

Meeting Minutes
Nebraska Wheat Board
December 1, 2009
Platte Room, Department of Ag, State Office Building, Lincoln, NE

Board Members Present

Dan Hughes, Venango - Chairperson
Larry Flohr, Chappell – Vice Chairperson
Chris Cullan, Hemingford
Brent Robertson, Elsie
Von Johnson, Cambridge
Delferd Schlake, Blue Springs

Ex-Officio Member Present

Dan Duncan, UNL

Staff Present

Royce Schaneman, Executive Director
Zoe Olson, Public Information Officer
Caroline Brauer, Intern

Guests

Scott Osler, NWGA
Paul Johnston, Farm Bureau
Jeff Noel, UNL
Dave Shelton, WMC
Frank Johannsen
Shawn Sullivan
Terry Whiteside
Bob Storant, Dept of Ag
Ron Maas
Aaron Harries, Kansas Wheat
Steve Clanton, Kansas Wheat
Senator Tony Fulton
Alan Tracy, US Wheat Associates
Senator Mark Christenson
Erik Younggren, NAWG

The State of Nebraska open meetings law was made available.

Chairperson Hughes called the meeting to order at 8:01 a.m. on December 1, 2009. Roll Call was taken with board members reporting on planting and crop conditions. The consensus was the crop has more than adequate moisture without as much growth as would be optimal. There have been some late plantings due to the late corn harvest.

Hughes asked that the agenda remain fluid to allow for guest speakers. Terry Whiteside asked to be moved up in the agenda. **Flohr moved to approve the agenda as amended. Cullan seconded. Voice vote motion passed.**

The minutes from the previous meeting were reviewed. Hughes asked where minutes are retained. Olson explained that minutes are available on the website and a hard copy is retained in the office. **Cullan moved to approve the minutes. Robertson seconded. Voice vote motion passed.**

Schaneman provided copies of the August, September and October financial reports. Cullan asked what percent revenue was as a part of the budget. Schaneman answered 91%. Schaneman reported that in September there was a contractual review by the Department of Ag that found two missed payments to US Wheat for FY 08-09 and these payments were made up in September. Schlake asked what the State Fair cost. Schaneman said he will find out and report to the board. Schlake noted that some things in the display will be reused and stated that whatever the cost it was well worth the value received. Hughes asked with the October adjustment was negative. Storant explained that the money was posted but not paid yet. Schaneman pointed out that the research amount is zero due to contract language negotiations with the university. Storant explained that the revenue collection sheet reports the fee collection as the checkoff is collected and the funds can be held for up to a quarter; therefore, collection

creates lag time. Schlake asked where the Governor came up with the numbers in the proposed budget cuts. Schaneman explained that when the proposal came out he called the budget office and was told they reviewed years past and carryover. Storant explained that the review is done month by month over two years of data and looked at the cash fund balance each month. Schlake wondered if there were a way to protect these funds due to lag time in collection and then payment. **Schlake moved to approve the financial reports. Cullan seconded. Roll call vote: Johnson-yes, Robertson-yes, Schlake-yes, Flohr-yes, Cullan-yes, Hughes-yes. Motion passed.**

There were no compliance reviews.

Hughes thanked Ron Maas for his letter to editor on behalf of checkoffs.

Members reported on the fall US Wheat meeting held in Salt Lake City in October. Schlake reported that the wheat quality committee discussed a visit of European millers. Cullan reported the hard white wheat committee encouraged members to bring up the HWW incentive to congressional members during hill visits. Nigeria is the largest importer of HWW, South Dakota presented a storage proposal for incentives and Olson took the committee meeting minutes. Hughes reported that long range planning held a low-key meeting and there is concern in the Pacific Northwest regarding how dams on the river system may significantly impact wheat markets. Schaneman reported that the discussion at the administrators' luncheon focused on budget concerns in all states and the effect on universities for research. Olson reported that Nebraska's communication efforts were of interest to the other states and there is a move for states to have regional marketing efforts.

Cullan reported that Gary Hou gave reports on three projects during the Wheat Marketing Center meeting. Dave Shelton noted that WMC is working with visiting scientists and that Bimbo is now the largest baker in North America. Shelton gave a financial report that lab services income is up and the building is above 90% occupied. There was an audit and WMC passed with flying colors.

