

MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

GreenStone Farm Credit Services
Corporate Offices, Training Room
3515 West Road
East Lansing, MI 48823

MEETING MINUTES MARCH 13, 2012

PRESENT:

Velmar Green, Chairperson, Michigan Commission of Agriculture and Rural Development
Diane Hanson, Secretary, Michigan Commission of Agriculture and Rural Development
Don Coe, Michigan Commission of Agriculture and Rural Development
Trever Meachum, Michigan Commission of Agriculture and Rural Development
Keith Creagh, Director, Michigan Department of Agriculture and Rural Development

ABSENT:

Bob Kennedy, Vice Chairperson, Michigan Commission of Agriculture and Rural Development

CALL TO ORDER AND ROLL CALL

Chairperson Green called the meeting of the Commission of Agriculture and Rural Development to order at 9:02 a.m. on March 13, 2012. Commissioner Hanson called the roll with Commissioners Coe, Green, Hanson, and Meachum, and Director Creagh present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER COE MOVED TO APPROVE THE MEETING AGENDA FOR MARCH 13, 2012. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.

APPROVAL OF FEBRUARY 15, 2012, MEETING MINUTES

MOTION: COMMISSIONER COE MOVED TO APPROVE THE FEBRUARY 15, 2012, MEETING MINUTES. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on Wednesday, April 11, 2012 at Constitution Hall, 525 West Allegan Street, Lansing.

COMMISSIONER COMMENTS AND TRAVEL

Commissioner Hanson reported that issues of a potato grower in Marquette County were resolved recently; they had been experiencing problems with not being able to move product because of the road restrictions. On February 15, she attended the

Lansing Legislative Conference sponsored by Michigan Farm Bureau (MFB), and on February 27, she was in Mount Pleasant for the Potato Growers Winter Conference. She also attended several meetings in preparation for the July 28 "Breakfast on the Farm" event to be held in Delta County. Michigan State University (MSU) Extension is helping to sponsor that event. The Upper Peninsula (UP) received about 12 inches of snow recently and yesterday it was raining, which is very welcome moisture for producers in the area.

A beef livestock producer from the Cooks area, who is involved with the MSU Agriculture Biomass Research Center in Chatham, advised that if they are unable to sustain activities at the Center, the abandoned property would revert to the original owners, Cleveland Cliffs. A work group is meeting to potentially develop an educational center at the facility that could become a showcase for the UP, have capability to broadcast sessions through satellite systems to all schools in the area, and ultimately maintain ownership of the Research Center property.

Commissioner Coe reported on February 17, he attended the Northwest Michigan Food and Farming Summit, which was well attended. This network has established objectives for the next year and all interested parties are included in the process of moving forward. He has been serving as the Michigan Department of Agriculture and Rural Development (MDARD) representative at these meetings and encouraged the designation of someone from within the department to attend meetings when appropriate in the future.

On February 22-24, he traveled to Grand Rapids for the Michigan Grape and Wine Industry conference. He complimented Linda Jones of the department for organizing an excellent event again this year. He attended the February 25 Taste the Difference event at Crystal Mountain that focused on farm market direct sales. On February 26-28, he traveled to Washington, D.C. with MSU as part of their Council on Agriculture, Research, and Education to lobby on behalf of the Land Grant Universities. While there, they met with Senator Stabenow and other members of Michigan's Congressional Delegation to discuss the Farm Bill and extension research programs.

The Governor and Bill Rustem visited the Traverse City area on March 1, along with Directors Creagh and Steudle. The Economic Summit and a series of meetings around the local community were held. Commissioner Coe hosted one of those meetings at the Traverse City School District to introduce a proposed pilot program for a ten cents a meal initiative for schools in the area to purchase fresh and minimally processed local fruits and vegetables. The Governor's support was appreciated.

Commissioner Coe traveled to Lansing on March 8 to participate in the well-attended Food Hub meeting sponsored by MDARD. As a member of the Labor Committee, he attended the March 7 Michigan Farm Bureau (MFB) Commodity meeting in Frankenmuth. In East Lansing on March 9, he met with Jane Whitacre to discuss the Michigan Food Policy Council and attend a Michigan Equine Foundation meeting.

The snow storm two weeks ago created a disaster area in Leelanau County. The wet, heavy snow caused massive power outages and significant damage to the tart cherry

trees, with lesser damage to sweet cherries, apples, and other tree fruit crops. The estimated loss to tart cherry production is 15-20 percent of the crop in the upcoming harvest season, as well as continued losses over the next 5-10 years. MDARD immediately began to facilitate an official disaster declaration for Leelanau and some of the surrounding counties.

He received communication from Gregory Johnson asking about the position of the Commission concerning the Michigan Department of Natural Resources (MDNR) Invasive Species Order (ISO). Commissioner Coe shared his response to Mr. Johnson in which he reiterated the position of the Commission has been consistent – although not wanting to see swine hunting camps put out of business, stricter control of hunting camps is necessary to ensure the domestic swine industry is not unduly threatened by feral swine. The Commission had recommended the hunting industry, MDARD, and MDNR work on legislation for hunting camps and, he personally is hoping if that legislation can be enacted, a good argument could be made to remove the ISO from applying to animals behind the fence.

Commissioner Meachum attended the NBT (Next Big Thing) annual meeting held in Austin, Texas, which is a cooperative of approximately 50 North American apple growers that coordinates production of the sweet tango apple. He participated in the Michigan Agricultural Cooperative Marketing Association (MACMA) annual meeting in Grand Rapids, which featured an internationally renowned speaker on the future of tree fruit markets. During yesterday's Michigan Apple Committee meeting, it was learned there will be approximately \$330,000 worth of research projects for the upcoming year.

