

**MICHIGAN COMMISSION OF AGRICULTURE**  
**Training Room, First Floor**  
**GreenStone Farm Credit Services**  
**3515 West Road**  
**East Lansing, Michigan 48923**

**MEETING MINUTES**  
**DECEMBER 15, 2010**

**PRESENT:**

Todd Regis, Chairperson, Michigan Commission of Agriculture  
Don Coe, Vice Chairperson, Michigan Commission of Agriculture  
Velmar Green, Secretary, Michigan Commission of Agriculture  
Jennifer Fike, Michigan Commission of Agriculture  
Audrey Herioux, Michigan Commission of Agriculture  
Don Koivisto, Director, Michigan Department of Agriculture

**CALL TO ORDER AND ROLL CALL**

Chairperson Regis called the meeting of the Commission of Agriculture to order at 9:03 a.m. on December 15, 2010. Commissioner Green called the roll with Commissioners Coe, Fike, Green, Herioux, Regis, and Director Koivisto present.

**APPROVAL OF AGENDA**

**MOTION: COMMISSIONER FIKE MOVED TO APPROVE THE MEETING AGENDA FOR DECEMBER 15, 2010. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.**

**APPROVAL OF NOVEMBER 10, 2010, MEETING MINUTES**

**MOTION: COMMISSIONER HERIOUX MOVED TO APPROVE THE NOVEMBER 10, 2010, MEETING MINUTES. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.**

**NEXT SCHEDULED MEETING**

The next scheduled meeting will be held on January 11, 2011, at the Michigan Municipal League Capitol Office in Lansing.

**RECOGNITION OF KEN RAUSCHER**

On behalf of the Commission, Commissioner Regis recognized Ken Rauscher, Director of the Pesticide and Plant Management Division, who is retiring on January 1, 2011, after 37 years with the Michigan Department of Agriculture (MDA). He began his career with MDA in 1973 and became the Pesticide and Plant Pest Management Division director in 1995. His professional history is extensive and includes serving as the National Plant Board President from 2005 to 2007, and the Central Plant Board President from 1998 to 2000. Throughout his career, he worked to strengthen

relationships with the U.S. Department of Agriculture (USDA), the Environmental Protection Agency (EPA), and the Food and Drug Association (FDA) to better address invasive species threats and strengthen U.S. agriculture. He also has been a strong advocate of consumer protection relative to feed, seed, and fertilizer – the basic inputs of production agriculture. Commissioner Regis thanked him for his years of dedicated service.

Mr. Rauscher thanked the Commission and noted he has clearly enjoyed his time with MDA, its great people, and a great industry. He expressed appreciation to the Commission, as they have always been very responsive to issues throughout the years.

Mr. Rauscher also recognized Director Koivisto, with whom it has been a pleasure to work with the last few years.

Director Koivisto noted that no one in the department has been more successful than Mr. Rauscher in obtaining federal dollars for its programs and he has been a model for MDA. He effectively channeled his staff efforts each time there was a concern from the Executive Office or a constituent, and he dedicated personal time whenever it was needed. It has been a pleasure for everyone working with him.

#### **COMMISSIONERS' TRAVEL**

Commissioner Fike traveled to Grand Rapids for the Great Lakes Fruit and Vegetable EXPO, and to Lansing for the Agriculture Club breakfast and today's Commission meeting. Commissioner Herioux traveled for the Michigan Farm Bureau Annual meeting in Grand Rapids, to attend the Natural Resources Commission (NRC) meeting for the Bovine Tuberculosis (TB) presentation by Dr. Mitch Palmer, and for today's Commission meeting. Commissioner Coe traveled to Lansing for the Site Selection Generally Accepted Agricultural and Management Practices hearing, to Grand Rapids for the Michigan Farm Bureau Annual meeting and the Great Lakes Fruit and Vegetable EXPO, and to Lansing for the Agriculture Club breakfast and today's Commission meeting. There was no other travel submitted for approval.

**MOTION: COMMISSIONER GREEN MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER FIKE. MOTION CARRIED.**

#### **COMMISSIONER COMMENTS:**

**Commissioner Coe** shared an article from the December 13 edition of his local weekly newspaper, *The Northern Express*, which featured an article on the future of farming and primarily focused on the dairy industry. It raised various areas of conflict in the minds of consumers and producers. This type of press could cause problems for the department and it is important to educate people about the realities of animal agriculture.

**Commissioner Herioux** reported the Bovine TB update provided to the NRC by Dr. Mitch Palmer, from the U.S. Department of Agriculture (USDA) Research Service, was very interesting, especially details of current work toward a vaccine. A disc containing additional reports and articles was provided to NRC members and potentially MDA could request a copy.

**Commissioner Fike** attended the outstanding Great Lakes Fruit and Vegetable EXPO recently. One session focused on the cottage food industry, which was well presented by MDA staff. Commissioner Coe and she met with John Canepa, from Grand Action, which is an economic development organization focused on revitalizing Grand Rapids' center city. They reviewed their plans for an urban market, which is a very exciting venture that can be a model for other urban markets across the state. Commissioner Coe added Grand Action is willing to share their strategic planning information and is also well aligned with the Michigan Good Food Charter.

