

**MATERIALS PROVIDED
TO
NEBRASKA
APPROPRIATIONS
COMMITTEE**

NOVEMBER 9, 2009

**NEBRASKA CORN BOARD
Alan Tiemann, Chairman
Don Hutchens, Ex. Director**

Nebraska Corn Board
PO Box 95107
Lincoln, NE 68509
www.nebraskacorn.org

TOP TEN REASONS CHECKOFF DOLLARS SHOULD NOT BE TRANSFERRED TO THE GENERAL FUND

10. **"NEVER THE "INTENT."** Corn farmers decided it was important to put a self imposed checkoff on their corn; so they could conduct market development, research, education and promotional programs on behalf of their industry. The legislation corn farmers helped draft and that the Unicameral passed in 1978 was never intended to be used as a substitute for the general fund. Corn farmer's contribution towards the general fund is in the form of their property tax, sales tax and income tax; farmer's checkoff was not and should not be considered as a general fund.
9. **"INSIGNIFICANT VS. HUGE."** The Governor's proposal to transfer checkoff funds into the general fund from wheat, corn, grain sorghum, dry beans, potatoes, poultry, and grapes in total represents \$1.1 million dollars or less than 1/3 of one percent of the \$344 million needed. This amount seems somewhat "insignificant" in that big picture, but this amount is "huge" to those commodities that are charged to promote their industries.
- 8 **"THESE CHECKOFF PROGRAMS OPERATE AT "NO COST" TO STATE GOVERNMENT."** Checkoffs pay their own way—paying rent, DAS charges, fee collection, and auditing charges. In fact, these programs "save general funds" by doing the work to develop markets, expand production, add value by processing, feeding and packaging products that utilize commodities like corn.
7. **"A MATTER OF TRUST."** Farmers trusted the state via the precise intent of the checkoff legislation that these checkoff dollars were for the sole purpose of market development, research, promotion and education, not the general fund.
6. **"MEAT OFF THE BONES OF AGRICULTURE."** It has been stated many times that these checkoff dollars are "excess dollars or surplus dollars", but that could not be any further from the truth. In the case of the Nebraska Corn Board, the board had to cut \$815,000 from various funding requests last June when our budget was set. That meant we could not fund all the beef and pork promotions around the world that needed to be done. It also meant that dozens of in-state programs that are geared toward research, education and promotion suffer the cuts.
5. **"OPERATING IN THE "RED."** If the proposal to move corn checkoff dollars to the general fund passes, and the budget our board set in June is accurate, then we will start next year with \$275,000 in the red.
4. **"THE RIPPLE EFFECT."** The checkoff dollars that are invested with the U.S. Grains Council, U.S. Meat Export Federation, and U.S. Poultry and Egg Council are matched with federal dollars to promote corn, beef, pork and poultry to the global market. Ironically, Nebraska's population of 1.7 million people cannot possibly consume all the ag products we produce, nor can the U.S. population. 95% of the world's population resides outside of the U.S.; so we need every dollar we can to promote our ag exports.
3. **"INVESTMENT VS. TAX."** To Nebraska farmers these checkoff dollars are an investment towards their long term viability; if you transfer them to the general fund, in farmer's eyes they become a new tax on farmers.
2. **"IT'S A DOUBLE HIT"** on University research, and education for FFA, 4-H, and LEAD programs. Checkoff dollars are critical to the basic and applied research at the University of Nebraska; they are also part of the foundation of our young leaders of Nebraska Agriculture.
1. **"IT'S JUST PLAIN WRONG!"** That is the message we have heard from the corn growers we represent and we believe that is the message you have been hearing as well. Never have we witnessed such a coming together of agriculture, until this issue. Fifty-six thousand farmers and ranchers can't be wrong.

**Testimony to the Appropriations Committee
Alan Tiemann, Chairman Nebraska Corn Board
November 9, 2009
Room 1524, State Capitol**

Chairman Heidemann and members of the committee, my name is Alan Tiemann, chairman of the Nebraska Corn Board and a corn, soybean producer from rural Seward.

When the Nebraska Corn Resource Act was drafted and passed by the Legislature in 1978 they had a full understanding that this was a checkoff on corn for the sole purpose of farmers promoting their own commodity. This was a self-imposed checkoff to develop new markets and new uses, conduct research, and promote all that is good about corn and Nebraska agriculture.

Over the last 30 years, thanks to the Corn Resource Act, Nebraska has evolved as a leader, not only in corn production, but in corn utilization through livestock, ethanol, biodegradable plastics, and value added exports. There is no other state better situated to take advantage of the corn-ethanol-distillers grains-cattle feeding-cattle processing synergies than Nebraska. But, it takes monetary investment to get us to this point.

