

State of Michigan Commission of Agriculture Meeting Minutes

February 1997

CALL TO ORDER AND ROLL CALL:

Chairperson Norman Veliquette called the regular meeting of the Michigan Commission of Agriculture (MCA) to order at 3:58 p.m., February 11, 1997. Commission Secretary David Crumbaugh called roll. Meeting was held in the Dean M. Pidgeon Room, Michigan Department of Agriculture (MDA), Ottawa State Office Building, Lansing, Michigan.

Commissioners Present

Norman R. Veliquette, Chairperson
Douglas E. Darling, Vice Chairperson
David Crumbaugh, Secretary
Shirley Skogman
Jordan B. Tatter

MDA Staff Present (during portions of the afternoon):

Daniel J. Wyant, Director
Keith E. Creagh, Deputy Director
Robert G. Craig, Director, Agriculture Policy and Special Projects
Katherine Fedder, Director, Market Development Division
Jody Pollok, Market Development Division
Jean Valley, Secretary to the Commission of Agriculture

Legal Counsel:

Jann R. Baugh, Assistant Attorney General

Others Present (during portions of the afternoon):

Nancy Nyquist, House Democratic Policy Staff
Keith Reinholt, Michigan Soybean Committee

APPROVAL OF AGENDA:

MOTION:

No additions or changes to the agenda were requested. Commissioner Darling moved that the agenda be approved as presented. (Seconded)

Motion carried unanimously.

APPROVAL OF MINUTES:

MOTION:

Commissioner Tatter moved that minutes of the January 16-17, 1997, MCA meeting be approved. (Seconded)

Motion carried unanimously.

NEXT MEETING:

The next regular meeting of the MCA will be held March 4-6, 1997, in the Willy Room, Kellogg Center, Michigan State University (MSU), East Lansing, Michigan. Meeting will be in conjunction with MSU's Agriculture and Natural Resources (ANR) Week. The Commission also will meet with the Natural Resources Commission (NRC) on March 5. Commissioner Tatter will be out of state at that time. If there are issues or concerns Commissioners wish to discuss with NRC, they should share these with the Director and the secretary to the Commission.

APPROVAL OF PER DIEM AND TRAVEL EXPENSES:

Commissioner Crumbaugh moved that per diem and travel expenses be approved for:

- January 21, 1997--Pollution Prevention Conference, East Lansing: Commissioners Douglas E. Darling and Jordan B Tatter;
- January 23, 1997--MDA Employee Recognition Ceremony, Lansing: Commissioners Douglas E. Darling, Shirley A. Skogman, and Jordan B. Tatter;
- January 31, 1997--Purchase of Development Rights Conference, East Lansing: Commissioner Douglas E. Darling;
- February 4, 1997--Northwest Michigan Orchard Show, Acme: Commissioner Norman R. Veliquette; and
- February 24, 1997--Changes in Subdivision Control Act Meeting, Monroe: Commissioner Douglas E. Darling.

(Seconded) Motion carried unanimously.

APPROVAL OF DIRECTOR'S OUT-OF-STATE TRAVEL:

Commissioner Skogman moved that out-of-state travel be approved for Director Dan Wyant to participate in:

- February 5-6, 1997--Regional Beef Alliance Meeting, Indianapolis, Indiana;
- February 22-24, 1997--NASDA Midyear Legislative Conference, Washington, D.C.; and
- March 7, 1997--Meeting with EPA Officials, Chicago, Illinois.

(Seconded)

Motion carried unanimously.

INVITATIONS:

The following invitations have been received for the Commissioners:

- May 6, 1997--Michigan Hay and Grazing Council's invitation to visit Jack Anderson's Farm;
- July 11, 1997--Antrim Soil Conservation District staff invitation to luncheon/meeting; and
- November 6-9, 1997--Michigan Festivals & Events Associations (MFEA) invitation to hold November MCA meeting in conjunction with MFEA's Annual Convention in Kalamazoo.

There was consensus to accept the invitations from Michigan Hay and Grazing Council and Antrim Soil Conservation District and to extend regrets to MFEA as most Commissioners had commitments for those dates.

COMMISSION RESOLUTIONS:

Commissioner Crumbaugh moved that resolutions honoring Gordon S. Smith (Attachment A) and Charlene I. Walter (Attachment B) upon their retirement from MDA on April 1, 1997, be adopted. (Seconded)

Motion carried unanimously.