Schaneman reported that NWB has funded IGP in past years but that many states no longer fund IGP. NWB did not fund IGP last year due to contract issues and did not receive a proposal this year. IGP called all states in for a strategic planning session. Johnson reported that IGP is attempting to broaden its base of funding. Hughes asked if there had been any contact from IGP since the meeting. Johnson received an email with a report of the meeting. Maas asked who is heading up IGP. Schaneman reported Dirk Meyers and Mark Fowler.

Schlake reported that PGI met before the US Wheat meeting and noted that the meetings are becoming more productive. The Mexican millers attended and were added as board members. Hodges is working with logistics to facilitate Mexican purchases and is looking at contracts similar to ConAgra's. There were more dynamic discussions thanks to contact with the Mexican millers. The board broke into committees which has increased state participation. PGI will conduct a budget review. Schlake reported that on the survey: 540 samples were collected, 32 parameters were tested, 130 composites were then milled, and there were 79 tests on composites. Baking is the largest test. Graphs, tables and reports are on the web and the data was then used at USW reports by Schaneman in Middle East. Jim Frahm has a problem with paying the billed amount of survey which is less than last year and stated his goal is to only pay 25% of survey. Schlake noted that this is all pass through money and believes should be more at 75% due to mat funds. He noted the invoice still not paid and if US Wheat doesn't pay states will need to pay larger share. Schlake believes the survey should be paid with government funds not checkoff funds and PGI may need to take this issue to the wheat quality committee. The next meeting will be in

February in Omaha and may look to tie in with UP. PGI is still working with mills issue. There is a proposal for the states to pay for mills and KSU would do the milling. Schaneman reported that Justin Gilpin is working with KSU to resolve the issues and has proposed that KSU will do milling for half the internal rate for 5 years at \$25/sample with a motion to try and do milling done at internal rate with KS wheat to come back as full member. KS has made a motion that they will come back as a full participant if financials are tightened up and they receive more information on Hodges' marketing efforts other than the survey. Schaneman has had more conversations with Gilpin in attempt to get a successful MOU drafted and everyone is trying to get moving forward in a positive direction. Schlake each state will need to have to vote on the process and Nebraska's share will be \$16,000. Schaneman noted that NE can't reach the financial commitment in five years at \$25/sample. Schlake noted the need to show value of relationships. Schaneman has spoken with AG to how to get the MOU written.

Robertson reported on the Wheat Foods Council strategic planning session in Kansas City in October headed by Ron Arp. Five options were explored ranging from expanding to dissolving. The consensus was to continue but to explore the option to merge resources with a similar organization such as Grain Foods Foundation or the Food Information Council. A plan to move forward should be ready by the January regular board meeting. It was a good meeting, however, budget issues remain. The problem arose with the Urban Wheat Field. WFC is committed to the Urban Wheat Field next year on September 23 and 24 in DC on the Mall. This year there is an online wheat field. Schlake asked if there are other farming games. Robertson said there are but this is just about wheat. Maas asked who the target audience is. Robertson reported teachers, dieticians, and medical field educators. Maas saw value in the program as good for the target audience but not for wheat farmers. Sullivan asked where the costs were out of line. Robertson reported there were costs overruns allowed in the way contracts were written. Hughes asked if WFC is hiring a director. Robertson said the plan will be in place in January.

Schaneman reported on the Middle East Crop Quality Seminar sponsored by US Wheat. Schaneman presented information in five countries – Egypt, Jordan, Saudi Arabia, United Arab Emirates and Kenya. Buyers from other countries attended the seminars and Schaneman was accompanied by John Oades, Dick Prior Ian Flagg and Hesham Hassanein from the Cairo office. Competitors will leave \$35-40/ton on the table to get a market and this is a relationship business. Schaneman reported that US Wheat is doing right thing.

Dr. Dave Shelton from the Wheat Marketing Center gave a presentation. He will be attending the 40th Anniversary of the High Plains Lab in June. Schaneman thanked Shelton for his assistance with US Wheat report and tutoring. Shelton reported on a Nigerian short course and that Nigeria is large purchaser of HRW and HWW. There are 12 instant noodle plants now in Nigeria and over two years ago there were none. WMC staff is working with more countries and staff will be visiting with many states this month. WMC staff is working with many master bakers in many countries. Shipping rates now make shipments to Europe possible and the alveograph has helped sell wheat in areas. Shelton shared the 2009 Course Schedule, 2010 Course Schedule and information on workshops.

Terry Whiteside gave a presentation on the Transportation Briefing update and on pending legislative changes.

