspector. There is not one there. We still have to put out a whole-- you'll have a clean plant. Everything's got to be inspected the same. It's got to have zero tolerance when it's done. No fecal material, nothing like that. We have scent sterilizers. We do it the same way as IBP does it. You know, their facilities may be a little better, yes. Our-- our locker is lined with stainless steel. You know, it's not a fallen down building. Is it older? Yes. We're trying to build a new one. You know, that takes funding too, but that's in the future. As far as, like I say, I feel like we put out a real good product. If I just did some quick math, I'd say I've done 20,000 beef, you know, 20,000 hogs since I've been at Oakland Processing and never had a food borne illness or nothing like that, you know, come back. So as far as the safety issue, I don't see where that's an issue beyond what we're doing now. Other than that, you know, if-- like I say, we have three veterinarians we work with. We are inspected, you know, at least two times a year, sometimes whenever. Other than that, I guess, Anna pretty well covered everything else, and I'll answer any questions anybody has.

**HALLORAN:** OK, thank you, Mr. Boell. Senator Brewer.

**BREWER:** Thank you, Mr. Chairman.

**MIKE BOELL:** Yep.

**BREWER:** One of the things we talked about earlier was we've got community colleges for pipefitters and welders and that, if you're looking for someone with skills that you can use when you're butchering animals, is there a place where they can go for training or is that just all on the job?

**MIKE BOELL:** That's on the job right now.

**BREWER:** So to a degree, it's a dying skill if we let all the meat-- the small meat lockers die out.

**MIKE BOELL:** Yes.

**BREWER:** OK.

**HALLORAN:** Any additional-- thank you, Senator Brewer. Any additional questions? OK, very good. I would like-- I would say, you know, for people that are in the processing business, the size that you are, I

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have a little concern with doing business with folks at your level  
because your business depends on you doing it, right?

**MIKE BOELL:** Right.

**HALLORAN:** Right. Word of mouth. You're done in a heartbeat where as  
opposed to not to pick on the larger boys, yeah they can get away with  
it because they're so large in their volume-- their market is so broad  
that they can get away with it. But, yeah, no, your integrity and your  
character is dependent upon your being a reliable processor.

**MIKE BOELL:** Thank you.

**HALLORAN:** I appreciate it. Thank you. OK.

**MIKE BOELL:** Thank you.

**HALLORAN:** Next testifier, once we go through the sanitizing procedure.  
Good afternoon.

**BILL RHEA:** Good afternoon. Good afternoon, Senator Halloran, and  
members of the Ag Committee. My name is Bill Rhea, B-i-l-l R-h-e-a,  
and I serve as President of Nebraska Cattlemen. I am here today to  
support-- on behalf of the members of Nebraska Cattlemen testify in  
support of LB324. I also say that I'm another satisfied customer of  
Oakland Processing. My family has used them for many years. And thank  
you for this opportunity, and thank you for Senator Brandt for  
identifying a way to expand marketing options for small-- for a small  
sector of the beef industry in Nebraska. LB324 provides a framework to  
support local processors who play a fundamental role in our members'  
business and are also an integral part of many small communities. When  
approaching the merits of this bill, our members particularly value  
the creation of the Independent Processors Assistance Program. In the  
wake of COVID-19 related processing bottlenecks and supply chains  
dis-- disruptions, Nebraska cattle producers have made direct to  
consumer marketing business a more robust part of their marketing  
plans. COVID-19 has exponentially increased the demand for  
appointments and processing capacity with very small and small  
processors across the state. The creation of this program provides a  
framework that funnels available resources to local processors to  
increase capacity, address supply chain distri-- disruptions and  
expand market access for small-- small producers and facilitate

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workforce development. More specifically, this program would also assist with the cost associated with obtaining inspection, including overtime inspection services by USDA Food Safety Inspection Service. We believe that having this framework developed and in place would expediate the benefits of federal funds such as the-- such as the CARES Act fund from Congress last year when they became available. LB324 also builds upon a model developed through legislation passed by the Wyoming State Legislature that provides farmers and ranchers more flexibility when selling meat direct to consumers. This legislation is a constant-- consistent with federal law. In fact, Senator Brandt builds upon Wyoming's approach to provide more structure while delivering a level of protection for the small processor business modeled by limiting the number of cattle and other livestock participants this program can market. Again, we appreciate the initiative by Senator Brandt and other members of the Agriculture Committee to expand marketing options for our members and to build a framework dedicated to supporting their valued partners, the small processors. Thank you again. And at this time, then this-- and this opportunity to commit-- comment on behalf of our members.

**HALLORAN:** Thank you, Mr. Rhea. Any questions from the committee? Seeing none. You're pretty thorough. Oh sure, Senator Hansen.

**B. HANSEN:** Yeah, I'll just ask some questions. Thanks for coming, Bill.

**BILL RHEA:** You're welcome.

**B. HANSEN:** Since you do represent the Nebraska Cattlemen, you would say this is just not-- this-- this bill is just not of value to all the bigger cattle industry as a whole, but more to the state as a whole must-- added value to the brand of Nebraska cattle. You'd probably say just in general.

**BILL RHEA:** It's another tool-- tool to put in-- in our pocket to help all our members and the processors in this state.

**B. HANSEN:** OK, yeah. Thanks.

**HALLORAN:** OK, thank you, Senator Hansen. Any other questions? Thanks. Appreciate it. Good afternoon again.

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**JOHN HANSEN:** Chairman Halloran, members of the committee, again, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the President of Nebraska Farmers Union and we are in strong support of this bill. It creates new marketing opportunities and it creates, we think, a lot of good ways to try to sort of fill in around the edges to help better, more fully facilitate that producer to consumer flow. And so we compliment Senator Brandt for his creativity. I work at the national level with National Farmers Union, with a bunch of the livestock states on a bunch of issues that are all around. How do we try to expand the-- the capacity and the marketing opportunities for meat producers? And so we've been watching what's been going on in our neighbor to the west. And so the Rocky Mountain Farmers Union, which includes Wyoming, Colorado and New Mexico, have been keeping us posted in their efforts in Wyoming. And-- and they believe that a lot of the regulatory issues are getting worked out and that this looks like a promising place to go. And so for us, this is-- falls into the all of the above category and so we see this as a positive. We still think that we need to in addition to marketing opportunities, we still need to think about ways to do capacity building. But one of the things I like in this bill is the fact that it creates a vehicle so that in the next round of stimulus packages or COVID relief packages, if the state just happens to run into some money that we have some discretion over, we've got a vehicle that we could invest those moneys in and this would be a good place to do it. And as I said earlier today, as I look at a lot of the facilities that I had an opportunity to work with, there's a lot of older facilities out there that need upgrades and they're looking, you know, cost share programs, helping share the cost of capital investment, workforce development. All of those things are all a part of the package. But this is, as has been said, a good additional tool in the toolbox. And with that, I would end my testimony and be glad to answer any questions in the off chance this late in the afternoon you have any.

**HALLORAN:** Thank you, Mr. Hansen. Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. John, thank you for your testimony. Thanks for educating us and helping us to better understand some of the problems. The thing that has been a constant is, I keep hearing that, well, USDA is looking at Wyoming and in the-- the undertow of everything is that they've done something wrong or this isn't going to survive scrutiny. Is there anything that you've seen or anything that

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you heard that would indicate that Wyoming's program is in jeopardy at  
all?