She shared information with the Commissioners regarding various budding entrepreneurs in the Ann Arbor area. These businesses are focused on local food and have the potential to grow substantially.

**Commissioner Green** attended the MDA Retirement Reception which was an outstanding event. At that meeting, he was honored to present Director Koivisto with a resolution from the Michigan Milk Producers Association (MMPA) recognizing the director's outstanding efforts for the department and the agriculture industry in this state. Although it came from MMPA, it was a representative token of how Michigan's agricultural industry regards Director Koivisto.

He attended the Michigan Farm Bureau Annual meeting, during which one of the former Commissioners of Agriculture, Don Nugent, was recognized. He also has participated in a Bovine TB Advisory Committee Workgroup that is recommending committee structure changes to increase its effectiveness.

In general, the economy for most crop farmers in Michigan, especially corn and sugar beets, is very positive. Dairymen are cautious, based on 2011 predictions for their industry.

**Commissioner Regis** recognized former Commissioner, Dale Norton, who joined the meeting today. Mr. Norton is a pork producer in the Coldwater area.

Commissioner Regis commended Director Koivisto for his outstanding efforts during his tenure, most importantly, his tenacity in maintaining MDA as a stand alone agency and avoiding further budget cuts to the department. Growth for MDA is clearly anticipated in the future.

Leadership for agriculture in Michigan at a national level has moved in a very positive direction with Michigan's Senator Debbie Stabenow being named as chair of the U.S. Senate Agriculture Committee.

Another positive note is the report that a Michigan Agriculture Caucus is developing. The Legislature will now be able to hear about the importance of the agriculture industry and stay abreast of its activities and issues.

Additionally, he feels that agriculture is anticipating some major opportunities with the new administration. He met with the Governor-elect's Transition Team and their interest in agriculture is very evident.

### **DIRECTOR'S REPORT**

Director Koivisto introduced Brenda Moore, who is attending today's meeting as part of MDA's Mentoring Program. As such, she has been job shadowing him for the last several months.

The department was very well represented at the Great Lakes Fruit and Vegetable EXPO and the Michigan Farm Bureau Annual meeting. Both meetings were excellent events.

He participated recently in recognizing Tiffany Rogers, who was elected as the National Future Farmers of America Eastern Region Vice President. This is the second year in a row that a Michigan member has been elected to a national position. She will be taking a year off from her college studies to fulfill her responsibilities.

Chief Deputy Director Wenk has been coordinating the transition efforts for the department. One advantage is that both the new Director, Keith Creagh, and the new Department of Environmental Quality (DEQ) Director, Dan Wyant, are pro-agriculture. One concern he brought to the attention of the Commission is that of the organizational structure being proposed with DEQ, the Department of Natural Resources (DNR), and MDA being combined into what is being termed a Quality of Life Group. For the near future, this working relationship will be successful for agriculture because pro-agriculture individuals will hold the executive positions in that group. However, what could happen four years from now if there is a major change in those management roles could be of concern. Because of the permanent investments made in the agriculture sector, this is something the Commission needs to consider – primarily how to impact upon the process to ensure whatever management structure is in place four years from now will ensure the viability of Michigan's agriculture industry.

He noted that Chief Deputy Director Wenk will very effectively coordinate the department's transition to the new administration. He has always combined professionalism with a great personality. It has been tremendous to rely on him through these last few years.

Commissioner Coe, as one of those who has had an opportunity to meet with the incoming director, advised he believes we need as a Commission, not only to be concerned about the issues raised by Director Koivisto, but to evaluate the role of the Commission itself. If there will be a Quality of Life Group executive, perhaps there needs to be a Quality of Life Commission to ensure balance between the three departments. Additionally, the Commission of Agriculture needs to be at the table with the newly formed Agriculture Caucus and with the Executive Branch to ensure not only balance between the three departments, but determine who provides that balance. Now is the time for this Commission to become involved in an attempt to provide some safety net for the future of agriculture.

Commissioner Green agreed the Commission needs to discuss with someone what their continued role will be. In addition, he agreed the political pendulum will change in the future and he is concerned about the future of agriculture under any new management structure. On a positive note, with the three agencies under one executive, hopefully, progress on the Bovine TB situation can move in the right direction.

Commissioner Regis reported that during his time with the Transition Team, he has expressed similar concerns. He has advocated for an expanded role and additional members for the Commission, as well as expanded opportunities for agriculture economic development. With manufacturing having reached its peak, it is now time to consider agriculture and its opportunities. Also, the overall role and relationship between DEQ, DNR, and MDA needs to be solidified, including an agriculture person sitting on the NRC. During his tenure on the Commission, eyes have been opened to the value of Commission membership from various backgrounds and he hopes that will continue in the future. The political pendulum will swing, but if an Agriculture Caucus is facilitated correctly, they would be knowledgeable about agriculture in Michigan and the future opportunities that exist.

Commissioner Coe noted that economic development in Michigan operates within numerous silos and people currently are not working together. He feels that anyone receiving funds for economic development of any type should be required to coordinate between various agencies/organizations having economic development responsibilities to coordinate efforts in a much more efficient manner.