The warm weather is causing concern for the apple industry as early springs can lead to significant frost damage. In addition, the potential of a longer chemical spraying season could raise production costs.

Commissioner Green advised his operation is looking forward to the early spring and the potential of planting sugar beets during March. The agriculture industry in this part of the state continues to be very optimistic. Corn prices continue to increase and milk production is up across the Midwest because of the mild winter. He will be speaking to an agriculture study group in Ontario regarding Michigan agriculture and dairy industries. This afternoon, he will participate in a review of the animal science curriculum and how that interacts with the 4-H and Future Farmers of America Programs in Michigan.

In addition to travel previously mentioned, Commissioners Coe, Hanson, and Meachum traveled to attend today's meeting. There was no other travel submitted for approval.

MOTION: COMMISSIONER HANSON MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.

RECOGNITION OF JAMES CALLAHAN, OFFICE OF REPRESENTATIVE POTVIN

Director Creagh recognized James Callahan from Representative Potvin's office and welcomed him to the meeting. Representative Potvin chairs the House Agriculture

Appropriations Subcommittee and the Director expressed the department's appreciation for the Representative's leadership.

Mr. Callahan advised Representative Potvin, who is currently participating in committee meetings, sends his greetings and best wishes to the Commission.

DIRECTOR'S REPORT

Director Creagh reviewed the current key issues of interest for the department, noting the Quality of Life (QOL) directors are meeting with the Governor every other month to discuss QOL issues, which is a great opportunity to ensure the agencies are aligned. The Governor recently asked about a strategic plan for doubling exports and where the opportunities exist. MDARD is working with the Michigan Economic Development Corporation (MEDC) toward that effort. Anything the Commission can do to help identify those opportunities would be appreciated. In response to question from Commissioner Green relative to export of live animals, Director Creagh advised the department will do whatever it can to help improve and grow that opportunity.

In response to questions from Commissioners Coe and Green, the Director advised progress has been made relative to moving Michigan cattle into Wisconsin. In recognition of Bovine Tuberculosis (TB) Free areas, standards should be effective in June of this year that would require only individual animal testing for Bovine Tuberculosis prior to movement of animals.

The Governor inquired about a strategic initiative for Michigan's food processors. The plan at this point in time is to work with MEDC on that effort, and through their ten-region business structure, utilize assets and attributes as an economic driver at the local level.

Presidents of the three UP universities and the head of Operation Action UP are convening a meeting with leaders and stakeholders from across the UP to consider rural development opportunities from a more integrated approach. The goal is to identify specific solutions to allow for long-term sustainable growth. The Director will advise Commissioner Hanson once the date has been established.

The department will host a Food and Drug Administration (FDA) Field Hearing in the near future. That hearing will focus on the four new FDA rules that will be part of the Food Safety Modernization Act. Because specifics of Michigan's agriculture industry differ from that of other states, it is important this happens in Michigan. He encouraged the Commission's engagement and leadership in that effort and will advise details as soon as they are established.

MSU is currently searching for a new Dean of the College of Agriculture and Natural Resources. The search committee is encouraging feedback on the four final candidates and information is available on the MSU website.

Space redesign efforts continue for Constitution Hall to take advantage of vacancies, upgrade space, and potentially co-locate MDARD, the Michigan Department of Environmental Quality (MDEQ), and MDNR, together in the building.

The department has devoted considerable time to the severance tax effort and is working with the potential mines in the UP to determine an appropriate tax policy.

The Director thanked Commissioner Coe and his wife for their hospitality during his participation at the Economic Summit in Traverse City.

MDARD and the MSU Center for Regional Food Systems hosted a summit, during which opportunities were identified that utilize food and agriculture as an economic driver.

Chief Deputy Director Wenk represented the department at the recent Timber Advisory Committee meeting. This fiscal year, MDARD is working with MDNR for \$200,000 to help with forestry technical assistance through Soil Conservation Districts. In the Governor's budget proposal, there is \$500,000 toward this effort. The timber industry has communicated the need for fiber from non-industrial private lands. Some consulting foresters are concerned about direct competition. The department is able to build that capacity through existing MDARD programs and the Farm Bill and it makes great sense to leverage that expertise. In response to request from Commissioner Coe, the department will provide the Commission with talking points on the forestry industry and MDARD's forestry efforts.

MFB's Ag Day at the Capitol is tomorrow and any Commissioners having the opportunity to attend will experience this great day to showcase agriculture and speak with legislators.

As part of MDARD's continuous quality improvement, he and Chief Deputy Director Wenk are meeting with staff from each of the department's regions. He invited Commissioners to join any of those meetings if they have the opportunity.

A meeting with MFB and MDEQ will be held March 30 to discuss Concentrated Animal Feeding Operations (CAFOs). This meeting is held annually to ensure any issues can be resolved in a collegial manner.

Commissioner Coe requested the Director share a request with MDNR that producers who are raising heritage species behind the fence for meat consumption are willing to identify their animals with radio frequency identification tags and ask that MDNR take this into consideration. Director Creagh advised he will discuss this request with Director Stokes.

DIRECTOR'S TRAVEL

Director Creagh has no out-of-state travel planned in the near future.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

BUDGET UPDATE: Amy Epkey, Budget Officer

Ms. Epkey reported the legislative appropriations process began the end of February with overview presentations before the House and Senate Appropriations Subcommittees. During those meetings, the Director explained how the \$4 million in

recommended enhancements would be utilized by the department to ensure return on investment for those funds.

Additionally, two House and one Senate Appropriations Subcommittee meetings have also been held that focused on regional food systems, or food hubs, as well as forestry and rural development. It was very helpful to have Dan Carmody from Eastern Market, as well as representatives from the Flint area testify at those meetings, and she thanked Commissioner Coe for arranging for the appearance of a local producer from northwest Michigan. It was beneficial for the subcommittees to hear the potential impact of the food hubs moving forward.