**JOHN HANSEN:** No.

**BREWER:** No.

**JOHN HANSEN:** There's-- there's-- there's, you know, it's USDA. From  
USDA's perspective, I think that they've-- they have been sort of  
struggling for some time how to deal with small plants, you know,  
because they tie up an inspector all day long and, you know, they  
might kill five to ten head of beef, maybe 15 head of hogs, 20 head of  
hogs a day. Or they can go to a big plant, they're going to-- they're  
going to obviously run through. It's a lot more cost effective. You  
run through a lot more a head and in a half an hour than the small  
plants do all day by a wide margin, and so one of the things when  
they're looking at the national level is, maybe we ought to see if we  
can't round up some federal dollars to help states take over the  
inspection of smaller plants. And that that might be-- I suspicion  
that if USDA had their druthers, they'd be glad to sort of unload that  
responsibility onto the states. And if they would help pick up the  
cost share for it, then that might be a good option.

**BREWER:** And-- and I couldn't agree with you more. I spoke with a  
couple of inspectors, one of them in Mullen, and he had made a drive  
from Omaha and said that he absolutely despised Highway 2 in-- in  
making that venture. And another one was from Rapid City. And-- and he  
said the same thing is-- is, you know, it's such a waste for me to  
kill an entire day coming down here for this plant that only employs a  
dozen people and only kills a few dozen animals a week. Well, if  
you're the lifeblood of that town or part of the lifeblood of that  
town, I'm sure they got a whole lot different attitude than the USDA  
inspector does. And that's why, you know, the idea of us being able  
to, you know, help those communities have options so that they-- they  
don't get, you know, boxed into the spot they can't be successful  
because of the way the government has structured it just seems like  
the route that we ought to be looking on.

**JOHN HANSEN:** Well, and that issue gets a lot of our attention because  
it is an economic driver in a small town Main Street. There's just no  
question about that. And so it is always a painful blow when one more  
small locker closes down. That's-- that's not a good sign for the

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community. And so, you know, there is-- there is more activity in Main Street. There are more folks coming to town. There-- it creates a whole additional revenue flow when you have a viable meat processing facility on Main Street. And it is a difference maker for not only the town, but it certainly is a difference maker for all the smaller producers who are looking for a place to go to process their-- their livestock. And, you know, from the time that I've started till now, we've lost five, that I can think of, processors within 50 miles of my home. And so those are-- used to be good lockers that are there no more.

**BREWER:** All right. Thank you, sir.

**JOHN HANSEN:** Thank you.

**HALLORAN:** Thank you, Senator Brewer. Thank you, John. Any further questions? Seeing none, thank you so much.

**JOHN HANSEN:** Thank you.

**HALLORAN:** Next proponent to LB324. Good afternoon.

**AL DAVIS:** Good afternoon. Cleanest place in the room here, huh? I realize it's late, I'll try to be brief. My name is Al Davis, A-l D-a-v-i-s, and I'm here today testifying as the registered lobbyist for the Nebraska Chapter of the Sierra Club in support of LB324. The Sierra Club is the nation's oldest environmental organization founded in 1892. In Nebraska, we have 3,000 members. We want to thank Senator Brandt for bringing LB324 to the attention of the Legislature. Well, we support both LB235 and LB324. We believe that LB324 provides a more immediate and flexible approach to the systemic problems which became obvious last spring when the-- when the-- within the plants, when outbreaks of COVID-19 side-- sidelined plant workers. The packing industry's failure to protect its workers resulted in significant shortages of beef and pork in our retail stores because the labor was no longer available to meet the demand for the product. And on the farm and ranch, the impact was extremely damaging as prices for animals ready for slaughter plunged because there was no available plants to perform the necessary procedures. LB324 adapts an idea implemented in Wyoming and Oregon to broaden the options for farmers who would like to share their products with friends, neighbors and others who are interested in buying farm raised beef or pork, but are

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unable to do so due to regulations which have changed little in decades despite enormous reforms in the industry. The packing industry and the associated inspection process are now centered in massive plants which kill hundreds of animals every day and cater to wholesale customers in need of vast quantities of meat. There isn't room in those plants for a small farmer or rancher with 10 head who wants to sell that meat on a retail basis that needs inspection to do so. He has no significant options available to him to escape the commodity treadmill, which is how the industry operates. This bill will change that by opening a limited door to the retail market for very small operators. If LB324 becomes law, operators who want to produce hormone free, antibiotic free or grass fed beef and pork can do so and capture the premiums these animals produce when selling into a market where many individuals are willing to pay more for good, healthy, home grown product. Many small families do not have the freezer space or the need for a quarter or a half of beef, but they would like to have the opportunity to buy a dozen steaks or ten pounds of hamburger. This bill will give them that opportunity and the opportunity to choose a locally produced product according to specifications they might select. Higher returns accruing to the farmer ranch will enable young producers to stay on the farm, devoting their lives to activities including redevelopment of grasslands and other regenerative agricultural projects. We also believe that the independent process or assistance program would provide the expertise and funding for the new and renovated small slaughter facilities, which are sorely needed across the state because so many plants are booked out years in advance today. This is economic development for our smallest communities, for a business with five to 25 employees is one of the town's major employers. The Nebraska Chapter of Sierra Club encourages the Ag Committee quickly Exec on the bill and move it to the floor for full debate. And in closure I want to say that the Independent Cattlemen of Nebraska also voted to support the bill, but I don't see their lobbyist here today, so I wanted to get that on the record.

**HALLORAN:** OK.

**AL DAVIS:** With that, I'll take any questions.

**HALLORAN:** Thank you, Mr. Davis. Any questions from the committee?  
Senator Cavanaugh.

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**J. CAVANAUGH:** Thank you, Chairman Halloran. Thank you, Mr. Davis, for being here. In terms of the hormone free, antibiotic free, grass fed aspect, obviously I know there's an interest in that sort of thing. Is there any mechanism to guarantee that that's what you're getting or is this rate relationship-based?

**AL DAVIS:** So if you're feeding for the-- there are feedlots that will guarantee that, yes. And so at the-- at the ranch level today, you start out with a specific program and a protocol. You have to be able to document that there are tests that go on that they don't come to the ranch, but when the meat is processed, there's some testing that is done there. A lot of it has to do with reporting requirements. So, no, there would be no specific protocol at this point that the state of Nebraska would have in place. I don't think that's a bad idea. But in large part, people will advertise that that's what they're doing, so it's their reputation is on the line if they don't do that.

**J. CAVANAUGH:** Thank you.

**HALLORAN:** Any further questions for Al? Senator Groene.

**GROENE:** So this rancher, called producer, could advertise in the Omaha World-Herald or anywhere, I've got ten head, I'm selling shares on. I'm going to be slaughtering them Tuesday, the 15th of February. And you say you could buy quantities no smaller than a quarter of beef, eighth of a beef, a share of it, right?

**AL DAVIS:** I believe that's the way the thing would work.

**GROENE:** I understand that it--

**AL DAVIS:** And I think most of that work has to be done ahead of time.

**GROENE:** Yeah. Then he takes the head into the customer's water, it got slaughtered, and then either you can pay the postage to have somebody ship the meat to you, if you own it, or come pick it up, right?

**AL DAVIS:** You know, I'm going to defer to the experts on the bill, but--

**GROENE:** It's kind of--

**AL DAVIS:** --that's my understanding, yes, Senator Groene.

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**GROENE:** The previous testifier who would like to follow the letter of the law, you know-- I mean, I appreciate what he said, that what's going on now is kind of maybe not exactly following the federal rules, this would make it work.

**AL DAVIS:** This according to the-- the experts on this, the Wyoming plan has gone through the protocol and is acceptable.

**GROENE:** But what I heard earlier from one man's opinion when I-- when a guy called me and said I'm taking a steer in, you want a quarter? I said, yeah, I'll buy a quarter from you, that's not exactly legal because I should be owning the entire cow.

**AL DAVIS:** So, you know, Senator Groene, most ranchers don't make-- give-- give meat to their employees. I would doubt that that's even legal under the current law.