#### **DIRECTOR'S TRAVEL**

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

#### **PUBLIC COMMENT (AGENDA ITEMS ONLY)**

**Mr. Ben Kudwa, Michigan Potato Industry Commission**, shared a copy of a letter their Commission sent recently to Director Koivisto commending him for his outstanding leadership during his tenure as director of MDA. He thanked the Director for his years of service and recognized that his skillful direction kept the department operating at effective levels despite serious cutbacks in budget and staff. The Potato Industry expressed their appreciation for Director Koivisto's efforts – a good run for everyone in agriculture.

Mr. Kudwa also thanked Ms. Fedder and Mr. Rauscher for their contributions to the agriculture industry over the years and wished them well in their retirement.

Additionally, he thanked members of the Commission for their excellent service and time they dedicate to the agriculture industry.

#### **AGRICULTURE ECONOMY OVERVIEW: Paul Anderson, Senior Vice President and Chief Credit Officer, GreenStone Farm Credit Services**

Commissioner Regis thanked Mr. Anderson for the Commission being able to use GreenStone's beautiful facility for their meeting today. On behalf of GreenStone's Chief Executive Officer, Dave Armstrong, Mr. Anderson advised the Commission is very

welcome to use the facility in the future, noting it was designed to be available for the agriculture industry in Michigan.

Commissioner Regis announced that Mr. Armstrong is one of the 20 appointees to the new Michigan Economic Development Corporation Executive Committee. He asked Mr. Anderson to convey the Commission's congratulations to Mr. Armstrong on his appointment, noting they are happy to have agriculture's representation on that committee.

Mr. Anderson gave a brief overview of GreenStone Farm Credit Services (FCS), reporting that at \$5.1 billion, they have the sixth largest farm credit loan volume in the U.S., which represents over 60 percent of the market share as compared to selected banks. GreenStone enjoys a 94 percent customer satisfaction rating, a strong capital position of 13.6 percent, strong earnings, and has 450 employees in 37 office locations. GreenStone has the most diverse farm credit portfolio east of California. Most importantly, GreenStone is owned by its membership and has paid its member/borrowers \$67 million in patronage since 2005. In reviewing GreenStone's credit quality, he noted their numbers are better than commercial banks which puts them in a very solid position financially.

He reported that USDA's August forecast for net farm income indicates an increase from \$62 billion to \$82 billion in 2010 over 2009. They also predict that 2011 will vary widely based on the commodity. Current financial health and predictions for specific areas include: row crops – 2010 was a very good year; sugar beets – an excellent year with a favorable outlook for 2011; potato industry – another solid profit year; dairy – a profitable year of \$200-\$500 per cow with reduced margins to the breakeven range; hogs – with record prices in 2010, the 2011 profit outlook is significantly reduced; table eggs – prices are down from \$.80 to \$.50 per dozen, but will remain at breakeven levels; turkey – current grain prices will cut into the profit margin in 2011; apples – crop insurance protected the industry from large losses due to frost damage in 2010 and balance sheets are in good shape; and tart cherries – two low price years will stress balance sheets for producers. He also discussed current and future trends expected for the greenhouse, nursery, and timber industries.

Areas of focus for 2011 include volatility in net income, the variables of input prices, export levels, and crop prices, and the cost of agricultural land. Lessons relearned from past experience are that capital and balance sheet structure count even for the most efficient businesses, insufficient liquidity can be fatal, and balance sheet structure must be aligned with risk management and mitigation of the business model. Both the degree and duration of volatility will increase because of increased reliance on exports and continuation of industry consolidation; however, volatility equals opportunity for those agriculture businesses nimble enough to take advantage of opportunities.

GreenStone has unlimited funding to offer to qualified borrowers – those businesses who have positioned themselves properly for 2011 opportunities.

## **RECOGNITION OF KATHY FEDDER**

Commissioner Regis recognized the second MDA division director who is retiring the first of January, Kathy Fedder. Having 30 years with MDA, Ms. Fedder began her career with the department in 1980 and has served as the Food and Dairy Division director since 1997. She has also chaired Michigan's Food Safety Alliance, served on the National Sanitation Foundation Council of Public Health Consultants, completed a 5-month tenure as director of the MDA Laboratory Division (while still serving as Food and Dairy director), and is an active member of the Association of Food and Drug Officials. Ms. Fedder is currently pursuing her PhD at Michigan State University (MSU) with a focus on food policy. Her impact on the department and the industry will be felt for years to come and the Commission looks forward to working with Ms. Fedder on food policy issues in the future.

Ms. Fedder advised it was her pleasure to have spent 30 years working for what she truly believes is the most wonderful department in state government. She leaves MDA feeling very good about the future of the department and the agriculture industry and looks forward to continued work in the industry.

Director Koivisto noted that Ms. Fedder and Mr. Rauscher head the department's two largest divisions. In their retirements, MDA is losing two very talented administrators that brought total stability to their very important areas of the department's operations. Whatever emergency might arise, they handled it flawlessly. They have been key leaders and the department will miss them both.