The Senate indicated a target amount of \$150 million below the Governor's budget recommendation and the House number is not yet finalized. She and Legislative Liaison Derek Bajema will be meeting with individual legislators to answer their specific questions. The subcommittees are scheduled to report their recommendations by April 1, with the ultimate goal of completing the legislative process by June 1.

MICHIGAN FOOD AND AGRICULTURE EXPORTS: Donna LaCourt, International Trade Manager for Agriculture, Michigan Economic Development Corporation; and Jamie Zmitko-Somers, International Marketing Manager

Ms. Zmitko-Somers reviewed global opportunities for the Michigan food and agriculture industry. In 2010, \$1.75 billion in Michigan food and agricultural products were exported to Canada, Mexico, Japan, South Korea, China, Russia, Taiwan, Indonesia, the Netherlands, and the United Kingdom. Exports from Michigan have been on a steady increase since 2005, with an increase for 2011 expected.

The overall goal of the department's Export Program is to help increase Michigan food and agriculture exports through export education across the entire export spectrum. Various mediums are utilized to provide export education, including seminars held around the state, buyer missions, trade missions, trade shows, and sharing trade leads. Assistance is also provided in export documentation, financing, logistics, and navigating federal assistance programs.

Two of the program's major partners are Food Export-Midwest, of which Michigan is a partner, and Food Export-Northeast, with whom we have a strategic alliance. Leadership of the various state agriculture departments oversee these programs, which receive funding through the U.S. Department of Agriculture (USDA). With Food Export, there are a number of services that can be provided to companies, including export education through hosted seminars and webinars. The Food Export Helpline provides customized export assistance on a variety of related topics. Additionally, "Market Builder" is a valuable tool that can determine a product's export potential by providing cost-effective primary in-country research. To help maximize the assistance that Food Export provides companies entering foreign markets, the department works with contracted highly-qualified representatives living abroad.

Through Food Show Plus, service to companies is offered at approximately 12 international trade shows each year and includes translation of company profiles and product data, interpreters, one-on-one meetings with targeted buyers, site visits, and

qualification of leads. Midwest invites buyers to the U.S. to meet with food and agriculture companies which provides product feedback and establishment of contacts with long-term sales potential. Trade missions are also hosted to bring potential suppliers to various countries, which provide critical information on how a product gets into a particular market.

The USDA Branded Program offers cost-share assistance for branded products sold in foreign markets. Companies receive 50 percent cost reimbursement of eligible expenses spent on international marketing and promotional activities. Products must be produced within the U.S. and contain at least 50 percent U.S. agricultural ingredients. The program is available to companies that qualify as a small business by the Small Business Administration (SBA).

MDARD maintains an export-specific site on the internet, www.michigan.gov/agexport, which provides links to numerous helpful resources. The Twitter link appears there also, as well as bi-monthly newsletters.

In response to inquiry from Commissioner Coe, Ms. Zmitko-Somers advised the most significant barrier to exporting for small and medium-sized companies is having adequate staff and resources. To meet the Governor's goal of doubling exports, primary focus will be toward developing new foreign market opportunities and helping companies realize that, even though they do not have staff, there are means of working with industry experts to assist with export activities.

To help producers identify legitimate foreign brokers, Commissioner Coe requested development of an advisory check list of reliable foreign brokers. Ms. Zmitko-Somers will investigate and develop advisory information based on resources currently available.

Ms. LaCourt advised she is part of the revitalized MEDC Export Team, serving as the statewide Agriculture/Rural International Trade Development Manager (ITDM). Deanna Richeson is Director of the Michigan Export Office, with a Grant Manager, a Marketing Specialist, and ITDMs in Lansing and four state regions rounding out the Export Team.

MEDC collaborates with MDARD toward export goals to 1) compile a broad spectrum of export and business development resources across the state, 2) connect agricultural-based and agricultural supply chain companies to these resources to support export growth, and 3) look for ways of "cross-pollinating" awareness of business development resources between the agencies to expedite company assistance.

Statewide partner collaboration includes various State of Michigan agencies, state universities, regional partners in Van Andel Global Trade Center, Northwest Michigan Council of Governments, Automation Alley, the Lansing Chamber of Commerce, and various federal partners to make those local connections to facilitate export business in a more systematic fashion. Michigan's four Regional Export Networks (REN) coordinate the Michigan State Trade Export Promotion Program applications and delivery of services in collaboration with MEDC and its strategic export partners.

Companies can also take advantage of the State Trade Export Promotion (STEP) Program. STEP is a pilot program funded by SBA to help small and medium-sized enterprises begin or expand their exports and export markets. Qualified companies can receive between \$10,000 and \$25,000 in matching funds for eligible market promotion activities.

The Michigan STEP grant is modest in size when compared with USDA's Branded Program. The Branded Program is unique to eligible value-added agricultural products produced by small companies. MDARD and MEDC are collaborating strategically to utilize the STEP reimbursement grant for agricultural products and export marketing activities not covered by the Branded Program.

Since mid-November 2011, 23 agriculture-based companies have requested export resource assistance through the MEDC export program. Increased export resource support is being developed for the forest products sector.

In response to inquiry from Commissioner Meachum, Ms. Zmitko-Somers advised they are making progress in export efforts for Naturipe, who is interested in pursuing the Branding Program and other activities available. On April 13, the Director and Phil Korsen will host a meeting to discuss Maximum Residue Limit (MRL) issues which has become a concern for the cherry and blueberry industries.