Here are a few examples of checkoff dollars at work:

Production: Thanks to checkoff dollars, the corn genome has been sequenced. What does that mean? It means now we have the ability to take corn yields from 137 bu. average in 2000, to 300 bu. average by 2030. It means biotechnology will continue to allow us to grow more corn on fewer acres, using less fertilizer, fuel, water, and causing less erosion. It will allow us to expand the value-added processing of corn in our state for food, feed, fiber, and fuel. Do not underestimate the role corn checkoff dollars played in this development. The seed industry continues to bring economic development dollars to Nebraska because of our ability to develop the latest seed technology. Take a quick look at the communities of Waco, Gothenburg, Doniphan, Kearney, Battle Creek, Waterloo, Hooper, and you will see sizable investments of production acres, processing, field testing, and research. Thousands of acres in corn seed production occurs in Nebraska; that translates into record breaking yields, that translates into economic development across the entire state.

Utilization: Traditionally, corn was used for some human consumption and livestock feed. But today, there are hundreds of applications for corn; not only in food, and feed, but in thousands of industrial uses, such as batteries, clothing, plastic containers, carpeting, even cell phone covers made from corn. We did not get here by luck, but by years of basic and applied research, paid for by corn farmers who put their money (checkoff dollars) to work. Blair, Nebraska is the perfect example; some of the very basic research into the processes at Blair was the result of investments of Nebraska corn checkoff dollars.

One thing Nebraska corn farmers have not lost sight of, is the development of ethanol made from corn. This is not a new concept, Henry Ford knew it could be done, as they did in World War II, but the growing oil industry saw corn based ethanol as a threat.

Corn farmers are the backbone of Nebraska's ethanol industry which today has 23 refineries in the state, processing 500 million bushels of corn, producing 1.8 billion gallons of ethanol, and 4 million tons of distillers grains, not to mention hundreds of jobs, and millions of dollars in tax revenues. This industry has been built on the sweat, financial commitment, research, promotion, and lobbying efforts of corn farmers. We now rank 2nd in the nation in ethanol production; we are on the renewable energy map thanks to farmers checkoff investments. We now produce nearly 3 gallons of ethanol per bushel of corn and still have over 17 lbs of distillers grains left from that bushel to feed. The improvements in efficiency and conversion are staggering.

Our biggest and most important corn utilization effort by Nebraska corn checkoff investment is livestock. Livestock production is the backbone of Nebraska's economy. The primary component of livestock feeding in Nebraska is corn and distillers grains (the co-product of ethanol production). Corn checkoff dollars have been invested into 30 years of research on how to best feed and convert corn into meat. We rank 2nd in fed cattle production in the U.S. because we have not only the cattle, but we have the corn. Obviously, with 1.7 million people in Nebraska and over 5 million head of cattle, not to mention the hogs and poultry, we cannot consume what we produce. Nebraska corn checkoff dollars have been committed to promoting meat exports from Nebraska to virtually every country around the world. There is no other state's corn checkoff program that does more to support its livestock industry than Nebraska's and we have the numbers to prove it.

Conclusion: Checkoff dollars intent has always been to be a self-help, self-financed, and self-managed program. We use no general tax dollars, and in fact, we believe we help reduce general tax dollar expenditures by doing much to expand the agricultural industry in our state. While Nebraska is the 3rd largest corn producing state in the nation, we are the lowest corn marketing checkoff in the U.S. Our checkoff of ¼ of a cent per bushel, ranks below the lowest producing corn states such as Virginia, Kentucky, or even Alabama. Every state around Nebraska has corn checkoff rates that range from ½ cent to a full one cent per bushel.

Each year the Nebraska Corn Board works with the Nebraska field office of the National Ag Statistics Service to estimate our production and how much of that corn is subject to the ¼ cent checkoff. Then the board will set a budget and hear funding requests that are designed to do the very things I have mentioned in my earlier testimony. Our revenues are equally impacted by weather, marketing trends, government programs and how much corn may be placed in storage vs. sold. We cannot spend resources we don't have, but we should make sure the resources we do have get invested in fulfilling the intent of the Corn Resource Act .

The Nebraska Corn Board represents 26,000 corn farmers in Nebraska, they have communicated over the years that their corn checkoff dollars should be theirs to invest. They feel they already pay property tax, sales tax and income tax, but it is their checkoff dollars that are designed to develop new uses and new markets, that are needed so corn farmers can pay property tax, sales tax and income tax. If the work of building markets is not done, then their livelihood and their income potential is at risk.

Last year alone, we turned down \$815,000 of funding requests that came before our board. We need more checkoff dollars, we don't need to have any taken away.