**GROENE:** That's part of it.

**AL DAVIS:** Because that's supposed to be for private use. So this probably is going on already, but this opens up a way to really be a marketer--

**GROENE:** But market it.

**AL DAVIS:** --and I respect it.

**GROENE:** I believe you could advertise, actually.

**AL DAVIS:** Um-hum. And, you know--

**GROENE:** As to Senator Cavanaugh, my ranch is here, my farm is here. If you want to see what you're buying and how it's raised, come on drive on out and take a look, and, you know, it's grass fed.

**AL DAVIS:** Senator Brewer talked about the Mullen plant, you know, and some friends of mine and I looked at that to buy it before-- before Jacob bought it. We could never figure out how you could-- how the inspection process was going to work and he has struggled with that too.

**GROENE:** So that you as the rancher could actually market your cattle.

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**AL DAVIS:** Well, we-- that-- and that when we were looking at that, it was because we were thinking about trying to do some federally inspected product. But you run into all these difficulties with getting an inspector into Mullen. And so, you know, it kills-- it kills the opportunity in a lot of small remote communities. Western Nebraska is desperately in need of economic redevelopment. This is a great tool for that.

**GROENE:** So instead of buying a steak that's raised in Omaha, an Omaha steak, you could buy one from a--

**AL DAVIS:** You can buy a steak that actually is guaranteed raised in Hyannis, Nebraska, rather than coming from Mexico or Canada or wherever.

**GROENE:** Thank you.

**HALLORAN:** OK, thank you, Senator Groene. Any further questions?

**AL DAVIS:** Thank you.

**HALLORAN:** Thank you, Mr. Davis, for your testimony. Good afternoon.

**EDISON McDONALD:** Good afternoon again. Hello, my name is Edison McDonald. I'm the director of government affairs and development at GC Resolve. I'm not going to read you all off my letter. You all can read. I did want to express again our support of LB324. I think that this is a great bill in that it offers an innovative pathway forward for us in a short-term option to go and deal with the problem that is significantly affecting so many Nebraskans. In particular, GC Resolve, we work with a network of regenerative agricultural partners who really are unique and innovative in working on trying to develop new markets, new opportunities. We talk about how the future of farming is going to look different. And I think this is one of the best ways that it can really look different, that we can innovate, create some change and really open up opportunities for young people again. I want to thank Senator Brandt for introducing this and especially for setting open that pathway forward without necessary funding to go and provide for some sort of vehicle to ensure that we can move funding forward, because I think that finding some funding is going to be tremendously important to make sure we're able to move forward on this and help to

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grow the market. With that, I will see to any questions and let you  
get on with the afternoon.

**HALLORAN:** All right. Thank you, Mr. McDonald. Any questions? Oh, yes,  
could you once again spell your last name.

**EDISON McDONALD:** Oh, E-d-i-s-o-n M-c-D-o-n-a-l-d.

**HALLORAN:** Thank you so much. Any questions? Seeing none, thank you,  
Mr. McDonald. OK, next proponent. Good afternoon again.

**AL JUHNKE:** Yeah, thank you, Mr. Chairman, members of the committee. My  
name is Al Juhnke, A-l J-u-h-n-k-e. I'm the executive director of  
Nebraska Pork Producers Association, and we are here in support of  
LB324. A couple of things really quick. The hour is late. Number one,  
I again want to thank Senator Brandt and Senator Brewer for these  
bills that they brought today. These are two things to us. The rural  
economic development and maybe the committee should be renamed  
Agriculture and Rural Economic Development because that's part of what  
you folks are doing here and we appreciate that. And number two,  
you're giving us ways to connect our farmers to the general public or  
to the local public folks that are surrounding them. And that's  
important. We think that local food and particularly working with our  
local producers is important. And again, we've talked about it earlier  
and continue to talk about it, it's important. I also want to point  
out that over the last year with COVID and the slowdowns we had at our  
plants and the possibility of animals having to be euthanized rather  
than used in the food chain, we had a lot of people doing a lot of  
creative things out there, whether they were legal or not this year.  
And I'm glad that people are being creative, but this gives some  
pathways to legal ways to-- and alternatives to get those animals  
hooked up with people. I mean, we had-- we had a lot of machine sheds  
filled with a lot of people that like to deer hunt that had a lot of  
pigs hanging there that they were cutting up, or we had a lot of  
animals on trailers heading to other states for similar reasons. Now,  
legality or not, I know the Director of Agriculture is here, I'm not  
going to disclose any more for him and his inspectors, but, you know,  
it was an issue. But this is-- this is a solution. And that's why we  
like coming here and supporting bills like this, because it is going  
on. We have the-- the processor testify earlier and Senator Groene  
saying the same thing. You know, yeah, we-- we're buying a piece of a  
cow now whether it's legal or not, that's what we're doing, so this

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makes that legal. And finally, I mean, hindsight is always 20/20. The Independent Processor System Program is spectacular in here. I wish we would have had it. And again, we gave out-- we had \$1.1 billion come into the state from the federal government for the CARES Act. And the Governor was able to distribute most of that money by the end of the year. A lot of states, our neighbors, Missouri, Iowa, Indiana, Minnesota, others, took some of that money and put it into a program just like this and it was wildly popular. I mean, we're talking about how do we upgrade these plants? How do we get them so they can be federally inspected? How do we-- how do we buy more equipment? This is how we do it. I don't know what's coming in the next CARES money and I don't care, because whether it's CARES money or local state dollars, I think it's money well spent on rural economic development. I hope that gets into law and that we have a place now to put some of those finances when we need it. So thank you, and thank you, members. Appreciate all your work today.

**HALLORAN:** Thank you, Mr. Juhnke. Questions? Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. First off, Al, I apologize for forgetting about the hog industry. I understand that-- that-- that I'm surrounded by a lot of cattle and if you want to keep your job where I come from, you better remember the cattle.

**AL JUHNKE:** Yeah.

**BREWER:** So, I'm again, apologizing for that. As far as the CARES-- you know, the CARES money or what is going to come, I couldn't agree more. I think it probably will be in that-- whatever-- the higher range and if we don't have avenues to use it, someone else will. And this seems like so logical that I just want to, you know, shake my head and go, why haven't we been moving on this? But thank you for your testimony.

**AL JUHNKE:** Mr. Chair, Senator Brewer, I appreciate that. And a comment to Senator Hansen. You don't have to wait till November to get an animal slaughtered. They said April, you can get a pig up there. So let's not forget that in your neck of the woods too.

**B. HANSEN:** I slaughter my own, so sorry.

**AL JUHNKE:** Oh, [LAUGHTER] very good.

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**HALLORAN:** All right, thank you. Senator Brewer. Any further questions?  
Yes, Senator Groene.

**GROENE:** The chicken people haven't been here. Do they follow the same  
rules of the--

**AL JUHNKE:** Yeah, Mr. Chair, Senator Groene, there's a poultry act  
that's different than the livestock ones. So if you want to do, for  
example, state poultry inspection, that's a different federal program  
that you get under than you do with the livestock.

**GROENE:** As far as inspection.

**AL JUHNKE:** And I don't know about the custom-exempt plants, if they do  
poultry or not. I know there's someone coming later that can tell you  
that, so I don't know where do you take all these backyard chickens in  
Omaha and Lincoln. Someone-- you have to take them somewhere to be--  
if you don't want to do it yourself. And I'm guessing most people that  
are laying eggs don't understand they're going to kill that bird  
eventually, right. So I don't know where they take them.

**GROENE:** Just curious. Thank you.

**HALLORAN:** Senator Groene, you understand you're asking the other white  
meat about the other white meat. [LAUGHTER]

**AL JUHNKE:** That's right. I'm not answering for my colleagues.

**HALLORAN:** All right. Thank you, Mr.-- thank you, Mr. Juhnke.

**AL JUHNKE:** Thank you.

**GROENE:** We're diverse now, I guess.

**HALLORAN:** All right. Any additional proponents? You know, the doctors  
offices, they have these-- these paper-- paper sheets that they use as  
on the-- that they just rip off, I think we should look into that so  
we could just rip those off. Welcome.