COMMISSIONERS' COMMENTS:

Commissioner Tatter reported that since the last MCA meeting, he:

- Moderated a panel discussion on "Incentives that Maximize Participation" at the second annual Agriculture Pollution Prevention Conference held at Kellogg Center; Commissioner Darling was a panelist. There was excellent audience participation following panel presentations.
- Attended MDA Employee Recognition Ceremony January 23 in Lansing along with Commissioner Darling. He complimented staff who organized this successful and enjoyable event;
- Along with Commissioner Veliquette, attended Cherry Marketing Institute (CMI) Annual Meeting near Fremont;
- Listened to the Governor's State of the State Address. He had concern about absence of specific references to agriculture, Michigan's second largest industry, and overall the state's most dependable economic asset;
- Met with Gordon Gallagher, Hartford City Manager, who is looking at food processing to provide jobs and economic activity for that community;
- Attended CMI Southwest Michigan Grower Meeting (only one grower was present). There will be a referendum this year to recertify its financial support program;
- Attended Michigan Economic and Environmental Roundtable meeting at Kellogg Center. Focus remains on land-use planning and brown-field development. Dr. Guyer is a new member;
- Participated in information exchange with Canadian visitors (sponsored by

MSU-Extension [MSU-E]). Ontario is looking at rural service delivery under a diminishing budget scenario. Canadian officials are seeking ideas to deal with this situation;

- Attended bimonthly meeting of Cass-Berrien-Van Buren Counties Work Force Development Board. Rural interests are well represented on this board (one of 27 statewide).

He reported David Charney, Emergency Management Coordinator, helped improve information flow to Department of Natural Resources (DNR) from Michigan State Police to better pinpoint locations of deer-vehicle accidents; this will be helpful for deer management activities. Furthermore, Southwest Michigan fruit growers report more deer in their orchards than a year ago even after expanded block permits and the extended hunting season. This is a serious problem in parts of Cass County.

Commissioner Tatter thanked Denise Yockey, International Marketing Manager, for data she provided for his upcoming presentation in Toronto at the annual meeting of a large fruit and vegetable grower cooperative. Managers of processing and marketing co-ops and local, provincial, and national agriculture officials also will attend.

He noted Ms. Yockey is helping to expedite certification of custom bonding for one of his company's freezer facilities so foreign-produced apple juice concentrate can be received to alleviate shortage of Michigan apple juice. Custom bonding allows for import tax imposition to be delayed until time of use--another example of MDA helping the industry.

Commissioner Crumbaugh reported his neighborhood is in the Gratiot County Renaissance Zone. MSU-E organized farm leaders to help identify companies that might be invited to move into the zone. Tour of Michigan Biotechnology Institute (MBI) today was informative. He would like some of these potential new industries established in the Gratiot County Renaissance Zone.

Farmers fear fertilizer and chemical prices will be higher this year. He has found prices about the same as a year ago.

Mr. Wyant said he met with representatives of the Renaissance Zone to help identify companies that may be encouraged to locate in that area.

Commissioner Skogman reported the main activities in the Upper Peninsula (U.P.) are snowmobiling, ice fishing, and skiing.

DNR is conducting an interesting survey near the Skogman farm. It is live-trapping and tagging deer to study their migrations. Thirty-two deer have been killed in deer-vehicle accidents on M-69 from Foster City to US 2; unfortunately, there will be more.

Several meetings of interest to farmers have been held including an MSU-E meeting on changes in P.A. 116 (well attended by farmers) and the first annual meeting of the Michigan Seed Potato Association. Later in the month she plans to attend the Rural Development Council meeting in Escanaba and Dickinson County's Planning Meeting for future needs; she will represent MDA at the latter meeting.

Commissioner Skogman gave an update on their potato tests and the status of the fresh potato

market which is very slow and prices are low (\$3/hundredweight). The seed market is slow also; they hope to begin shipping seed very soon.

Commissioner Darling reported Montana has a problem with vehicle-wild sheep accidents which are directly related to people feeding mountain sheep.

Recent weather has created a concern due to the layer of ice on wheat.

He found the MBI tour interesting; there are many changes since his first visit 10 years ago.

A number of workshops on crop revenue insurance were held in the Monroe area. People are trying to determine benefits, costs, and whether it will work for their programs.

The community, including farmers, has concerns about roads, potholes, and repairs. There is need to look at the state's roads as they are critical to our economy.

There are many discussions regarding the Subdivision Control Act and how to correct problems and inequities created by it. Realtors see great potential as many properties are being considered for division prior to the April 1 deadline.

He, too, believes the Employee Awards Ceremonies are excellent and an important way to express appreciation to our employees--MDA's most valuable asset.