Senator Tony Fulton spoke to issues of the special session and budget proposal. He noted that constituent contact critical to any legislator and that such contact makes a difference.

Senator Mark Christensen thanked members for their support during the special session. Hughes asked about support for Dubas' bill to clarify language. Schlake commended the state and legislators for having balanced budget. Senator Christensen noted that is due to the foresight of state constitution.

Dan Duncan presented the UNL report. The ARD account will have a fund review on money received at the end of December and first of January and he will provide an update once funds are determined. Regarding the contract language, Schaneman with the help of Storant worked with the university lawyer to provide wording changes for the contracts. The following additions and changes were made: added "on behalf of the University of Nebraska-Lincoln"; a termination clause requested a change to 90 days but will remain at 30 days; under special provisions to indemnify the Wheat Board or hold harmless at the beginning of the clause added "to the extent provided by law"; added workers compensation clarification. The university is visiting all boards regarding the budget and all are aware of tough times. Duncan doesn't see mergers as feasible but more likely see the elimination of entire programs. Wheat breeding should be safe but many other research programs will most likely remain on the chopping block. The university budget has been cut seven out of the last 10 years and Duncan believes legislators need to be reminded that the loss of agriculture programs leave no other option in the state unlike teacher colleges, engineering, etc. Reductions are causing a move from agriculture literally in the field and the connection between research in the lab and the field may be getting lost. Maas asked what will be the effect of Innovation Campus/State Fair Park on agriculture. Duncan reported the ARS lab is the first tenant but depends on what companies will be tenants of Campus.

The Nebraska Wheat Growers report was given by Osler. He thanked Olson for keeping on top of indemnity and legislative issues. Cullan thanked Hughes for his testimony. Hughes thanked Schaneman and Olson for their work. Hughes reminded all board members of the importance of retaining their membership in the growers association. Osler reported on the RMA discussions with rotation issues of corn on corn will be out of insurance coverage. Wheat is not affected. He reported on the educational seminar and thanked Olson for her efforts to bring quality programming to the wheat growers. The discussion on basis and lobbying seminar with Cori Wittman of NAWG were invaluable. The mobile baking lab has been a homerun and the growers are looking into a pickup lease through Performance Dodge. The committee establishment will be reviewed at the annual meeting. NAWG is looking for a new CEO and Sullivan will attend the interviews on December 13. Duncan said the LEAD alumni web page could be good resource for the growers. Hughes thanked Osler for his efforts on behalf of NWGA. Osler stated he was glad they had Olson working for them.

The Biotech Wheat Program went to second reading on funding proposals. It is an educational fund to be used to educate the public. Schlake asked who will be heading the program. Tracy answered that Mark Darrington will be heading the program and that NAWG staff will be mainly responsible. Hughes stated that industry buy-in is seen as dependent on the educational component. Robertson asked what organization will oversee the program. Tracy noted there will be a council of NAWG, US Wheat, NAMA with no governing board but the council will oversee. Robertson believes the proposal is vague. Hughes asked for the wishes of the board but sees it as a good project. Schlake asked where the proposal would be funded. Schaneman stated fees would come from unobligated. Schlake asked where the funds would be moved to. Schaneman stated they would go to publicity and education, Hughes suggested domestic marketing. Flohr noted this has international implications. **Flohr moved to fund the proposal at \$5,000. Johnson seconded. Roll call vote: Cullan-yes, Johnson-yes, Hughes-yes, Robertson-yes, Schlake-yes, Flohr-yes. Motion passed.**

Schaneman presented a Utilization Study proposal from the Food Processing Center. The idea came from Senator Carlson's office who talked to corn board to track corn shipments through paperwork filed with Dept of Ag. There is a contract with Pro Exporter for data then put together a study. The initial price is \$25,000 from the food processing center and there is no formal proposal. Schaneman believes the estimate is high and there is no action required as there is no formal proposal. Schlake believes contacting elevators will work. Tracy suggested there is a problem with shifting funds and this could be detrimental to the overall grain usage picture as where grain is going is not the only issue facing the price of grain. Schaneman stated as budget issues increase the study will help show how we spend checkoff dollars. He believes they will continue to develop the study.

Schaneman said the WMC proposals could be considered first reading, move to second reading, or waive readings and vote. Hughes asked how the special session affects NWB budget. Schaneman stated NWB budget is reduced 2.5% this year and 5% next year. However, the money is not moved into the General Fund. NWB is not authorized to spend the reduced amount. Hughes stated this is nonsensical as there is no result on state funds. Robertson asked if it is a percent of NWB budget. Cullan asked board to consider first reading on the WMC proposals and to take up at the next meeting. Flohr stated these are no doubt worthy projects seeing what WMC has produced in the past.