Director Creagh emphasized the department has an excellent working relationship with MEDC and asked Ms. LaCourt to communicate that MDARD appreciates that collaboration, which has never been stronger.

PERFORMANCE MANAGEMENT AT THE MICHIGAN DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT: Scott Staelgraeve, Business Resource and Technology Manager

Director Creagh reported Mr. Staelgraeve is an expert in the field of metrics and has created a system making measures and metrics meaningful and useful to the department's employees. During meetings with the Governor, measures and metrics reflected in the scorecard and the dashboard are reviewed to indicate progress and identify areas needing additional attention.

Mr. Staelgraeve advised when the Governor released the MiDashboard during his State of the State address in January, he ushered in a new concept for state government: a means by which to actually measure Michigan's progress. This provides the means of reporting to the citizens of Michigan how state government is achieving real results for real people, focusing on purposes as well as functions.

MiDashboard is designed to provide information at-a-glance and includes Michigan's current standing, trend, and, where feasible, national rank in categories aligned with our Executive Branch/group executive structure of economic growth, health and education, value for government, quality of life, and public safety. External dashboards provide transparency and awareness of Michigan's overall performance for our citizens and businesses. Internal scorecards are management tools to measure outcomes and outputs to determine where we can create efficiencies and make adjustments to improve

outcomes. As a system, performance management will drive value for the citizens of Michigan.

The dashboards receive input from a variety of sources, including stakeholders, federal and local government partners, and the Executive Branch. The goal is for State of Michigan employees to use this information as a guidepost on how what they do every day impacts big-picture organizational goals to move Michigan forward.

Ensuring transparency in government is evident in the Governor's "open door" approach through the www.michigan.gov/openmichigan website. There are three main sections included: data access, spending and accountability, and performance management, which link back to the dashboards and agency-specific scorecards.

MDARD engages in continuous strategic planning that includes both stakeholder and employee involvement at various levels. This activity leads to continuous improvement of the department's strategic direction and development of MDARD's Balanced Scorecard.

MDARD's vision is to be recognized as a national leader among state departments of agriculture through our expertise, effectiveness, application of sound science and delivery of quality service to our stakeholders. And its mission is to assure the food safety, agricultural, environmental, and economic interests of the people of the State of Michigan are met through service, partnership, and collaboration.

Additionally through the strategic planning process, the department realized there are a number of outcomes that are shared with other state agencies, its numerous partners, and the state's citizens – vibrant communities, healthy food, skilled talent, and a strong ecosystem, which is often referred to as placemaking and refers to quality of life.

The department's high-level goals are to increase the impact of the food and agriculture industry, double agricultural exports, increase food and agriculture jobs, improve access to healthy food, and increase sustainable food and agriculture systems. Aligning with that are the strategic priorities to assure a safe and healthy food supply, to protect animal and plant health, sustain environmental stewardship, provide consumer protection, enable rural development, and foster efficient agency operations.

The department's vision, mission, as well as the shared outcomes, goals, and priorities provide the basis for MDARD's performance management process. The department's scorecard provides the means for measuring the aligned outcomes. The Performance Excellence Workgroup, with representation from each department area, meets monthly to review measures and is driving performance management within the divisions.

Mr. Staelgraeve serves as the department's representative on the "Champions" group and is involved with the Training and Communications subgroup. The QOL group is recognized as the leader in the Balanced Scorecard implementation and has piloted many of the state-wide performance management programs.

In response to inquiry from Commissioner Green, Mr. Staelgraeve explained when an aggressive or new measure is established, initially there will be a gap in performance. As a department, we chose to be aggressive with those targets, with green requiring a measure to be within 90 percent of target.

Mr. Staelgraeve, in response to questions from Commissioner Coe, indicated that because of refining the process to allow for employees to identify themselves within the broader scheme, staff has embraced the process. Each division developed their scorecard, reviews data monthly, shares feedback, and continues to engage individual staff in the process. Also, as part of the overall performance management goal to link performance metrics to the budget process, this year, spending priority metrics provided a pre-requisite for determining funding needs. The Director reported the relationship with the Legislature has been good and they continue to trust the department with the resources as allocated and MDARD is very transparent as an agency.

ADJOURN AND RECONVENE

Chairperson Green adjourned the meeting at 10:45 a.m. for a brief break. He reconvened the meeting at 10:55 a.m.

HIGH SPEED INTERNET FOR RURAL MICHIGAN: Jim Turner, State Director, Rural Development, U.S. Department of Agriculture; and Eric Frederick, State Program Manager, Connect Michigan

Mr. Turner advised that Rural Utilities Service (RUS) is a Rural Development agency within USDA and is the successor agency to the Rural Electrification Agency (REA), which was created 76 years ago. RUS serves as a rural policy, planning, and lending agency which provides loan and grant financing to electric, telecommunications, broadband, water, and sewer utilities serving rural Americans. RUS is an incentive lender whose low interest rates encourage investment in areas where costs are high. The 2011 loan portfolio totaled \$61 billion and specifics of several loan and grant programs in rural areas were discussed.

The agency has been lending for broadband capable plants since the early 1990s. Congress enacted State Modernization Planning in 1993, which continues to guide the agency's lending policies. They are technological neutral and hold to the philosophy of "build it right the first time."

USDA Secretary of Agriculture Tom Vilsack stated, "If we're going to out-innovate, out-educate, and out-build global competitors, if we're going to empower folks in rural areas to participate in this national effort to be competitive, they have to have access to 21st century infrastructure, and there's no more important aspect of that 21st century infrastructure than broadband."

The three major loan portfolios for the RUS Telecommunications Program include the Telecommunications Infrastructure Program, the Broadband Loan Program, and the Broadband Initiatives Program. Two recent RUS Telecommunications Grants include the Distance Learning and Telemedicine Program and the Community Connect Grant Program.