**BRIAN KURTH:** Good afternoon, honorable Senators. My name is Brian  
Kurth, B-r-i-a-n K-u-r-t-h. I'm from Stromsburg, Nebraska, so. I'm the  
general manager of McLean Beef, Inc.. It's the division of McLean  
Farms that has been selling retail since 1999 and so far, we've been

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always relied upon third-party processing facilities to produce our products. But as our sales have grown, and especially online, they have been constrained due to the-- the ability to get their products processed and often have to tell their customers that that product is out of stock. Then COVID came along and this greatly in test-- intensified their inability to get products to sell. This frustration and the lack of products to sell has driven McLeans to build their own processing facility. So currently in York, Nebraska, just west of the the Hulthus Center, so we're right at the crossroads of Highway 81 and Interstate 80, so if you're going along, you can stop in when we open. We're building a-- we're renovating a building to house our in-person retail butcher shop along with a 24-hour access vending machine if you get your interest late at night to be able to do a late night grilling, you can come by and pick it up there. The back two-thirds of the building will be a state of the art harvesting facility with a maximum of 100 head of beef per-week. Our goal in all of this is to remove the constraints of processing ability in order to supply McLean Beef to sell and then increase the sales, a quarter, has some wholes which the other half of this bill will help with immensely. And also to provide processing options for the custom-exempt for other smaller growers and of beef and hog. So here's the challenges that we're facing is expansion expenses. All in, this project is there going to be around 3.6mm. COVID is making this very difficult and it's added to the cost of errors and errors, working with us. We're trying to decide if we can afford some of the equipment because of the costs run up. One of them is a roll-stock machine that will help us produce more efficiently. And we're having to look at that cost to see if we can continue with that. We have other costs that the City of York is wanting us to do for paving a road to exit our property correctly. And if you haven't noticed, steel has going through the roof. My contractor was just talking to me that they're going up \$10,000 on the frame just to hold the meat in the long-term holding cooler. If passed, this funding-- if this bill is passed and if funding is supplied for the program, it would go greatly to help McLean Beef provide access to quality meat for Nebraskans. It would also provide access to production capacity to many local small producers who are desperate to find an opening of any-- at any processor. And it will also help ensure 15 new jobs in York County. I see firsthand the need for additional small local processing facilities when our phone is ringing every day with processing requests coming from small producers. LB324, Independent Processing Assisting Program is a good

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solution for the state and needs for easing the supply chain issues in producing beef for the local markets. I request your support for this bill and request your consideration to fund it once passed. Thank you.

**HALLORAN:** OK, thank you, Mr. Kurth, for your testimony. Any questions? Senator Groene.

**GROENE:** Maybe sure enough got to ask this. Could this lead to, which I hope it would. You're in a small town so the ranch or cattle feeder decided to buy the little grocery store in town. All right. And he-- meat locker, he sells shares in a herd of cattle. And you can only-- it's a co-op, the grocery store is, so you can go in there and buy a steak because you own that-- you own that beef from the Hulthus. And then the community could have locally owned cattle slaughtered there because the whole community is a stockholder in the co-op and the stockholder in the herd of cattle. Could you see that working?

**BRIAN KURTH:** I'm not exactly up on all the ins and outs of this, but I do see it working well for the McLeans. They grow around 9,000 head. And this would be another way that we can clearly get it to the customer is by this share option that this bill provides. So I can at least answer you that much.

**GROENE:** The tourist could come out and they go in and they say, I want to buy the shares for sale. You buy a share, then you go to the gift shop there and you take a box of steaks home because you're a shareholder and you pay for the steaks.

**BRIAN KURTH:** As long as the--

**GROENE:** You call it the processing fee.

**BRIAN KURTH:** As long as the ownership is documented, I understand that would-- that would align, yes.

**GROENE:** Sounds like that's an ideal. Then the stuff-- then one more thing-- then the plant could slaughter and then just leaves some quarters, which they could push a lot more beef through because they're not cutting it up and then the butcher at the grocery store could do the tying it up.

**BRIAN KURTH:** We are going to be a USDA approved site. So we are going through that expense and making sure we have all the correct equipment

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for being USDA anyway. So we're not trying to skirt that issue, but we  
are also going to be--

**GROENE:** But you support this.

**BRIAN KURTH:** Yes, we do. It would open us even more opportunities.

**HALLORAN:** OK, thank you, Senator Groene. Any further questions? Seeing  
none, thank you, Mr. Kurth.

**BRIAN KURTH:** Thank you.

**HALLORAN:** Additional proponents for LB324. Welcome.

**ROBERT BERNT:** Senator, Chairman, I hate to be bothering you again, but  
my name is Robert Bernt, R-o-b-e-r-t B-e-r-n-t, owner and operator,  
along with my 12 children, of Clear Creek Organic Farms, Bernt's  
Custom Processing at Spalding, Nebraska, approximate 700 acres in  
production. And I wish that in 1981, when I was asked to attend a  
meeting in Greeley County, Nebraska, by 22 dairymen and what they  
wanted to do was start a cow share program to market milk because they  
weren't achieving enough for their product at the end use. And we had  
a representative there from the Department of Ag, Inspector. And the  
main question was how this work and it was absolutely not going to  
work. You're going to lose your farm. Somebody will consume some milk.  
That's not going to be healthy. You will lose your farm. Well, guess  
what? All 22 of them are gone. They're not there. I wish something  
like this would have been established at that time. We dropped from  
3,800 dairymen in the state to 180. You know, these things need to be  
looked at. From the aspect of marketing, we've been direct marketing  
since 2004 all of our products. I don't market a kernel of corn, a  
hoof on a hog or a beef-- or an ounce of milk to anybody else other  
than the end-consumer. And our clientele-base consists of a buying  
group from Omaha that has 80 families in it that drive to our farm  
once a week and purchase their groceries from-- from vegetables to  
meats to cheeses, the whole ball of wax. There's a big, huge demand  
for what we're attempting to do here. As far as the groceries in our  
outstate Nebraska area, it's a severe problem. These grocers, when I  
would walk in with my cheese and they would buy it, the delivery truck  
would stop by later and say, I'm sorry, but if you don't buy all of  
our products off this truck, we're not going to stop here any longer.  
We lost a lot of customers in grocery stores for that reason, but now

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these grocery stores are combining so they can get a delivery truck to come to one town and then three, or two or three of them will distribute from that truck out to those stores. They're looking to access local product so they can survive. There is not a grocery store in Wheeler County. These are things that we do need to address. And this is-- and Senator Brewer and Senator Brandt are doing that. And I sure hope that the rest of the state will take up and take notice to it. There's a huge demand for it. The product is out there. We got to make the core-- the bridge between the two and get it there. I won't take up any more time. Thank you.

**HALLORAN:** Thank you, Mr. Bernt. Any questions from the committee? Seeing none, thanks again.

**\*PAULA PETERSON:** Dear Chairman Halloran and members of the Agriculture Committee, Please make this proponent testimony part of the official record for the February 2, 2021, public hearing for L8324.