**MICHIGAN INTEGRATED FOOD AND FARMING SYSTEMS UPDATE: Elaine Brown, Executive Director, Michigan Integrated Food and Farming Systems (MIFFS)**

Ms. Brown noted that Michigan Integrated Food and Farming Systems (MIFFS) is a statewide, non-profit organization whose purpose is to improve Michigan's triple bottom line – our economy, our environment, and the social well-being of our communities – by promoting family farms, local food, and sustainable agriculture. Their mission is to help small and medium-sized farms operate profitably, produce healthy food for all people, and protect the environment for future generations, which they accomplish through collaboration and a partnership theme.

All of MIFFS' programs and activities are based on four core strategies to serve family farmers and promote local food and sustainable agriculture, which are 1) assisting family farmers; 2) growing market opportunities; 3) supporting agriculture stewardship; and 4) informing public policy. Their eighth annual family farms conference will be held on January 15 in Battle Creek, at which Commissioner Coe will be the keynote speaker. It is the most culturally diverse conference in Michigan. Technical assistance is provided through numerous workshops on everything from production techniques and hoop house construction to business management skills and Good Agriculture Practices (GAP) workshops.

MIFFS was honored to help the Huron and Oceana incubator kitchens, which assist small entrepreneurs in testing and selling products. They also helped create the Michigan Farmers Market Association, which has been active in providing families increased access to fresh produce. MIFFS partnered with MSU to create *Michigan MarketMaker*, which provides a way for farmers to list their products and find what

markets might be available to them. The Meet the Buyers event is an activity MIFFS has sponsored at the Great Lakes Fruit and Vegetable EXPO for the last four years.

To support agriculture stewardship, MIFFS maintains an Agricultural Stewardship Committee, partners with MDA in the Michigan Agriculture Environmental Assurance Program, and hosts various annual Farm and Grazing Tours.

Their informing public policy goal includes having participation in the Michigan Food Policy Council, partnering with MDA and the Farmers Market Association in coordinating the farmers markets at the Capitol, participating in Ag Day at the Capitol, and serving on various MDA committees and workgroups.

Some additional MIFFS accomplishments include coordinating with MSU on the Hoop House Program to extend Michigan's growing season; establishing the Food and Agriculture Innovation Center, which grew into the MSU Product Center for Agriculture and Natural Resources and has served more than 1,600 customers and aided 145 ventures; and sponsoring conferences, workshops, and seminars that have served more than 5,500 participants over the last 12 years. Other joint accomplishments include facilitating discussions about state policy, hosting the Select Michigan Day farmers markets, coordinating numerous GAP workshops, and working with the Direct Marketing Committee to consider a Food Safety Assessment for farmers not selling in the wholesale or retail markets.

Additional information can be found on their website at [www.miffs.org](http://www.miffs.org) or by becoming a fan on Facebook or following them on Twitter.

In response to inquiry from Commissioner Coe, Ms. Brown advised MIFFS is integrated with various local food networks that work to learn how to leverage what each is doing. She suggested the Commission encourage local food networks to continue those integration efforts. Commissioner Coe suggested the Michigan Good Food Charter might provide the umbrella for bringing closer working relationships.

Commissioner Fike noted that her organization, the Food System Economic Partnership, has a close working relationship with MIFFS. They know MIFFS provides a valuable statewide resource for their clients.

Ms. Brown also shared copies of the most recent MIFFS quarterly newsletter.

#### **LEGISLATIVE UPDATE: Nancy Nyquist, Legislative Liaison**

Ms. Nyquist introduced Kali Fox, from Senator Stabenow's office. The Commission has sent an open invitation to the Senator's office. Ms. Fox advised she is the State Agriculture Outreach Coordinator for Senator Stabenow, noting her background is in agriculture. They are very excited to take on the challenge of the Senator serving as Chair of the U.S. Agriculture Committee. The 2012 Farm Bill will be the Senator's responsibility and her office is looking forward to connecting with the Commission, the department, and Michigan's agriculture industry. She thanked the Commission for the open invitation and advised she would join as many of the Commission meetings as possible.



Ms. Nyquist advised the Legislature is in session today to address a few unfinished items. Earlier in the month, SB1396 and SB1397 were passed, which are amendments to the Grain Dealers and the Farm Produce Insurance Acts; they are currently on the Governor's desk. HB5368 is also awaiting the Governor's signature, which prohibits the application of fertilizer containing phosphorus to residential and commercial lawns beginning January 1, 2012. Agriculture, new turf establishments, and golf courses are exempted.

HB6224, the Small Distillers Bill, has been signed by the Governor and is Public Act 213. Also, \$10 million from the 21<sup>st</sup> Century Job Fund was approved by the Legislature for the Pure Michigan campaign, which also helps to promote agriculture in Michigan.

Department of Natural Resources and Environment (DNRE) Director Humphries has signed an Invasive Species Order establishing feral swine as an invasive species. It will become effective on July 8, 2011, unless proposed hunting operations regulations are adopted in statute prior to that date. Discussions indicate the Legislature is interested in having this issue resolved prior to July.

She has met with Representative Daley and offered assistance of the Commission and the department on any agricultural issues, and in particular, the formation of the Agriculture Caucus. At request of the Commission, once determined, Ms. Nyquist will advise details of the Agriculture Caucus meetings, as well as whether they will be open to outside attendance.