As of January of this year, RUS has invested nearly \$231 billion in Michigan's telecommunications and broadband services. Details of the various loan and grant projects across the state were reviewed, including recipients of the Broadband Initiative Program.

USDA Rural Development has been very active in expanding broadband. The President has a rural development agenda driven by the White House Rural Council that is part of the effort to ensure rural communities are thriving and prosperous, and broadband is a critical component of that.

In response to inquiry from Commissioner Green, Mr. Turner confirmed companies are required to meet specific transmission performance standards.

Considering the federal budget, Commissioner Coe asked about the status of future dollars coming into the program. Mr. Turner concurred the program will be facing challenges; however, Rural Development is very efficient in delivering services and those efforts will continue.

Mr. Frederick advised that Connect Michigan is a non-profit organization, in partnership with the Michigan Public Service Commission, tasked with facilitating the expansion of broadband access, adoption, and use throughout the state. It is backed by Connected Nation, a national technology-oriented non-profit, and consists of three major programs – mapping, research, and community planning and outreach.

Connect Michigan embraces a comprehensive approach to broadband. First is access, or the physical connection to a high-speed infrastructure. Next is adoption, or recognizing the value in broadband and subscribing at home, work, and/or through public institutions. And finally, use is addressed – having the skills necessary to utilize and exploit broadband and related technologies.

Broadband access maps detailing Michigan statistics were reviewed, including the density of households unserved by a broadband provider, maximum residential broadband download speed, and density of broadband providers. Geographically, there is a considerable area without broadband access; however, when considering density, about 97 percent of the entire state does have access to at least basic speed broadband. Working with 120 providers in the state, the maps are updated every six months and submitted to the federal government to be included in the national broadband plan.

Barriers to the expansion of broadband access were identified through a provider survey and include the "hard" barriers of low density of households, cost of middle mile access, tower and pole restrictions or permitting, physical geography and terrain, and trenching restrictions. Providers are at a breaking point between efficiencies and cost reductions of technology to expand coverage into rural areas. "Soft" barriers to adoption include real or perceived cost of broadband, lack of awareness of broadband's benefits, digital literacy skills of the public, real or perceived cost of computer ownership, and concerns related to online security.

Illustrating why broadband is so important are statistics of the median annual revenue of businesses without broadband, with broadband, and with a website. The numbers are quite shocking, indicating a direct correlation between annual revenue and broadband.

Connect Michigan is tasked with building broadband capacity in the state and that is accomplished through statewide and regional partnerships. Next steps include an outreach and awareness campaign, as well as provider coordination. The program currently making a large impact is the Connected Community Certification Program that will continue to engage local community teams, assess the local broadband landscape, develop goals and action plans, and implement projects to increase broadband access, adoption, and use. Four communities are currently participating and teams are forming in ten additional communities.

In response to question from Commissioner Coe, Mr. Frederick advised the Commission could assist by identifying community champions to participate in their program or pointing them to resources they can then funnel to communities. Director Creagh advised it would be helpful for the Commission to endorse the Connect Michigan Program. He advised Mr. Turner and Mr. Frederick are part of the Interagency Collaborative Council where projects are discussed and the power of the maps has been invaluable in demonstrating there truly are unserved areas in the state.

Commissioner Coe encouraged establishing a designated collaborative effort within MEDC between the local economic development corporations, MFB, MDARD, Rural Development, and Connect Michigan to replicate Connect Michigan's team.

Mr. Matt Kapp, representing MFB, advised the American Farm Bureau president is on the Connected Nation Board of Directors. Increasing broadband in rural areas is a priority issue for MFB and he works very closely with Mr. Frederick.

In response to comments by Commissioner Coe, Mr. Frederick advised local government cooperation is not as much an issue as Connect Michigan had anticipated. County leaders in several areas have come together to participate as a group. The Public Service Commission does not regulate broadband. At a federal level, the Universal Service Fund has for a number of years subsidized telephone service to rural areas and there now is an effort to transfer those funds to broadband service. It is hoped that a good share of funds will funnel into Michigan once the final order is implemented.

REGULATIONS REVIEW: Brad Deacon, Emergency Management and Administrative Law Coordinator; and Derek Bajema, Legislative Liaison

Mr. Deacon advised he also serves as the department's Regulatory Affairs Officer, overseeing its rules and regulations from a processing standpoint. In February of last year, the Governor issued Executive Order 2011-5, which required every agency to conduct a comprehensive review of each regulation across state government. At the time, Michigan had 18,703 rules and the department had 4.68 percent of that total.

With MSU intern assistance during the summer, the department was able to complete a comprehensive review of its 100 regulations, which included a total of 938 rules. Criteria

used included health, safety, what the rule actually accomplishes, whether mandated or permissive, costs involved, and whether conflicts in federal or state law exist.

A report of MDARD's regulations by division was reviewed, which included each corresponding Administrative Code Citation, the number of rules within each regulation, and when last modified. Through the regulatory framework, work initially began on the "deadwood" rules that existed. Through a comprehensive review, it was determined that 23 regulations and 301 rules, or about 32 percent of the department's total, should be eliminated.

Mr. Bajema advised House Bills 5206-5212 would repeal 18 regulations and 217 rules, which passed the House unanimously and are in the Senate Agriculture Committee for consideration. The Legislature is always eager to repeal rules and regulations.

Mr. Deacon advised phase two of the review is progressing and the department has submitted a Request for Rule Making to update the Farmland Preservation Act. In addition, the department will be working with stakeholders on several Horse Racing and Animal Industry regulation upgrades. Because the Rule Making process has become quite involved, legislative action may be recommended on several rules, which can be easier to accomplish. Many other rules will be updated to better reflect industry and public health and safety needs.