Schaneman presented the office report. Olson gave a year-in-review power point presentation. Schaneman noted the 40th Anniversary of High Plains Lab is June 17, 2010. John Oades has asked for topics of interest. Hughes thanked Robertson and Cullan for hosting the Chinese trade team. Cullan stated it was a most rewarding experience.

Schaneman stated that US Wheat is not fully funded and is 80% funded at this time. Hughes thanked Tracy for efforts to bring trade teams to Nebraska. **Flohr moved to fully fund US Wheat. Robertson seconded. Roll call vote: Robertson-yes, Flohr-yes, Hughes-yes, Johnson-yes, Cullan-yes, Schlake-yes. Motion passed.**

Break for lunch at 12:00 p.m.

Meeting Reconvened at 1:00 p.m.

Baenziger reported that a finding at the Plant Breeders Meeting was that long coleoptiles need to be considered in drought tolerance.

Schaneman noted that the NCTA study room will have a wheat design and is asking for suggestions.

Aaron Harries and Steve Clanton of KS Wheat gave a presentation on the Innovation Center for Advanced Plant Design. Harries also asked for a discussion of public germplasm in private industry and stated there are opportunities and risks involved. Baenziger noted that UNL has shared in the past with other universities and he believes in sharing germplasm but will never share anyone else's line as there is never any third party sharing nor sharing of any unreleased germplasm. Harries recommended all states get together to speak on the subject. Baenziger stated he expects all companies to come to all universities and that confidentiality agreements should be expected. Harries stated that KS is concerned over a possible loss of royalties through private development and he believes all states are in jeopardy. Baenziger believes R&D fees will increase once the commercial rate is inserted and will possibly lose market share. Schlake asked if public breeding programs are in jeopardy and are wheat breeders in demand for private industry. Baenziger sees a future for public breeders but just more specialized.

Harries stated the states must determine value and that producers should have voice in university decisions with regard to germplasm lines. Baenziger said there will be many issues to deal with and there will be a need to have conversations early as lots of relationships must be cared for. Schlake asked about confidentiality agreements involving how many people. For discussion purposes they are currently university and Baenziger only but when negotiations become serious the board must be brought in. Robertson asked if germplasm is patented. Baenziger noted that pvp the legal rights can be used for crosses freely however, if a private company puts a trait in it can't use the germplasm without permission and it may need to be patented in the future. Schlake asked if there is DNA on wheat and Baenziger said essentially, yes. Baenziger stated private companies were in the wheat business before and left and may leave this time. NWB probably doesn't want to put the Nebraska wheat industry in jeopardy and reminded the members that private business is business. Various scenarios were discussed. Hughes stated the industry is looking to expand into wheat and that opportunities and traps exist. There is a need to be vigilant.

Schlake asked Harries if he had any information on PGI and the mills. Harries stated he is out of the loop and that Gilpin is taking the lead. KS Wheat paid for the mills and now it is all about the MOU.

Baenziger informed the board he has two new wheat varieties for release.

Carlton invited the members to consider attending the KS Ag Classic in Topeka on February 3 & 4.

Alan Tracy gave a presentation on the role of US Wheat on trade policy: WTO, Market Access and Fair Competition Example: Saudi Arabia.

Erik Younggren gave a presentation on NAWG activities.

Cullan moved to approve travel. Schlake seconded. Roll call vote: Johnson-yes, Hughes-yes, Flohr-yes, Robertson-yes, Cullan-yes, Schlake-yes. Motion passed.

Schaneman asked for suggestions on the DC meeting i.e., extra visits to foreign Ag service or other agencies such as the USDA, or a visit to an embassy. Stan Garbitz with the Dept of Ag will help make connections. Schlake asked if Garbitz could go with the board. Flohr suggested a meeting with risk management.

Flohr moved to go into executive session at 3: 55 p.m. with staff and Snitily Carr representatives Kelly Anderson and Andy Bretz. Schlake seconded. Voice vote. Motion passed.

Out of executive session at 4:45 p.m.

Robertson moved to adjourn, Cullan seconded. Voice vote. Motion passed.

Meeting adjourned at 4:50 p.m.

Respectfully submitted,
Zoe Olson