The new Legislature will be sworn in on January 12, the day following the next Commission meeting, and committee appointments will follow. After the first of the year, any pending legislation must be reintroduced with new bill numbers.

**BUDGET UPDATE: Amy Epkey, Budget Officer**

Ms. Epkey advised that work on the budget will intensify in January. The new Governor has until the beginning of March to release his budget proposal for 2012. The State Budget Office is currently preparing various budget reduction scenarios, but it will be interesting to see how those actually mesh with what Governor Snyder has in mind.

**INCENTIVE RETIREMENT IMPACT UPDATE: Amy Epkey, Budget Officer, and Tami Eyer, Director, Human Resources Division**

Ms. Epkey reported one of the major issues with which the department is dealing is the incentive retirement impact, which is significant in light of 49 MDA employees retiring. It is still unknown how much of the funding will be taken from the department as a result of the retirements. The savings created by the 49 employees leaving is approximately \$3 million and she is continually working with the State Budget Office to ensure the department maintains as much of that funding as possible. Since the last meeting, the department has also completed a prioritization of those positions identified as critical positions that must be replaced as soon as possible.

Ms. Eyer reported that processing paperwork for retirees and attempting to fill those positions is demanding Human Resources full attention. The prioritization process of the

49 vacancies created by the retirements revealed 13 positions that are critical and require replacement immediately. Each of those positions is somewhere within the hiring process.

On December 6, the State Budget Office issued a hiring freeze. All of MDA's requests had already been submitted and approved. She reviewed a chart depicting the vacancies by division, including identification of the 13 critical positions. MDA is also working toward some shared services and resources across the department to find new ways to continue the work that needs to be completed. When we are advised of our replacement rate, we will begin filling additional vacancies.

In response to inquiry from Commissioner Coe, Ms. Epkey advised that in addition to the retirements, there are some vacancies within the department. Some divisions may not have retirements, but have vacancies that are being held until the priority positions are filled. In addition, some trading of vacancies between divisions is helping to cover the critical areas within the department.

**GROWING MICHIGAN'S FUTURE: A GUIDE TO MARKETING YOUR MICHIGAN FOOD AND AGRICULTURE PRODUCTS: Linda Jones, Grape and Wine Program Manager, Agriculture Development Office**

Ms. Jones reported a new resource has been published that will assist in economic development in agri-food systems called *Growing Michigan's Future: a Guide to Marketing Your Michigan Food and Agriculture Products*. It is a one-stop resource guide to help expand and strengthen agri-businesses in Michigan. This guide was developed within the MDA Agriculture Development Office with funds that were initially allocated to the now eliminated Select Michigan Program. MIFFS help to fill some gaps in funding that the Select Michigan Program had traditionally provided and MDA sincerely appreciates their assistance.

Target audiences for the guide is everyone – producers, processors, distributors, local food groups, and others in agriculture. The guide includes sections on getting started, direct marketing, intermediate marketing, market development, food safety, licensing, and labeling regulations. Each chapter is downloadable directly from the MDA website.

The getting started chapter provides an overview explaining the advantage of local foods, market options, the seasonal nature of Michigan agriculture, business plan, budget creation, and resources. The second chapter focuses on the various aspects of direct marketing, which is the producer to the consumer and includes the advantages and disadvantages of that channel of marketing, as well as various avenues available.

The third chapter talks about intermediate marketing and covers selling to restaurants and grocery stores, working with processors, distributors, wholesalers, and institutional food service, and includes ideas for collaborative marketing. The fourth chapter delves deeper into developing markets for existing businesses looking to grow, including within the international market.

Finally, in chapter five, licensing and regulations are explained, which are all areas that need to be taken into account when developing a business. The appendix includes additional resources and details of the various ways to access the guide.

In response to inquiry from Commissioner Regis, Ms. Jones confirmed the guide was federally funded from Specialty Crop Block Grant dollars from USDA. A registration card has been developed to provide for tracking recipients so follow-up and notifications of updates can be coordinated.

The guide is downloadable at [www.Michigan.gov/mdamarketingguide](http://www.Michigan.gov/mdamarketingguide), on disc through completion of the registration card, and limited printed copies are also available. The MSU Product Center will be distributing to their innovation counselors and work will continue with MIFFS for distribution, as well as a number of other means to distribute as many copies as possible by the end of March.

She acknowledged that MDA's Jeanne Hausler was the primary researcher and author of the guide, spending several months gathering and compiling information to be included. A management team then worked with Ms. Hausler to edit and revise content.

It is hoped that the guide can also be used as a tool to help educate legislators about the importance of the new economies available for agriculture. She thanked the Commission for their continued support of the Office of Agriculture Development and recognizing the importance of agriculture development activities. She also gave special thanks to Director Koivisto, who has been very supportive on a number of agriculture economic development activities. She personally also thanked him for serving as chair of the Grape and Wine Industry Council.

Director Koivisto advised this publication could save an individual hundreds of valuable hours and dollars as they attempt to enter into or expand an agriculture business. Commissioner Regis added there is no greater resource existing today.