Today, agriculture (both crop production and livestock production) is facing one of the largest challenges it has ever faced. Well financed groups like the American Petroleum Institute and the Grocery Manufacturers Association have tried to paint corn ethanol as the culprit of high food costs; when in fact, it is high energy costs that account for the bulk of higher food costs. Groups like the Humane Society of the United States and People for the Ethical Treatment of Animals, are investing millions of dollars to eliminate animal agriculture. Short movies like *King Corn*, *Food Inc*, and *Dirt* are trying to portray Nebraska corn farmers as industrial and corporate, with no ties to family farming. Time Magazine, the Wall Street Journal and Michael Pollen who authored the book Omnivores Dilemma, have decided to share their opinions vs. good journalism in describing agriculture.

Agriculture is in a fight for its life, at a time when world population is expected to double within the next 30-40 years. Futurists are saying we will need to produce as much food in the next 40 years, as what has been produced since the beginning of time. Right now we are trying to harvest the largest crop in Nebraska history with a projected average yield of 178 bushels. The Nebraska Corn Board has developed a Business Plan, and a Strategic Plan of what our farmer's challenges are and how we can take advantage of our corn and ethanol production, and livestock feeding to be a world player in this growing global population. But we will need every penny that we collect from our corn checkoff to address the dozens of new issues and challenges. Issues like: Cap and Trade, Indirect Land Use, Renewable Fuels Standard II, California Air Resources Board; Clean Water Restoration Act, Clean Air Act, new food standards, not to mention the animal welfare issues. The latest message we are hearing from farmers is "What are you doing to defend our industry, our livelihood, our future?" The best thing we can do is to invest checkoff dollars in a way that expands markets, develops new uses, promotes the good things farmers and ranchers are doing, and convince the consumer that we are doing it in a sustainable, environmentally friendly way, and that it is still family farmers behind the wheel.

On behalf of the Nebraska Corn Board and the 26,000 corn farmers we represent; we ask that you keep our program intact. We have far too many challenges and conversely too many opportunities to expand Nebraska's agriculture economy, which in turn fuels Nebraska's economy.

I have attached what we determined to be the top ten reasons why corn checkoff dollars should never be considered part of the general fund and also a one-page budget outline showing the impact of transferring checkoff dollars to the general fund.

Nebraska Corn Board Budget Effects of Proposed Transfers

FY 09/10	Beginning Cash Balance for FY 09/10	\$ 760,000.00
	+ Projected Investment Interest	\$ 45,000.00
	+ Budgeted Corn Checkoff Collection in FY 09/10	<u>\$ 3,220,000.00</u>
	Sub-total	\$ 4,025,000.00
	- Budgeted Amount to Spend in FY 09/10	<u>\$ (3,710,000.00) *</u>
	Carryover into FY 10/11	\$ 315,000.00
	- Proposed Cash Transfer in FY 09/10	\$ (200,000.00)
	- Proposed Agency Approp. Adjustment Transfer in FY 09/10	<u>\$ (130,290.00)</u>
	Adjusted Carryover into FY 10/11	\$ (15,290.00)
FY 10/11	Beginning Cash Balance for FY 10/11	\$ (15,290.00)
	- Proposed Agency Approp. Adjustment Transfer in FY 10/11	<u>\$ (260,581.00)</u>
	Adjusted Beginning Cash Balance to Budget in FY 10/11	\$ (275,871.00)

* Following budget cuts of \$814,999 out of various funding requests in FY 09/10

**Verbal Comments
for the
Appropriations Committee Hearing
November 9, 2009
Room #1524, State Capitol**

I WANT TO THANK YOU CHAIRMAN HEIDEMANN AND MEMBERS OF THE COMMITTEE. MY NAME IS ALAN TIEMANN, A CORN AND SOYBEAN PRODUCER FROM THE SEWARD AREA. I'M HERE TODAY AS CHAIRMAN OF THE NEBRASKA CORN BOARD AND AS A SPOKESPERSON FOR THE 26,000 CORN PRODUCERS IN NEBRASKA THAT PAY THE CORN CHECKOFF.

AS A CORN PRODUCER I HAVE ONE CHANCE OVER THE COURSE OF THE YEAR TO COLLECT MY PAYCHECK, AND IT IS RIGHT NOW, IN THE FALL OF THE YEAR. I, ALONG WITH THE VAST MAJORITY OF FARMERS ARE BEHIND IN GETTING OUR CROP OUT. MY COMBINE IS SITTING IDLE AS WE SPEAK. I TAKE MY RESPONSIBILITY VERY SERIOUSLY IN REPRESENTING OUR BOARD AND THE PRODUCERS, AND I'M HERE TO ADD OUR VOICE TO THE OPPOSITION OF TRANSFERRING CHECKOFF DOLLARS TO THE GENERAL FUND.