I'm a cattle producer near Waverly, Nebraska. You know, I hope, how tough a year this has been for livestock farmers. With the plant closures this spring and lockers being booked out through next year, some farmers have had nowhere to take their animals, and most of us have had a harder time getting our animals to market and planning for the future. We had a cow that had a prolapsed uterus this spring and we had to give her to a packing plant because we could find no open date at a locker to butcher her. So, we ended up with nothing, no check and no meat for this cow. We have plenty of product, and there is plenty of demand. The problem is that there isn't enough access to processors who can take our product and turn it into something a customer can put on the table. Producers need more options, more avenues for selling their animals and getting them processed, otherwise, our businesses won't be sustainable. Some folks might have to leave farming altogether. This bill would help to solve that problem. If people want to be involved with herd shares, that's a new option for getting affordable, quality meat from the farmer up the road. Not everybody can afford a whole, half or quarter of a cow, or even fit that much meat in the freezer. But there are plenty of people interested in local meat in smaller quantities and at a more affordable price. This is a trend that we are going to see continue, consumers want that connection to their food now more than ever. On the other hand, if folks want to go the USDA route, this bill helps those businesses to purchase the equipment and space they need in

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order to move more animals. This is a necessary step for livestock farmers right now, in this unusual year, but it will also help for years to come, by providing us more access to local markets and meeting that growing demand for local meat. It will, of course, be good for those processing businesses as well, helping them to do more business and make more money, whether they are custom or USDA. I support this bill because it's good for farmers and good for rural communities, and I ask that you support the bill, too. Our state is strongest when it stands on the foundation of all 93 counties, when all counties retain and grow businesses and people it will help the state as a whole. Our state isn't strong because of a few counties, its strength comes from all counties growing and being productive.

**\*JUSTIN CARTER:** Dear Chairman Halloran and members of the Agriculture Committee, The Nebraska Food Council (NFC) is a statewide food policy council composed of volunteers working to strengthen Nebraska's food system. The NFC membership includes representation from numerous food sectors including but not limited to farmers, livestock producers, processors, culinary educators, health care workers, and extension agents. The NFC was established in 2017 and is coordinated under the leadership of the Center for Rural Affairs. The NFC supports a vibrant local food system, including strong market opportunities for the state's small livestock producers and processors. LB324 will increase local meat purchasing opportunities for consumers by providing the option to purchase herd shares. This legislation also lays the foundation for greater access to labor and infrastructure needs for small processors. Increase in Consumer Choice In the U.S., 98% of processed meat is handled in just 50 facilities. This statistic causes alarm at the lack of choice offered to consumers in how their meat is processed as well as the obvious supply chain bottleneck with these facilities operating at capacity. The facility closures caused by The public health crisis led to losses of revenue for farmers with nowhere to process animals. Local processing facilities, who have attempted to fill the gap left by closures, are now experiencing wait times of 20 to 24 months. This has impacted livestock producers who, without processors, cannot capitalize on consumer demand for local meat. Introducing a herd share program would increase the avenues by which consumers can purchase meat. Buying into a smaller herd share will allow consumers to purchase a reasonable amount of products and utilize the services of smaller facilities, such as those operating under custom exempt regulations. The herd share opportunity creates a

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new approach for producers to market their products and could lead to the consumption of animals that may have otherwise not been slaughtered. Assistance for Small Processors The Independent Processor Assistance Program which is laid out in this legislation has the potential to benefit processors who struggle with infrastructure needs. As we work to increase opportunities for small processors, we must realize that there are significant barriers to entry in this industry, including the need for labor and the financial resources to operate a facility. Establishing the guidelines of a state program to offer assistance to small processors has the potential to grow this industry. As the demand for local meat increases, it will be necessary to have a reliable local processing industry in Nebraska to meet producer and consumer needs. Conclusion As demand for local meat increases, it's important that Nebraska take this opportunity to establish programs that will create a healthy processing sector. Creating a herd share program increases purchasing opportunities for consumers that will lead to new market opportunities for producers and processors. Furthermore, the Independent Processor Assistance Program provides a framework for a program that, if funded, would offer considerable opportunities and support to our smallest processors. This legislation is a key step in creating a local meat industry that works for Nebraska.

**\*BRUCE RIEKER:** Chairman Halloran and Members of the Committee. My name is Bruce Rieker. I am the vice president of government relations for Nebraska Farm Bureau. On behalf of our 58,000 members statewide, I am testifying in support of LB324. Our priorities at Nebraska Farm Bureau include: Expanding economic development opportunities to grow rural Nebraska and enhance profitability for farm and ranch families; Support animal agriculture production and policies to enhance growth; and Grow markets, domestic and international, for Nebraska agricultural products. We support LB324 because it addresses all three of those priorities by creating standards and defining animal shares under the Nebraska Meat and Poultry Inspection Law. It is designed to address supply chain disruptions, increase, and improve livestock slaughter and meat processing capacity; expand market access for small livestock producers; and, facilitate workforce development. Animal share means an ownership interest in an animal or herd of animals between an informed consumer and a farm or rancher where the consumer boards the animal or herd with the farmer or rancher for care and processing and the consumer is entitled to receive a share of meat

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from the animal or herd when processed. For the sale of animal shares to qualify, the following conditions must be met: The meat must be made available pursuant to an animal share contract and is: Received on the farm or ranch where the livestock subject to share is located; Received by or on behalf of the owner of the animal share; and Obtained from the particular livestock subject to the animal share. Ownership of the animal is established by contract prior to slaughter; A prominent warning that meat has not been inspected is affixed to the packaging; and Information relating to the standards on the farm or ranch with respect to livestock health is provided to the end consumer. It is important to note that meat obtained through an animal share may not be sold in any way. Funding from a newly created Independent Processor Assistance Program can be used on capital improvements to expand capacity. Thank you for your consideration of this testimony. I encourage you to support and advance LB324 out of committee because it is consistent with our priorities. It would be beneficial to our producers, consumers, and our economy. Thank you.

**HALLORAN:** Additional proponents for LB324? Seeing none, are there any one that wants to testify in opposition to LB324?

**DENNIS SCHAARDT:** Good afternoon, guys.

**HALLORAN:** Good afternoon.

**DENNIS SCHAARDT:** Again, my name is Dennis Schardt, D-e-n-n-i-s S-c-h-a-a-r-d-t. I handed out a thing that I wrote up last night, but I'm not going to waste my time reading that to you guys. It's too late. I just want to maybe answer a few questions that were asked. I was sent here by custom-exempt operators. I don't want you to think that I'm trying to steal all the business because I'm a federal plant. I'm not. I-- I've helped custom plants. I've helped everybody across the state of Nebraska to do things. Oakland is an excellent plant up there doing really good. But our question from these custom plants that sent me here are, is this bill going to people that are selling quarters beef already, will they have to fall under this? Because if they are, you have in your thing that they can only do 10 beef. And a lot of these guys are doing 50 or 60 beef already. So that would be a hindrance to them. And we don't want that to happen because, I mean, if they're selling already, we do not want to cut them down anymore. I think my main reason to being against it is because I think we've excluded the processors out of this bill. I think maybe we should try

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to bring them into it to make sure it's going to work for them a little better. And because there's little things that they see in there that have scared them and that's why they didn't come here. So with that I won't take up any more of your time. I really appreciate what you guys do up here, and I hope we can better our communities. I come from a town of 230 people, so I know what it is. There's nobody left on Main Street. So, any questions?

**HALLORAN:** OK, thank you, Mr. Schaar dt. Any questions from the committee? Senator Groene.

**GROENE:** You said process. What's the difference between process or custom. You're talking about the same people?

**DENNIS SCHAARDT:** Custom-exempt processors, that's what we've been talking about.

**GROENE:** Oh, OK.

**DENNIS SCHAARDT:** That's what they're called or whatever, so.

**GROENE:** Processor.

**DENNIS SCHAARDT:** Yeah, I mean, I had a friend from Ord and Amherst and Johnson and Pickrell. They've all called me on the way up here today. I will say one thing. The deal in Wyoming, they're-- they are having a few issues. There's a guy by the name of Harold that is a locker plant that called my friend from Ord and they related a message to me that there's-- they're all worried about the paperwork and the custom-exempt processors are worried about more paperwork than what they're doing already because they're so busy they can't do no more, guys. I mean, they're working 10, 12 hours, six, seven days a week, you know, so that's what worries them, so.