**REVOCAION OF RENEWABLE ENERGY RENAISSANCE ZONE: Mike DiBernardo,  
Agriculture Business Development Specialist, Agriculture Development Office**

Mr. DiBernardo advised the revocation of an existing Renewable Energy Renaissance Zone in the City of Adrian, for Biofuel Industries Group, LLC, is requested. About a year ago, he reported there were eight companies causing concern relative to their ability to meet requirements as a Renaissance Zone. He and the Michigan Economic Development Corporation (MEDC) conducted site visits and met with each of those companies. Because Biofuel Industries advised they were continuing to work through the problems with biodiesel, they were given some extra time to meet requirements. In October, staff received notice from the City of Adrian that the business was no longer operating at the Adrian site.

The City of Adrian issued a resolution in support of revocation of this Renaissance Zone, with which MDA and MEDC are both in agreement. Issuing the revocation now will allow its becoming effective with the new tax year beginning January 1, 2011. MDA recommends the Commission approve the revocation of the existing Renewable Energy Renaissance Zone for Biofuel Industries, LLC.

**MOTION: COMMISSIONER COE MOVED THE COMMISSION APPROVE A RESOLUTION RECOMMENDING THE DESIGNATION FOR THE RENEWABLE ENERGY RENAISSANCE ZONE FOR BIOFUEL INDUSTRIES GROUP, LLC, IN THE CITY OF ADRIAN, COUNTY OF LENAWEE, BE REVOKED BY THE MICHIGAN STATE ADMINISTRATIVE BOARD AND REQUESTS THAT A COPY OF THIS RESOLUTION BE PROVIDED TO THEM, AS WELL AS TO THE MICHIGAN STRATEGIC FUND BOARD. COMMISSIONER GREEN SECONDED. MOTION CARRIED.**

In response to inquiry from Commissioner Green, Mr. DiBernardo advised that once a Renaissance Zone designation has been used, it becomes unavailable for re-designation. The department is asking that the new Legislature consider making Renaissance Zone designations revolving, so that as one becomes expended, it can then be reused.

**SPECIALITY CROP BLOCK GRANT UPDATE: Mike DiBernardo, Agriculture Business Development Specialist, Agriculture Development Office**

Mr. DiBernardo provided an update on the Specialty Crop Block Grant Program for 2010 as approved through the USDA American Marketing Service (AMS). In 2009, MDA received 48 proposals, of which 23 were recommended for awards totaling \$1,037,508.00. In 2010, the department received 62 proposals requesting \$3.1 million. Of those proposals, 21 were recommended to be awarded, for a total of \$1,168,908.00. The message is being communicated, we are excited about collaboration with the industry, and we have awarded as much money to the industry as possible under the program requirements. He provided the Commission with a document detailing the specifics of each 2010 award.

The next round of the Specialty Crop Block Grant program should be announced shortly after the first of the year. Two additional years of funding are available through the current Farm Bill.

Commissioner Regis noted there are some significant projects included in the awards. These commitments provide for numerous enhancements to the agriculture industry in Michigan.

**FOOD PROCESSING INDUSTRY IMPACT: Mike DiBernardo, Agriculture Business Development Specialist, Agriculture Development Office**

Mr. DiBernardo reported the Food Processors Summit held in October was part of the ongoing direction for the food processing industry. He recognized Director Koivisto for his guidance on how to communicate the message, how to market food processing, and how to create a sense of importance in that industry. MDA worked with the MSU Product Center on a study that was released recently highlighting the importance of food processing in Michigan. We have been able to talk about the agri-food industry being a \$71.3 billion industry in the state and what we can now add are details about the food processing segment of that \$71.3 billion. It is \$25 billion of that total and it has been growing at 3.7% annually since 2002. During the October conference, the study was

released, which emphasized the importance of the food processing industry as an economic development tool from a marketing aspect.

Through the partnership of MDA, MEDC, USDA Rural Development, and MSU Product Center, a marketing tool was developed that is titled, "A New Era for an Economic Powerhouse – Michigan's Food Processing Industry." The publication focuses on the importance of the industry and the fact that Michigan is a very diverse state. From this, there have been numerous conversations with the industry, consultants, local economic development organizations, and other partners that are recognizing the value of food processing.

The Office of Agriculture Development (AgD) has been very aggressive in communicating the message to ensure people understand the nature, scope, and size of the industry. That importance is documented by food processing employing nearly 134,000 workers in the state, having 1,588 licensed food processors, and producing over 200 commodities which makes Michigan second nationally in agricultural diversity. Through communicating this message and working through partnerships, people are beginning to understand its value as an important piece of Michigan's economic picture.

AgD facilitated visits with the Director to 66 different businesses across the state to discuss their opportunities, their obstacles, and specifics of what they need to provide for growth. These are all aspects of the activities the department has coordinated. MDA has been able to make a difference because of those relationships and outreach efforts.

In response to question from Commissioner Fike, Mr. DiBernardo reported, that by recognizing the demand and understanding the obstacles, a partnership between MDA, the Department of Energy, Labor, Economic Growth (DELEG), Michigan Economic Development Corporation (MEDC), and MSU was able to develop a revolving loan fund for hoop house construction. A program information flyer was just published and he will forward a copy of that document to the Commissioners. The program will allow an individual, who meets the requirements and criteria, to finance between \$5,000 and \$15,000 for hoop houses. There is approximately \$500,000 established to initiate this program and once established, it should be able to continue providing needed loans. Commissioner Fike expressed appreciation for the collaboration between agencies to make this happen. In response to inquiry from Commissioner Coe, Mr. DiBernardo advised an educational institution could apply for funds under the program.