In response to inquiry from Commissioner Coe, Mr. Bajema confirmed that, particularly through the Legislative process, stakeholders are contacted during the process for each rule being considered.

BOVINE TUBERCULOSIS PROGRAM UPDATE: Dan O'Brien, Veterinary Specialist, Wildlife Division, Michigan Department of Natural Resources; and James Averill, Director, and Rick Smith, Acting TB Eradication Program Coordinator, Animal Industry Division

Dr. Averill thanked the Commission for the opportunity to present the annual update of the Bovine Tuberculosis Program. He introduced Dr. Dan O'Brien, Veterinary Specialist with MDNR's Wildlife Division.

Dr. O'Brien reported Michigan is the only state in the nation where Bovine Tuberculosis (TB) has been established in the wild deer population. MDNR coordinates TB response efforts with MDARD and USDA. The elimination of bovine TB from free-ranging deer is an important and difficult goal to accomplish. To help reach that goal, comprehensive surveillance of wildlife populations in northeastern Michigan and statewide is necessary.

In 2011, surveillance activities for Bovine TB continued, with an emphasis on Deer Management Unit (DMU) 452, the five-county area of Alcona, Alpena, Montmorency, Oscoda, and Presque Isle Counties in the northern half of the Lower Peninsula. There was also increased surveillance in the ten-mile radii around positive deer in Cheboygan, Emmet, and Iosco counties. A total of 6,015 deer were tested in 2011, with 17 of those being positive. Since testing began, nearly 195,000 deer have been tested.

Fourteen of the 17 TB positive deer found in 2011 were from the DMU452. Three were from Presque Isle County. There were no positive deer found outside of these five counties.

Apparent TB prevalence in white-tailed deer continues to decline from a level 4.9 percent in 1995 to 1.2 percent in 2011 inside DMU452, and for the five-county area outside DMU452, from 0.5 percent in 1995 to 0.1 percent in 2011. This is consistent with results from previous years. Over the last nine years, there has been no statistical trend to the prevalence. Results from the prediction model suggest that over the next 30 years, we should only expect a modest decrease in prevalence, given the current management in force.

In response to question from Commissioner Coe, Dr. O'Brien advised he believes continuance of the baiting ban would have helped lower prevalence over the long term. However, you would probably not see an effect on a year-to-year basis.

Commissioner Green asked what could be changed in management practices to bring the rate down more quickly. Dr. O'Brien advised the two main strategies include restrictions on baiting and feeding to address the issue of congregating and increasing harvest addresses the issue of deer densities. In some respects, we have reached limits in what hunters are willing to do voluntarily. Agency culling has not received agency or public support in the past. Vaccination is being explored, but would be very expensive.

Commissioner Hanson emphasized the agriculture community has done all it can to prevent the spread of TB from the deer to cattle herds and suggested MDNR needs to do their part in eliminating some of these deer. Dr. O'Brien recognized that perspective and agreed the winter feeding that continues is not healthy for the deer and is not good from the standpoint of disease control. However, groups of hunters turn that argument around completely to one of why they should make sacrifices for the sake of the farmers. It is a multi-faceted problem and policy-wise, the way is unclear. Although scientifically-wise they are moving toward vaccination, costs will make it difficult to implement. There are issues with ensuring 90 percent of the deer are vaccinated annually and without exposure to cattle, which could lead to positive TB testing in those cattle. And, projections indicate a 30-year vaccination program will be required to eradicate TB in the deer. Great progress has been made in prevalence since 1995; however, the model tells us that if we continue on the current course, we shouldn't expect a great deal of change from what we are seeing now.

Commissioners Coe and Hanson reiterated that density and concentration of the deer herd are the key issues and we need to find a way to deal with those, such as eliminating some of the deer in the problem area. Dr. O'Brien noted that is not a new argument; however, every time it is raised as a potential, there are some agricultural producers not in favor, the hunting public is uniformly against such action, and there is no support from policy makers.

Director Creagh advised some things have improved dramatically over the years, including the relationship between the farmers and the sportsmen in the TB area and implementation of risk mitigation, which has made great progress in separating cattle

and deer. There remains the issue of access to private land in the TB area, which is primarily private ownership. The issue involves access to that private property, changing behavior, and continuing the public policy conversations.

Dr. Smith, Acting TB Eradication Program Coordinator for the department, also pointed out that of the 90 percent privately owned property in the TB zone, approximately 40 percent are hunt clubs, who understandably are not sympathetic to the situation.

He reported as a result of the recently achieved Split-State Status, 57 counties in the Lower Peninsula were moved into the TB Free Zone and Presque Isle County was moved to the Modified Accredited Advanced Zone. With the new zoning order, 12,744 herds, or 953,205 cattle moved to TB Free Status, which represents 91 percent of Michigan's cattle.

In 2011, over 1,900 herds were tested, representing more than 77,000 cattle. Better than 2,200 suspects were found. Seven herds have been twice infected, all within the potential high-risk area.

The Wildlife Risk Mitigation Project, which focuses on biosecurity practices on farm and how cattle operations are managed, provides for preventive measures to be implemented by producers. Having reached out to 950 commercial herds in the eleven counties involved with TB, a total of 916 are participating and 860 producers are currently verified and have implemented their plans, representing 94 percent of the farms.

The 53rd Bovine TB positive herd was confirmed in January. It is a beef herd in the Modified Accredited Zone and is the second infection for this herd. Because of the nature of the herd and the producer's business model, the owner has submitted an application for indemnification, which has been forwarded to the State Budget Office.