**GROENE:** Would it help-- would it help the the industry, the consumer, if we could get more livestock through it by just doing halves and quarters instead of cutting them into hamburger steaks, because that's time consuming, is that not true?

**DENNIS SCHAARDT:** I understand what you wanting to try to go-- just somebody take a quarter of beef and stuff. You know, we actually do that at our place. We got people, we just-- we can't get them cut so we just slaughter them and they pick them up and take quarters and do

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it themselves. I know this bill is stressed more at because so many people in your towns, all they have for a freezer is their side by side so they got about this much room. They can't get a quarter beef in. And that's-- we're trying to take it down so we can give them 10 or 15 pounds of meat and it's a good idea. And I-- I really think it's going to fly. I really do. We just got to figure out how we can get to that end point and make everybody happy.

**HALLORAN:** OK, thank you, Senator Groene. Any further questions?

**DENNIS SCHAARDT:** Thank you, guys.

**HALLORAN:** Thank you, Mr. Schaardt. Any additional opponents to LB324? Good afternoon.

**STEVE WELLMAN:** Good afternoon. Steve Wellman, S-t-e-v-e W-e-l-l-m-a-n. I'm here today to respectfully speak in opposition to LB324. Basically three points. Custom-exempt slaughter and processing facilities are regulated under the Federal Meat Inspection Act. We contend that the Department of Agriculture has no authority to implement this legislation because the federal government has the regulatory authority. Secondly, custom-exempt processors must keep records of who owns the livestock and who hired them to perform the processing. And the example that we're talking about here with-- with herd share, currently, producers such as myself can sell quarters, halves, wholes to anybody as long as it's a live animal. That animal then goes to the custom-exempt or processor and-- and that owner of the livestock currently pays for the processing that takes place. It's done all the time. It's accepted by USDA. Has not been taken to court anywhere, but it's a common practice. So if the expansion-- what we're looking at here is the expansion of owners of those livestock, there has to be written documents showing the ownership of the meat before it comes and who owns the livestock when it comes to the locker. Talking with Director Miyamoto in Wyoming, they did go through a targeted USDA inspection last week because of their meat share law that passed and was implemented in 2020. It appears that on the-- there will be a requirement to have a bill of sale for every animal and for every owner that has a portion of that animal. And this would be required of exempt facilities, even if they're not participating in the animal share. So even if they're still doing their business, selling of processing for owners, that quarters, halves, wholes, whatever, they would still have to have the bill of sale on record and keep that in

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their records. So we think there's a layer of additional paperwork here. And third, on the-- on the-- the grants and the programs. So when we looked at the CARES money that the state had to to utilize in 2020, we had discussions about how to best use that-- those funds. It was decided, and we decided along with the Governor and others, that \$100 million of that CARES money would be used for livestock stabilization grants targeted on producers that had breeding stock and raised the livestock that starts this whole process, right? Without the growers and without the birth of the livestock, that's what we targeted. We had \$110 million that went out through that program strictly for livestock stabilization. The other part was a small business grant, and I did check. There were custom-exempt-- there were-- there were lockers or processors that did participate and receive stabilization grants under the small business program in 2020. Those grants were \$12,000 flat-- flat amount to anybody that qualified. So we did use some of that CARES money that did end up in the hands of meat processors. Interestingly, Commissioner Boren from North Dakota called me last week. He wanted to know what Nebraska did with-- and how we rolled out that stabilization grant program because he is getting questions from his lawmakers saying, why didn't you do what Nebraska did. We talked about it. They, North Dakota, had a program for meat processors of \$4 million that they gave out in grants. Great program and no-- you know, I just want to point out that it's interesting that we had \$110 million that we had a program for livestock stabilization. North Dakota had a program, \$4 million to meat processors. And now we're both being questioned, I guess, on why we made that decision, right. So with that, I'll end and ask-- answer any questions you might have.

**HALLORAN:** Thank you, Director Wellman. Any questions? Is that a--

**BREWER:** Yes.

**HALLORAN:** Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. All right. And I guess both this bill and in my bill, I would have preferred you come in a neutral position because I just think the Department of Agriculture should be willing to at least work toward an end-state that is a positive one in a way it's going to help, in this case, those that are in the business of processing meat. I understand \$110 million out of the CARES. You're probably going to get another shot in the arm. We're going to get a

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portion of 1.9 billion or whatever that number comes to. And-- and I'm sure 12K helps. It would be nice to know the hard numbers. How many meat lockers, where they were, and-- and then maybe we could see what that direct impact was. But if you listen to those that testified, they're hurtin'. And-- and it's a problem with our-- our towns shriveling up. And the idea that the Department of Ag is going to come in in opposition to these opportunities where we're trying to fix things, then I expect you to have a real clear answer on how are you going to fix it? How are you going to help those towns so they can have life again and that we don't let them shrivel up? And-- and I'm not seeing that. I mean, if you got one, I'm ready to hear it. How do we fix that situation we have where these these towns have an empty Main Street?

**STEVE WELLMAN:** Well, Senator, and I appreciate the comments and-- and certainly from our perspective, we believe it's right for us to present the information that we have in the manner that-- I mean, it's the decision from the Director on how-- the impact to agriculture and to the Department. Agriculture being first. So that being said, and on the fiscal notes, of course, we get the request from the Budget Office to fill out the fiscal requests and what the fiscal impact might be. So we do that and we do it, I believe, in a fair manner to represent and give you all information that helps you make the decisions. I'm from Syracuse, 2,000 people. We're really lucky to have the economic structure in Syracuse that we do. We're located close to Lincoln. We're located fairly close to Omaha, but still we have vacant businesses in downtown Syracuse. I get it. I've traveled the state and represented agriculture for years with state associations. I understand the impact to small towns and it's happened over years. It's going to take more than one thing to fix it-- to fix this and correct it. So to offer a solution right now, I don't have that. I do believe that what we carried out in 2020, along with Department of Economic Development, there was over 110,000-- \$110 million again to the livestock stabilization grant. The small business grants went to about 14,000 different recipients, \$12,000 apiece. So I did not go through the list of the 14,000 to-- to find out how many meat processors were included there. But I did at least find a couple of them that I just picked names out and they happened to be there. So we could go through and look at that and find the impact, but we thought it was a valuable program at the time. The-- one of the things that happens with the-- with the-- with the grants you have, you put rules

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around it, right? Some people qualify and some people don't qualify. The ones that don't qualify, they're upset and I get that. But some way you have to have rules and qualifications to make those grants work.

**BREWER:** All right. The-- I guess the concern is, what you're telling me is Wyoming's program has got issues. You got to keep more records, there's more paperwork and-- and when you're talking about this bill or my bill, it doesn't sit well if the perception is the reason that the Department of Agriculture doesn't want to support these is because it involves more work, because whether that's meant to filter through that way or not, that's the perception. And if that is, then, you know, there's going to be some hard days ahead. There's no doubt about that. We're going to-- we're going to get to know each other a lot better. Thank you.

**STEVE WELLMAN:** And so, to that-- to the perception point, I don't want this to come off to the point that the Department of Ag doesn't want the work. I see this as additional work that's going to the custom-exempt lockers that we're trying to build business for now and to bury them in additional paperwork I think is counterproductive. So that's the point from my comments on-- on the paperwork. The work for the department if we're funded, we'll do the work. I mean, my dad was born in 1921, graduated from high school and eighth grade, went back to the family farm, served in World War II in the Army Air Force, came back and farmed again. I'll never claim that I work as hard as my dad did during his lifetime, but I certainly will say that I carry my own and I believe the agency does also.

**HALLORAN:** Senator Groene.

**GROENE:** Federalism here. Said they went into Wyoming, the feds did, and inspected their state program. How did they do that? Why were they able to do that?

**STEVE WELLMAN:** Because under federal law, the federal government has jurisdiction over all meat inspection and poultry inspection in the United States.