At request of Commissioner Regis, a copy of this presentation and a copy of the food processing booklet will be forwarded, on behalf of the Commission, to Ilana Levinson and Kali Fox in Senator Stabenow's Washington, D.C., and Lansing offices respectfully.

**FOOD PROCESSING WASTE WATER DISCHARGE PERMIT: Terry Morrison, Executive Director, Michigan Food Processors Association, and Jim Johnson, Director, Environmental Stewardship Division**

Mr. Johnson introduced Terry Morrison, Executive Director for the Michigan Food Processors Association. Mr. Morrison reported that Michigan Food Processors is a trade organization in existence since 1905, having 28 processor members and 100 associate members. The 28 processors operate in excess of 35 plants here in Michigan.

In the 12 years since he has been director, the key issue has been ground waste water permitting. Some processors made application in 1981 who, although they are allowed to operate, are still without a discharge permit. Cherry processors were told to move from the Bay area and to spray irrigate in rural areas as the best way to dispose of waste water, which has been done for over 40 years. With the biological oxygen demand (BOD), which is a high concentrate of sugar in the waste water, the Department of Environmental Quality (DEQ) discovered it was creating higher iron levels than tolerable under their guidelines. Because the processors could not quickly resolve this situation, they were placed under consent order, some were fined, and some installed mechanical waste systems costing between \$3,000,000-4,000,000 with a \$500,000 per year operation cost – which has proven to be cost prohibitive for the industry. The food processing industry has determined the most economical and effective way is to spray irrigate, and a method that allows processors to do that needs to be developed.

Fortunately, directors of MDA recognized the problem and began working with DEQ (now DNRE) to resolve the problem and the food processors greatly appreciate MDA initiating that effort. It is important to recognize the importance of food processing to Michigan's economy.

Mr. Johnson advised the challenge is what comes from the food processing plant and how that waste water moves through the soil profile. In an anaerobic condition caused by over-watering the soil, the bacteria that break down the sugars are using oxygen from the metals in the soil, which makes the two of them water soluble. The iron and manganese subsequently move through the soil profile and contaminate the ground water. The issue was to determine what type of mechanisms could be implemented to address that problem in a way that also kept the industry economically competitive. Processing year around has complicated the situation, as this was not done years ago, and they also are processing in larger quantities in order to compete on a global market.

About 10-15 years ago, DEQ began to see these types of contamination issues underneath those water application locations; however, no one understood the phenomenon. What you would see in the groundwater wasn't related to what was coming from the plants and no one understood the soil chemistry that was actually taking place. This created reluctance in the regulatory industry to do much with permitting for food processors. In the last 7-10 years, they have finally begun to understand the soil chemistry of what is actually occurring in the soil profile.

In 2009, a Food Processor Work Group was created to find a solution to the problem. DEQ has been very interested in finding a solution that allows food processing to continue in Michigan. Four subcommittees were formed, 1) Research – to learn about the processes and problems, 2) Finance – to address issues associated with alternative systems, 3) Tool Kit – that allows various sizes of processors to consider various options, and 4) Regulatory – to address the need for a permit.

The Regulatory Subcommittee focused on the need for a permit that allows for investment in new or expanding food processing in Michigan. Food processors were unable to obtain financing to address waste water issues because they did not have permits. The challenges include that the science of land application of high BOD waste

water is still developing, a willingness by regulators to look at innovative approaches, and unwillingness to admit to groundwater discharges by the industry.

The solution developed is a new individual permit, which will be very specific to each operation. It eliminates the Administrative Consent Order, the "one size fits all" plan, the admission of guilt, and civil fines and penalties. This permit allows the processor to develop the system that works in their soil, in their climate, and for their specific products – the key to which is having oxygen in the soil profile.

The five-year permit will be issued by DNRE, a joint informational session is planned for early February, and applications will begin shortly after that. Facilities will submit application, receive their permit immediately, and have 90 days in which to submit their discharge plan for approval by DNRE. DNRE has 90 days to review the plan and approve, disapprove, or approve with modifications. Because the plans are anticipated to be very different for DNRE's soil scientists, it is anticipated there may be some challenge in this area and MDA will be monitoring the process closely. The food processors having effectively completed their background work will help tremendously in this step. The operation then has 180 days to implement their plan and four years to show its effectiveness. They then would reapply at the end of the fifth year or submit a new solution for their waste water treatment.

In response to question from Commissioner Coe, Mr. Johnson advised that DNRE is very interested in making this permit process work and finding an answer to this problem. Also, there are provisions in the permit that recognize scale and it will be taken into account as each processor develops their site-specific plan. Discussion ensued relative to those processors who produce very little waste water, such as wineries. Commissioner Coe requested that MDA discuss with DNRE the unique situation of those small operations that produce very small quantities of waste water.