When infected deer are identified outside of the Modified Accredited Zone, MDARD is required to declare a potential high-risk area. Three ten-mile circles were created around those three sites and all herds within those areas must be TB tested. Meetings with producers in the area explained the requirements and the process that would be followed. Of the 85 farms implicated, 13 had recently been tested and 25 had testing plans in place, leaving 47 farms on which additional testing will be completed by the department. In response to inquiry from Commissioner Hanson, Dr. Smith advised MDARD is responsible for the costs involved with that testing.

ENERGY POLICY UPDATE: Valerie Brader, Senior Policy Advisor, Governor's Office

Director Creagh introduced Valerie Brader, Senior Policy Advisor for the Governor's Office, noting he has worked closely with her on a number of issues and extended his appreciation for her expert assistance.

Ms. Brader noted electricity is paid for by the kilowatt-hour (kWh) and 1,000 watts used for one hour equals a kilowatt-hour. Michigan is the highest cost Midwest state for both residential and industrial electricity. Michigan's common electrical rate is \$10.42/kWh, while the industrial rate is \$7.10/kWh. In comparison, Indiana's is \$8.14 and \$5.70

respectively with Ohio's at \$10.16 and \$5.81. In response to question from Commissioner Green, anyone feeling they are categorized incorrectly could contact the Public Service Commission.

It is unlikely that Michigan will remain the highest cost state. That is because the major driver of the cost of power is the fuel cost. Other issues are also important, but fuel cost is the biggest single rate impact. Michigan's natural advantages position us better for the future than they did in the past.

Considering where Michigan is presently as a state, coal (39 percent) and natural gas (36 percent) are the major generation capacity sources. But in terms of what was actually used to generate power in 2010, coal was used to generate over 60 percent, because it was by far the least expensive fuel. We also used more nuclear fuel than capacity, which is normal. Michigan is a top ten state for coal usage, but many of the states against which we compete have a much higher usage of coal. Because Michigan has no coal mines, is a peninsula, and transportation drives cost, Michigan's coal cost is highest in the Midwest. Most of Michigan's coal is transported from Wyoming.

However, coal may very well not be dominant in the near future. Between 2008 and 2017, coal plants will be required to meet very stringent EPA regulations. In order to comply, these will require major investments to keep plants running and many may very well decide to retire. So, compared to our neighbors, Michigan is in a better position.

Michigan's natural advantage lies in natural gas. The state has more natural gas reserves than any other state in the Great Lakes region. The Antrim natural gas fields, in the northern Lower Peninsula, are among the largest in the nation. And, Michigan has the most underground natural gas storage capacity of any state and supplies natural gas to neighboring states during high-demand winter months.

In response to inquiry from Commissioner Coe regarding impacts of fracking, Ms. Brader advised scientists essentially still do not know what causes seismic activity and there is no evidence to identify natural versus non-natural phenomenon. Michigan has used a form of fracking for decades through hydraulic drilling and natural gas production. What has changed is they are now able to drill horizontally and it provides new options for obtaining additional supply from the same well. Michigan is well prepared with statutes already in place and will have time to choose best practices moving forward.

A 2008 law requires electric providers to meet a ten percent renewable energy standard (based on retail sales) by the end of 2015. Michigan's 2009 estimated renewable energy percentage of less than four percent is expected to increase significantly during the next two years as approximately 700 megawatts of new renewable energy will become commercially operational by the end of 2012. Of that new capacity, 93 percent will be supplied by wind energy, three percent each by landfill gas and anaerobic digester/biomass technology, and a very small amount of solar energy. In response to question from Commissioner Green, Ms. Brader advised all but three of the utilities in the state are on target with plans to reach the requirements well within the law. Those not yet having plans are small, local providers.

In response to question from Commissioner Hanson, Ms. Brader advised the coal powered Presque Isle Power Plant just outside Marquette is the only major source of power generation in the UP. It has caused special concern because, if EPA regulations were to cause closing of that plant, the replacement would be \$500 million worth of transmission to link the UP to Wisconsin-only generation. Considerable effort has been afforded to this issue and the Michigan electric cooperative Wolverine is negotiating with WE Energies to essentially purchase one-half of the plant by making all of the required EPA upgrades. This would allow the plant to remain open, providing power to the UP, protecting those jobs, and giving Michigan less dependence on Wisconsin. She advised no other viable fuel source would be realistic for that plant; and, because of the special circumstances at the Presque Isle Power Plant, groups normally protesting against coal usage are in support of that plant remaining online. Efforts will continue toward developing other options, as well as exploring Michigan's overall energy future to determine what should be done to ensure the state has the kind of energy supply needed to grow business.

Nationwide, the predicted energy mix for 2020 indicates coal decreasing but still remaining a major source, gas and nuclear increasing substantially, and renewable and solar sources increasing somewhat. Although energy prices most likely won't improve, Michigan will become closer to costs of neighboring states. Michigan is well positioned to take advantage of what is under the ground in the state in terms of fuel and storage capacity for its future energy production.

LEGISLATIVE UPDATE: Derek Bajema, Legislative Liaison

Mr. Bajema advised Senate Bill 946, relating to the Nursery Inspection Program and a fee that was due to sunset at the end of this fiscal year, is currently before the House Agriculture Committee. It accomplishes a few different things, including nursery dealers receiving stock from out of state or selling out of state would be inspected every other year, license fees would be lowered for retailers that purchase stock only from Michigan nurseries, and the limit for the amount the Director can raise inspections fees in a year would change from the current 50 percent to the Detroit/Flint/Ann Arbor CPI, not to exceed five percent. Two sunsets are being eliminated, one on fees and the other on the transfer of funds to the horticulture fund. These provisions are important to industry who supports the recommended changes.