**GROENE:** By federal law.

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**STEVE WELLMAN:** Even if-- even if a state has an inspection program, it still complies under federal law and is subject to enforcement by USDA.

**GROENE:** And there are some states that don't have any federal inspectors in it, they handle it all, right?

**STEVE WELLMAN:** Correct, Nebraska, they, for one, right, has all federal inspectors.

**GROENE:** Has all federal. Some states only have state inspectors, no federal.

**STEVE WELLMAN:** I don't believe that would be the case. There's currently 27 states that have their own state inspection programs out of the 50.

**GROENE:** But they also have--

**STEVE WELLMAN:** But even-- but even those 27 would have federal inspectors in in--

**GROENE:** Some--

**STEVE WELLMAN:** --some of those facilities, yes. Because there's-- there's-- there's 6,525 federally inspected facilities in the U.S. When I had those numbers for the 27 states that have state inspections were down to 1,900 now that are under state inspection out of those states.

**GROENE:** So the feds can come into my little small town and dictate that I-- how I buy my meat and how it's inspected, even though it don't cross the state line. That's the way it's set up now?

**STEVE WELLMAN:** They have-- federal law is background for all the meat safety and food safety in the United States, yes.

**GROENE:** Thank you.

**HALLORAN:** Senator Gragert.

**GRAGERT:** Thank you, Chairman Halloran. Mr.-- Director Wellman, this-- this bill LB324 and-- no, let's talk this bill, LB324. Is-- you're

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opposed to this bill, but is there anything in this bill that you like or you think we could take that first step forward or that step in the direction we need to go to help out the small communities?

**STEVE WELLMAN:** Well, as we talked about the grant process, I mean, that's something we certainly-- we looked at that in 2020. We made the decision not to go that route-- would use the federal CARES money for this targeted program or a program. Not this one. Obviously, it wasn't introduced yet. But I mean, we considered-- we saw what Minnesota was doing. We saw what North Dakota. I think Missouri did some grants for meat processors. We looked at those and we considered it. We decided to go a different route. So it's something we would certainly consider. Back to just the basics of the cost share or the animal share, we just believe we don't have the authority to enforce that portion of it. Lies on federal law that underlies all the food safety. The way Wyoming does it, is they have a state program, so their state program is responsible for enforcement of the share program.

**GRAGERT:** And in the last bill that-- I think what I remember is, is that you you-- you made the comment if we take over, then it's state-- then it's a state issue. It's a state authority then. So if we take over a state program, then we become-- the state becomes the authority not federal.

**STEVE WELLMAN:** Excuse me. Well, the federal government still has overriding authority for all meat safety and and processing. If there is a state meat inspection, USDA has to approve our state inspection program before we can move forward. That includes that they-- that they are comfortable that we can either-- the state can-- can either be equal to federal inspection or same as federal inspection, but that's their determination. And they work with us on the budgeting. And the other part of that that the federal government requires is that the state shows that we have sufficient funding to carry out the program.

**GRAGERT:** Thank you.

**STEVE WELLMAN:** And that's where some of the fees-- back to other. That's where some of the fee things gives some concern. And there currently are no programs that we've been able to find that are funded other than general funds.

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**GRAGERT:** Thank you.

**STEVE WELLMAN:** Sure.

**HALLORAN:** OK, any further questions? I think it was Ronald Reagan that said, 13 of the most dangerous words in the English vocabulary is, I'm here from the federal government and I'm here to help you.

**STEVE WELLMAN:** Well, government--

**HALLORAN:** Government is never going to go away on this issue, folks.

**GROENE:** I've used that--

**HALLORAN:** They are-- well, but they are a monopoly and they have overriding authority over all these little details we're going to debate. And it's-- not trying to discourage battling that. But I'm just saying, a dose of reality, that's what it is for all of these people that like the federal government, that's what we're up against. Sir, thank you for your testimony.

**STEVE WELLMAN:** Thank you all.

**\*ANSLEY FELLERS:** Chairman Halloran and members of the Agriculture Committee: My name is Ansley Fellers, with the Nebraska Grocery Industry Association, and I am delivering this testimony in opposition to LB324 on behalf of a member, Jesse Smith of Diller, Nebraska, President of the Nebraska Association of Meat Processors (NAMP). If Jesse could be here to testify, he would tell you NAMP is opposed to LB324, as it creates numerous challenges for NAMP members along with all Nebraskans. To propose "animal share sales" without industry accepted checks and balances is not only irresponsible but poses a serious health risk to the public at large. The USDA Food Safety and Inspection Service has an existing program which allows for resale of animals such as the one proposed in LB324. All custom-exempt facilities have the option to pursue USDA inspection services if they so desire. Developing another outlet to sell products does not create the ability for processors to harvest more animals. NAMP consists of 19 federally inspected and 38 custom exempt facilities. Without opposition, the decision was made that this bill would be detrimental to the state and the meat processing industry; therefore, the Nebraska Association of Meat Processors will not endorse this legislation. Thank you for your time.

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**HALLORAN:** Any further testimony in opposition? Seeing none, anyone in the neutral capacity? Seeing none. Senator Brandt, it's yours to close.

**BRANDT:** Thank you, everybody, for sticking around, not like you had a choice. So let's get down to it here. We're going to probably make some small amendments to this and I would really bey the input of Mr. Schardt back there. One-- and some of these were brought to us before and we wanted to listen to the testimony so that if we make an amendment, it's one amendment. Small things. You do not need every shareholder's name on the package label, but you need to put the names on the box of finished meat. Two, we need-- do not need to include the term not inspected on the actual label. And that would-- it's just mentioned once in the bill on page 22-- line 22. Three, you do not need to pick up the meat on the farm because obviously some of these will be at the processor, and the contract that he handed out would need to include provisions for care in boarding. And we would also be willing to look at the limits on the animals. We put in there annually 10 beef, 25 hogs and 50 sheep or goats. That could be increased or removed if-- if some of them wanted to do that and we're willing to work with NAMF on that. That's sort of why we put those provisions in there. You heard today from the Oakland Locker. Quality would be the same for your family as mine. So there's a quality-- pride of quality. The owner said they've had no food borne illnesses for as long as he's owned that locker. Integrity. President of the Nebraska Cattlemen. This is a tool to help all our members in the state. It's a question of fairness. Al Davis, you can buy a steak raised in Nebraska, not Mexico. It's one of reputation. Al Juhnke, this is real rural economic development. This is about opportunity. Brian Kurth from Stromsburg, building a new packing plant in York. It's about options. And finally, Robert Bernt from up there in Wheeler County feeds 80 families a week with groceries. It's about marketing in a food desert. And I know not all of you come from a rural community, but those that do understand this problem and I know Department of Ag wants to work with us on this problem. I really want to thank them for the livestock stabilization grants. And for those of you that want, we had the Legislative Research Office-- I've got maps of where all that grant money went to by Legislative District. It's in my office and we can get you those on both the livestock stabilization and the business stabilization grants. And it's sort of interesting to look at Senator Brewer. So Senator Brewer had a question, is Wyoming in trouble? No, the USDA

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thing is mainly a regulatory issue that they were dealing with over there. And so the compliance is on the paperwork to clarify a custom-exempt facility is not a garage butcher. It's got to be a real facility. And for a while there, we were led to believe it could be anybody, but it can't. It's got to be really a custom-exempt facility that does this. And Senator Groene-- have to pick up. You can buy less than a quarter of beef. Under this if you're a herd share owner-- first of all, you have to buy your herd share before the animal is slaughtered. There's no forgiveness on that. That's USDA. OK. So if you're thinking about this, you can't wait till after the fact. And you could just buy ground beef or roast or steak, you don't have to buy that whole quarter. And that sort of gets back to the problem that most of those side by side refrigerators will not hold a whole quarter of beef, so that works out very well there. Chickens have been exempt for as-- and I've been dealing with USDA regs since the 80s. It used to be you could kill up to 20,000 chickens at home, but I don't know if that's still the case. I heard the other day it was a thousand. I have not actually looked at that, but that is in the regs. And maybe Mr. Schaardt afterwards could clarify that for us, because in my neighborhood, there were still ladies that-- that killed these chickens. So, and then the last comment I got. This is-- this is a solution to state inspection and the Department of Ag can help us to get funding for that program on the back end. So, yes, if there's another CARES Act program, it would be nice if we could put several millions of dollars into that program because this establishes the framework. And if anybody has any questions, I'd be happy to answer them.