Commissioner Herioux inquired about the potential of hauling the waste water to livestock facilities to use for watering their animals, or to delivering to a waste water treatment plant for processing. Mr. Johnson advised that transporting, as well as processing by waste water treatment plants, are very expensive options.

Because Michigan currently is the only state with this stringent regulation on waste water, Commissioner Regis advised the situation for all food processors needs to be corrected to ensure their economic viability and for expansion prospects in the future.

### **COMMISSIONER ISSUES**

Commissioner Regis reviewed a resolution recognizing Tiffany Rogers who was recently elected as the 2010-2011 National Future Farmers of America (FFA) Region Vice President.

**MOTION: COMMISSIONER HERIOUX MOVED THE RESOLUTION HONORING TIFFANY ROGERS OF MICHIGAN UPON HER ELECTION AS 2010-2011 NATIONAL FUTURE FARMERS OF AMERICA REGION VICE PRESIDENT BE ADOPTED. COMMISSIONER GREEN SECONDED. MOTION CARRIED.**

Commissioner Regis reviewed several retirement resolutions before the Commission recognizing various MDA employees.

**MOTION: COMMISSIONER GREEN MOVED THE RESOLUTIONS FOR THOMAS J. BAUER, COLLEEN M. BESS, SANDRA K. BOWERS, SUE CARPENTER, WILLIAM DAVE DEFEYTER, KRISTEEN A. DUNCAN, KATHERINE FEDDER, WENDY GIVENS, ELIZABETH AINNE HUNT, MARK D. JOHNSON, JANE PENAR KOZLOWSKI, LARRY PERREAULT, KENNETH J. RAUSCHER, TERRY L. REITZ, DAVE ROCQUE, TONA ROSE SCOTT, MARK STANFIELD, AND ANTON E. VITU BE ADOPTED WITH BEST WISHES FOR THEIR LONG AND HEALTHY RETIREMENT. COMMISSIONER FIKE SECONDED. MOTION CARRIED.**

Commissioner Regis noted the Commission clearly recognizes the work that Director Koivisto has accomplished in his three and one-half years with the department. On behalf of the Commission, he emphasized the Director's leadership and service to MDA has been amazing during a very difficult time. As a small token of the Commission's appreciation, he presented the Director with a recognition plaque, adding their sincere thanks for all that he has done for the department and for the agriculture industry.

Director Koivisto advised it has been a pleasure to work with the department through a tough situation that brought out the best in a lot of people. It truly was a team effort for the department to hold its own and hope for better times; and budget-wise, it appears we are trending that way. If anyone asks for his number one accomplishment, he advised he would preface that by saying he did NOT do it alone, and that accomplishment was to heighten the awareness of the importance of agriculture. The public perception has improved tremendously over what it was five years ago, which brings many good things to everyone working in agriculture. And, that heightened awareness will be there for the future. It was difficult to accomplish, we prevailed, and now is the time to enjoy that position while continuing to work on the issues at hand. He advised that his time with MDA has been wonderful. He will be taking some time off, considering some personal options, and waiting to see what the future brings.

Commissioner Regis also recognized two other individuals who have been integral to Commission activities. Bob Andorfer is the technological genius that makes everything run smoothly during the meetings. Cheri Ayers has kept the Commission on pace, provided them with updates, and ensured all details were covered. He thanked them both for everything they have done.

#### **PUBLIC COMMENT**

No additional public comment was requested.

#### **ADJOURN**

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

The meeting was adjourned at 12:23 p.m.



Attachments:

- A) *Agenda*
- B) *Agriculture Commission Meeting Minutes November 10, 2010*
- C) *Michigan Potato Industry Commission Letter Commending Director Koivisto*
- D) *“Northern Express Weekly” – December 13, 2010 Edition*
- E) *Michigan Agriculture Producer and Credit Outlook – Presentation by Paul Anderson, GreenStone Farm Credit Services*
- F) *Michigan Food and Farming Systems (MIFFS) Presentation*
- G) *“MIFFS MEMO” – MIFFS Newsletter*
- H) *Legislative Status – December 2010*
- I) *MDA Retirement Impact Update*
- J) *“Growing Michigan’s Future” Presentation and Registration Card*
- K) *Renewable Energy Renaissance Zone Memo and Resolution*
- L) *Specialty Crop Block Program - 2010 Update*
- M) *“A New Era for an Economic Powerhouse” Booklet and Presentation*
- N) *Food Processor’s Work Group Regulatory Subcommittee Update*
- O) *Resolution Honoring Tiffany Rogers*
- P) *Retirement Resolutions:*
  - *Thomas J. Bauer*
  - *Colleen M. Bess*
  - *Sandra K. Bowers*
  - *Sue Carpenter*
  - *William Dave Defeyter*
  - *Kristeen A. Duncan*
  - *Katherine Fedder*
  - *Wendy Givens*
  - *Elizabeth Ainne Hunt*
  - *Mark D. Johnson*
  - *Jane Penar Kozlowski*
  - *Larry Perreault*
  - *Kenneth J. Rauscher*
  - *Terry L. Reitz*
  - *Dave Rocque*
  - *Tona Rose Scott*
  - *Mark Stanfield*
  - *Anton E. Vitu*