House Bill 5130, which is the Food Law rewrite, is in the Senate Agriculture Committee. It is one of the department's top priorities this year, containing several changes that have been discussed through the workgroup format for more than 18 months. Some concern was expressed about the requirement for roadside, non-inspected agriculture to be labeled as such and the department is working with industry officials to ensure that requirement is in place.

Senate Bills 887-888, regarding the Grain Dealers and Farm Produce Assurance Assessment Acts, are on the Senate floor this week. These bills offer the opportunity to make \$300,000 in general funds available for department programs.

House Bill 4751, dealing with the Agriculture Marketing and Bargaining Act, will be in the Senate Agriculture Committee this week. It would limit department exposure in those arbitration hearings.

Newly introduced bills include Senate Bill 996, dealing with depredation, which places that in statute and adds pets and domestic animals, with a cap at \$2,500. This causes some concern with veterinarians who would be required to make the assessment on the value for pets. Discussion ensued regarding potential costs of adding pets and domestic animals to the legislation.

MOTION: COMMISSIONER COE MOVED THAT THE COMMISSION'S CONCERNS REGARDING THE MICHIGAN DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT'S FINANCIAL OBLIGATIONS ASSOCIATED WITH THE PROPOSED CHANGES TO THE DEPREDATION PROCESS AS DELINEATED IN SENATE BILL 996 BE COMMUNICATED TO THE LEGISLATURE AS SOON AS POSSIBLE. COMMISSIONER GREEN SECONDED. MOTION CARRIED.

Mr. Bajema reported the Weights and Measures Act rewrite should be introduced soon and there is some interest in limiting gas stations' ability to place conditional language on their gasoline pricing signs that often is not legible from the road. Director Creagh advised that as gasoline prices rise, complaints will increase significantly and the Weights and Measures staff will prioritize accordingly.

Mr. Bajema advised that interest continues in raising the Cottage Food threshold from its current level of \$15,000. One bill would raise that to \$15,000 and another to \$75,000.

Another note of interest is House Bill 5335, which deals with the Open Meetings Act. It would provide that a meeting is not open to the public if a member of the public body casts vote without being present and a quorum is only constituted by members physically present.

The Michigan Department of Transportation is proposing to add attraction logo signs in the near future. There is conversation around agri-business having a three-month window of opportunity to claim what they would like on those signs.

COMMISSIONER ISSUES

Commissioner Green reviewed a resolution before the Commission recognizing Verso Paper Corporation which read:

WHEREAS, Michigan's land based industries of agriculture, forestry, and mining are key drivers of our state's economy, rural communities, and are a cornerstone to our economic recovery; and

WHEREAS, the United States is one of the biggest consumers of paper in the world. Between 1990 and 2002, paper consumption in the United States increased from 84.9 million tons to 97.3 million tons; and

WHEREAS, the need and availability for energy in rural areas is a key economic driver; and

WHEREAS, the State of Michigan is fortunate to have Verso Paper Corporation committed to excellence in our state which is demonstrated by their recently completed \$45 million renewable energy project at its pulp and paper mill located in Quinnesec, Michigan; and

WHEREAS, this project is significant due to upgrading the mill's existing combination boiler, a new biomass handling system, and a new turbine generator, which will be capable of delivering 28 megawatts of green energy for consumption within the mill by increasing their use of renewable biofuel, thereby reducing their overall carbon footprint.

NOW, THEREFORE BE IT RESOLVED by the Michigan Commission of Agriculture and Rural Development, that by adoption of this resolution, the Commission hereby strongly supports all of the efforts by Verso Paper Corporation in providing green energy in the state which strengthens the fabric of Michigan's agriculture and land based industries sectors; and

BE IT FURTHER RESOLVED, that the Michigan Commission of Agriculture and Rural Development transmits copies of this resolution to Governor Rick Snyder and the Michigan Legislature.

MOTION: COMMISSIONER COE MOVED THE RESOLUTION IN RECOGNITION OF VERSO PAPER CORPORATION BE ADOPTED. COMMISSIONER HANSON SECONDED. MOTION CARRIED.

Commissioner Hanson will personally present the resolution to Verso Paper in the near future.

Commissioner Green expressed appreciation to MFB for the baskets of Michigan products presented to them today in conjunction with tomorrow's MFB Ag Day at the Capitol.

In follow-up to previous discussion around broadband access, Commissioner Coe requested that MDARD review provisions of the Farm Bill and the Federal Communications Telecommunications Act and subsequently draft a Commission Resolution based on the results of that investigation in support of efforts to more expeditiously improve broadband coverage for rural Michigan. Director Creagh advised the department will target completion of such a resolution for the April meeting.

PUBLIC COMMENT

No public comment was requested.

ADJOURN

MOTION: COMMISSIONER COE MOVED TO ADJOURN THE MEETING. COMMISSIONER MEACHUM SECONDED. MOTION CARRIED.

The meeting was adjourned at 12:55 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes February 15, 2012*
- C) *Email Correspondence between Greg Johnson and Commissioner Coe*
- D) *Director Keith Creagh – Issues of Interest Report*
- E) *MEDC Export Team – Donna LaCourt*
- F) *Global Opportunities for Michigan Food and Agriculture Industry – Jamie Zmitko-Somers*
- G) *Performance Management in Government – Scott Staelgraeve*
- H) *The State of Broadband in Rural Michigan – Eric Frederick, Connect Michigan*
- I) *USDA Rural Development Overview of Telecommunications and Broadband Loan and Grant Programs*
- J) *MDARD Regulations Report – Brad Deacon*
- K) *2011 Bovine Tuberculosis Surveillance – Dan O'Brien and Rick Smith*
- L) *Energy in Michigan – Valerie Brader*
- M) *Legislative Status – March 2012*
- N) *Resolution Recognizing Verso Paper Corporation*