**HALLORAN:** Senator Brewer.

**BREWER:** Thank you, Mr. Chairman. I assume you've-- could hear the frustration in my voice dealing with Director Wellman. If I'm the director of agriculture and I've got gaping holes in the ability for them to meet the needs, I'm going to be the biggest cheerleader. I'm going to figure out how to fix those. I'm going to figure out how to do an end run or whatever I need to do. The answer, isn't that-- and maybe he didn't mean to have that perception that it was too much work, but that's-- that's the way I perceived it, right or wrong. And when you take, for example, when he brought up Wyoming, it was in a negative way. Try and find a positive twist to it. How do we take what's been done by someone else who was motivated enough to actually get something done and-- and actually move forward on it? And so, you

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know, the negative part there, you know, even the A bill on-- on mine, if-- if the number is 187,000 the first year and 1.6, don't make it three bi-- three million just to-- to make it seem negative that this is impossible. The CARES money that's coming, and you know as well as I do that there's a pretty good chunk coming. That again, if we could target it and we could pick these locations where they're struggling and we-- we could, you know, like a big IV, shoot it in there to help some of these communities. If they could have new equipment, if they could have better facilities, this can sustain them for years. And so, again, I think they should have come in in the neutral position because that's where you should be. I'm going to figure out whether this is good or bad before I make a determination that your LB324 is a bad bill and I'm going to come up against it. So understand that the frustration isn't at your bill, it's at the system and that's--

**BRANDT:** Sure.

**BREWER:** --the way it was meant, not for you.

**BRANDT:** Yep. And I agree. So they need to look at the return on investment. It's always so one-sided. And we ran into the same problem in the bill we introduced in Health and Human Services last week. Senator Wayne actually voiced his frustration in Judiciary and he thought he would bring a bill to make state agencies testify in the neutral capacity. And I made the statement at HHS last week, I think that's a great idea because we're-- they're biting the hand that feeds them. I mean, the Legislature is the one-- you didn't come up here in the neutral capacity and still say you don't like something. But to come up here in the opposition is-- is-- and we all know that's a different-- different way to take that. But the-- the beauty of this is that it does give-- it's sort of a poor man's state inspection program. It gives you marketing opportunities. And if I raise the greatest livestock in the world, the greatest quality, we all believe other than livestock business in Nebraska, I want you guys to participate in that. And it's very limited in this state on how we can do it. And what's very frustrating is when you look at all the states around us, except Colorado, have a state inspection program or their state is looking at a program like this, it's an opportunity.

**BREWER:** Thank you.

**BRANDT:** Yep.

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**HALLORAN:** Senator Groene.

**GROENE:** So why did you put 10 as the limit?

**BRANDT:** We did that initially just sort of to be noncompetitive, maybe, with the meat lockers out there. But in-- in light of what has happened-- initially, we talked to the introducer in Wyoming and he led us to believe that anybody could butcher a steer on the farm and that's not the case. USDA came in and cleared that up. Well, if that were to be the case, you were going to create many more people out there butchering. It was-- it was a way to limit the impact on our lockers and that is not the case. It has to go through a custom exempt facility. So really, there is no need to have those livestock limits there anymore.

**GROENE:** You heard the commissioner of agriculture, whatever, claim Wyoming guys-- the USDA came in and Wyoming said they have a bill of sale. I don't have to have a bill of sale. If I own a cow and I take it in the butcher shop, nobody has to have a bill of sale today.

**BRANDT:** We-- I think what he was referring to is they passed out the herd share agreement, the actual document you would have to use. It says bill of sale on it. So if you came to my farm and you wanted to be a herd share of Tom Brandt's feedlot, I would-- I would have you fill that out and it would say bill of sale on the top and I would put that in a file cabinet.

**GROENE:** You would.

**BRANDT:** I think that-- I think that would satisfy that. And if they-- and if we had to take it to the Diller locker, Pickrell locker, or wherever we're going to go and have the animal processed--

**GROENE:** Well--

**BRANDT:** --I would provide that information.

**GROENE:** That question I have is why-- did your bill put the burden on the locker or the consumer? Why would the lockers have to enforce?

**BRANDT:** The locker shouldn't have to do anything.

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**GROENE:** Sounds like the Wyoming said, the lockers had to-- had to  
prove this. They process this and the person who took it.

**BRANDT:** No. In Wyoming, like I said, I talked to the introducer of the  
bill, and you guys would get a kick out of this guy. I mean, he makes  
you guys look like flaming liberals, so.

**HALLORAN:** Wow. I love Wyoming.

**BRANDT:** Yeah, yeah, yeah, yeah. But yeah, his-- his whole attitude  
about this is the less regulation the better and so we--

**GROENE:** But your bill said I go to you or you start a co-op, I mean  
custom feeders do it now. If I-- if I own custom feed on stock and I  
tell--

**BRANDT:** It--

**GROENE:** --I'm going to come get one of those cows, take it to the  
locker, I own it. I don't know which cows I own.

**BRANDT:** Well, that's-- that's right. But a co-op is a whole different  
thing. This is a herd share agreement, OK.

**GROENE:** It's the same thing.

**BRANDT:** Well, it's-- it's-- having served on a co-op board for nine  
years, I'll beg to differ on that. So, but yes, we've got a pen of 10  
steers there and I've got herd share agreements from 50 people. We  
take all 10 in and get them butchered. And you can give me your list  
of what you would like out of that. And he can give me his list and we  
can just go around and I'll tell you what the price is on that. And  
then we settle up and I give you another sheet of paper that said this  
was a custom-exempt product and you're aware of how it was processed  
and what you're buying as an informed consumer. So, there's really two  
pieces of paper involved. One, I have to have a herd share agreement  
before the animal is slaughtered. Second is when you pick up the  
product, you're going to get another piece of paper that said, this is  
not for sale, this is custom-exempt. So what that means is you can't  
run down the road and sell it to-- resell it to somebody else or cook  
it at the cafe or take it to the school. It's for your personal uses.

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**GROENE:** Who has to explain it? What I heard here a little bit was that too much burden on the locker owner.

**BRANDT:** The producer-- the producer. And what's confusing is some of the processors came up here, like the young lady from Oakland, they have their own cattle. So they are a producer processor. OK. So-- but in your-- you own cattle, Groene grass fed beef, so you could-- you could do this program, but you would have to-- you would have to keep track of the herd share. And when the meat is picked up, you would have to give them a paper-- that other piece of paper, bill of sale.

**GROENE:** Bill of sale that you own the cow, not that you bought the beef.

**BRANDT:** Yeah, one way or the other. We can put bill of sale on both of them. That way-- then we got all our bases covered.

**HALLORAN:** All right, thank you, Senator Brandt, for your closing. And we will be finishing up LB324. But I first have to say there were nine support position letters in support of LB324, and there was one in opposition. Those were position letters. In addition, we had-- we had written testimony. There were three in support. One was from Paula Peterson, a producer. A second one in support was Justin Carter, Nebraska Food Council. A third one in support was Bruce Rieker with Nebraska Farm Bureau. And there was a letter in opposition, written letter in testimony in opposition from Ansley Fellers, Nebraska Grocery Industry Association. So that concludes our hearing for LB324. Thank you, everybody.