I HAVE NEVER SEEN ANYTHING THAT HAS GALVANIZED OUR INDUSTRY MORE THAN WHEN IT WAS PROPOSED TO TRANSFER CHECKOFF DOLLARS FROM SEVEN CHECKOFF PROGRAMS TO THE GENERAL FUND. THIS ISSUE HAS BECOME VERY PERSONAL TO ALL OF AGRICULTURE. WHY? BECAUSE CHECKOFF FUNDS WERE NEVER INTENDED TO BE PART OF THE GENERAL FUND. FARMERS FEEL THEY ALREADY CONTRIBUTE THROUGH PROPERTY, SALES AND INCOME TAXES.

I WANT TO ADDRESS THE QUESTION OR REFERENCE OF OUR CHECKOFF DOLLARS AS "EXCESS OR SURPLUS." THIS COULD NOT BE ANY FURTHER FROM THE TRUTH. WE CUT \$815,000 OUT OF VARIOUS FUNDING REQUESTS LAST JUNE. IF THIS TRANSFER TO THE GENERAL FUND PROCEEDS WE WILL

START OUR NEXT YEAR'S BUDGET, \$275,000 IN THE HOLE, AS YOU CAN SEE ILLUSTRATED IN THE BUDGET SUMMARY WE HAVE HANDED OUT.

THESE ARE NOT "PASSIVE DOLLARS OR PROGRAMS." WHAT WE DO WITH CORN CHECKOFF DOLLARS NOT ONLY HELPS DEVELOP MARKETS FOR CORN, BUT THEY HELP BEEF, PORK, POULTRY, ETHANOL, BIODEGRADABLE PLASTICS AND DOZENS OF OTHER PROGRAMS. THEY ARE NOT JUST ADVERTISING PROGRAMS. THEY HELP OUR AGRICULTURE INDUSTRY TO BE MORE SUCCESSFUL AND PROFITABLE SO WE CAN CONTRIBUTE TO THE GENERAL FUND IN OTHER WAYS. AS A FARMER-OPERATED ORGANIZATION WE SPEND A GREAT DEAL OF PERSONAL TIME TO INSURE THE DOLLARS WE INVEST ARE BENEFITING NEBRASKA PRODUCERS.

FOR EXAMPLE—MARK JAGELS, SERVES ON THE EXECUTIVE COMMITTEE OF THE US MEAT AND EXPORT FEDERATION.

FORMER STATE SENATOR, BOB DICKEY FROM LAUREL, IS AN OFFICER WITH THE NATIONAL CORN GROWERS ASSOCIATION.

JON HOLZFASTER, FROM PAXTON IS THE CHAIRMAN OF THE NATIONAL CORN GROWERS ASSOCIATION'S ETHANOL COMMITTEE AND

DENNIS GENGENBACH, FROM SMITHFIELD CHAIRS OUR RESEARCH COMMITTEE.

I ALSO SERVE ON THE US GRAINS COUNCIL'S BOARD OF DIRECTORS. ALL OF THESE COMMITMENTS PLUS MANY OTHER RESPONSIBILITIES THAT ALL OF OUR BOARD PARTICPATE IN, SHOW THE PASSION FOR AGRICULTURE AND THE DESIRE TO DO WHAT IS RIGHT FOR NEBRASKA CORN FARMERS.

WE OPERATE AT "NO COST" TO STATE GOVERNMENT. WE PAY OUR OWN WAY.

LASTLY, IT WAS NEVER THE INTENT FOR THESE DOLLARS TO BE PART OF THE GENERAL FUND. AGRICULTURE IS ALREADY CONTRIBUTING TO THE "SHARED SACRIFICE," THROUGH THE CONTRIBUTIONS OF THE NEBRASKA DEPARTMENT OF AGRICULTURE, AND THROUGH THE FACT THAT AGRICULTURE NEEDS TO STAY PROFITABLE SO WE GROW THE GENERAL FUND.

PLEASE REFER TO MY FULL TESTIMONY, BUDGET PAGE AND TOP TEN REASONS WHY CHECKOFF FUNDS SHOULD NOT BE PART OF THIS TRANSFER TO THE GENERAL FUND. I BELIEVE THE TOP TEN REASONS WHY CHECKOFF DOLLARS SHOULD NOT BE CONSIDERED TELLS THE MOST CONCISE STORY OF WHY WE ARE CONCERNED.

I YIELD THE BALANCE OF MY TIME TO THE NEBRASKA CORN GROWERS ASSOCIATION, BECAUSE IT WAS THE GROWERS FROM ACROSS THIS STATE THAT CARRIED THE CORN CHECKOFF PROGRAM TO THE LEGISLATURE IN 1978 AND BECAUSE IT IS MONEY FROM THEIR POCKETS THAT FUND THE NEBRASKA CORN RESOURCE ACT.

BUT, BEFORE I DO THAT, DO YOU HAVE ANY QUESTIONS FOR ME OR OUR EXECUTIVE DIRECTOR?