Regarding the Pollution Prevention Conference, he commended Dr. Kurt Thelen, Kevin Kirk of Michigan Farm Bureau (MFB), and the others for their work to make this an excellent workshop. There were many good ideas and materials were good; however, most people attending were on the program. He suggested condensing the conference to one day and rotating it in conjunction with other meetings such as MSU's ANR Week, the Mega Conference, or Farm Bureau's Annual Meeting. In addition to continued education on conservation, information should be provided on creating a clearinghouse to provide data about grants, availability of funding for conservation programs, and whether these are through DNR, Department of Environmental Quality (DEQ), Kellogg Foundation, etc. While the Drain Code is being revised, efforts should be made to encourage filter strips, etc., and where to get funds for these. Programs should be voluntary, but if mandated, there needs to be a lot of money provided otherwise land will be taken out of production which is the farmers' livelihood.

Commissioner Darling was impressed with the number of people attending the recent Purchase of Development Rights (PDR) meeting at MSU. Dr. David Skjaerland and Richard Harlow did an excellent job answering questions. Major concerns from around the state were about controlling growth and saving some of the good farmland, and how the agricultural buffer zones are developed. On February 11 Washtenaw County hosted a group from Maryland that gave a presentation on that state's PDR program.

Commissioner Darling distributed copies of a letter from Larry Leach, President, Michigan Association of Conservation Districts, to Jack Laurie, MFB, (copy on file in the Commission office) expressing appreciation for the Pollution Prevention Conference and supporting a conference next year.

Commissioner Veliquette expressed appreciation that Commissioners Darling and Tatter had represented the Commission at the Employee Awards Ceremony and various other meetings.

He concurred with the comments about the condition of roads. This winter's severe weather, along with neglect during recent years, has been hard on Michigan roads.

Referring to the CMI Annual Meeting on January 24, he stated meeting was well attended and there is a strong corps of supporters for CMI's program which is up for referendum this year. Some people do oppose renewing the program, however, so it will be a contested referendum.

The Northwest Michigan Orchard Show (Traverse City area) on February 4 was excellent. There was much interest in the new federal market order (FMO) for cherries.

The FMO Administrative Board met February 9 and 10 in Grand Rapids. Representatives were present from Washington, Oregon, Utah, Wisconsin, Michigan, Pennsylvania, and New York. Policy was written and decisions made so formal and informal rulemaking can proceed through USDA and Office of Management and Budget to get data collection forms approved, etc. The FMO Executive Committee is optimistic; it anticipates it will hire an administrator within a few days and will have offices at CMI. Also discussed was verification of in-orchard diversion. If growers/handlers choose to divert the surplus in the orchard, how will it be verified?

David Kleweno, State Statistician, was present and represented a proactive stance as a service agency ready and willing to help the board wherever possible.

He commended departmental staff for the quality of the new MDA video.

Commissioner Tatter said the issue of surplus tart cherry diversion was raised in a meeting he attended earlier today. To avoid creating another level of officials, can Michigan Agricultural Statistics Service help in the diversion certification authorization in the orchards during harvest season? If diversion occurs at the processing plant, is it possible for the state-federal inspectors to make the certification?

MICHIGAN SOYBEAN COMMITTEE UPDATE:

Keith Reinholt provided an overview of the Michigan Soybean Committee's administrative, research, and educational activities; Attachment C is an outline of his comments. The program is organized under a FMO (which provides for checkoff assessment) and P.A. 232. The Michigan Soybean Committee administers the FMO.

The soybean assessment is based on value and number of bushels; \$1.5 million is collected (half the assessment) remains in Michigan and half goes to the national organization. If Michigan Soybean Committee did not exist under P.A. 232, the federal checkoff would continue but none of the money collected would stay in Michigan.

Mr. Reinholt said the major challenges are finding leadership (qualified board members) and genetically modified seed. There are opportunities, e.g., soy diesel, project with MBI to develop phytase enzymes to react on phytic acid.

The committee funds research projects at several universities and works with MSU-E to develop other programs and to enhance communication with farmers.

ADJOURNMENT:

Chairperson Veliquette adjourned the first meeting of the February session at 5:19 p.m. The Chairperson called the second meeting to order at 8:38 a.m., February 12, 1997, and welcomed guests present.

Commissioners Present:

Norman R. Veliquette, Chairperson
Douglas E. Darling, Vice Chairperson
David Crumbaugh, Secretary
Shirley A. Skogman
Jordan B. Tatter

MDA Staff Present (during portions of the afternoon):

Daniel J. Wyant, Director
Keith Creagh, Deputy Director
Robert G. Craig, Director, Agriculture Policy and Special Projects
Dr. Charles Cabbage, Science Advisor
Katherine Fedder, Director, Market Development Division
Christine Lietzau, Director, Farmland Services Division
David Pike, Director, Financial Services Division
Jody Pollok, Market Development Division
Vicki Pontz-Teachout, Director, Office of Legislative Liaison
Jean Valley, Secretary to Commission of Agriculture
Tom Whalen, Director, Dairy Division
Denise Yockey, International Marketing, Market Development Division

Legal Counsel:

Jann Ryan Baugh, Assistant Attorney General

Others: (during portions of the day):

Al Almy, MFB
Brad Deacon, Governor's Executive Office
Nick Bellows, Chief Executive Officer, United Dairy Industry of Michigan
Bob Boehm, MFB
Wanda and Robert Cooper, Michigan Veal Committee
Scot Everett, MFB
Tom Frazier, U.S. Senator Abraham's Staff
Michael Frederick, Senator McManus's Staff
Kathleen Hawkins, Michigan Beef Industry Commission/Michigan Veal Committee
Michael Kelly, Michigan Association of Fairs and exhibitions and Northern Michigan Fairs and Racing Association (NMFRA)
Charles Kline, NMFRA
Dale Kuenzli, Executive Director, Michigan Bean Commission
John McGill, Executive Vice President and Treasurer, Michigan Bean Shippers Association (MBSA)
Ron Nelson, MFB

Nancy Nyquist, House Democratic Policy Staff
William Sheridan, Michigan Beef Industry Commission
Marilyn Shy, Michigan Association of Conservation Districts (MACD)
Richard Vander Veen, North Kent Townships Association
Representative Howard Wetters
Virginia Zeeb, DeWitt, Michigan

DIRECTOR'S REPORT:

Attachment D is the written Director's Report.

Director Wyant distributed and reviewed a list of his activities since the last meeting; this list and summary of his comments are included in Attachment D.

Because of time constraints the Director will discuss MDA reorganization, Regional Beef Alliance, Michigan Pork Producers' meeting, and the Pork Alliance later in the meeting. Emerging issues at many of these meetings and the meeting in Sturgis on February 10 include local zoning and its impact on livestock production, concerns about diverting Great Lakes water, water-use reporting data, and assurance there will not be a water-use fee. The Director plans to convene a meeting of representatives of MFB, MSU, and MDA to discuss their leadership role in communicating with township and county officials on properly worded local ordinances, providing program visibility, and serving as a resource for county and township officials.

MDA Budget. MDA's budget was introduced on February 5; hearings begin the week of February 17. Senator George McManus chairs the Senate Appropriations Subcommittee and Representative Paul Tesanovich chairs the House Appropriations Subcommittee handling MDA's budget.

David Pike presented information showing major initiatives proposed in the 1997-98 Executive Budget (Attachment E is a copy of information presented). MDA's current year's total budget is \$69.1 million. Proposed 1997-98 Executive budget is \$70.4 million, an increase of about 1.7 percent. He pointed out that we lost some general fund dollars; however, this was one-time funding for projects completed this year. Combining the fund shifts and one-time purchases/projects from the current year equates to the 10 percent reduction in the proposed budget.

Major proposals in next year's budget, which are dependent upon obtaining adequate funding, include: (1) \$1.3 million for Hazard Analysis Critical Control Point initiative (includes funding for technology); (2) Nearly \$1 million for the groundwater and freshwater protection initiative (federal money); (3) \$500,000 (state's share) for Vision 2000--an agriculture education program endorsed by the FFA Foundation; (4) \$225,000 to expand the wildlife TB eradication program; (5) \$175,000 for pesticide registration and residue monitoring; (6) \$65,000 for the U.P. State Fair (restricted funds)--part of a five-year plan to make the fair self-sufficient; and (7) \$40,000 targeted for aquaculture. Other areas have continuation budgets. The early retirement program will impact all areas of MDA and will require reorganization and redistribution of resources to run programs.

AMENDMENT OF AGENDA:

There was consensus to amend the agenda and hear the report on the Commission budget.

FINANCIAL SERVICES DIVISION:

Commission Budget. Attachment F is the Michigan Agriculture Commission Appropriation Status Report dated January 31, 1997. Expenditures are somewhat higher than at this time last year. Commissioner Tatter commented MCA has been responsive to constituent group requests to participate in meetings and this uses funds. He remarked MCA's five members, with a budget of \$37,000, is seemingly more active on behalf of MDA than the seven-member NRC whose budget is double MCA's. He asked for a comparison of current MCA budgets and expenditures with those of NRC.

DIRECTOR'S REPORT (Continued):

Director Wyant asked Robert Craig to report on the U.S. Clean Air Act and our response to proposed new rules and the Michigan State Fair.

Clean Air Act. Mr. Craig distributed copies of testimony prepared for a public hearing in Chicago (copy distributed with minutes for January MCA meeting and on file in the Commission office). In November 1996 EPA proposed new standards on clean air involving ozone and particulate matter (PM). MDA worked closely with DEQ in coordinating our analyses of the standards and their potential impact. MDA focused more on PM which includes dust. MDA wants and supports national standards for ozone and PM which protect public health and environment but are based on sound science.

US-EPA is under a federal court order to propose new standards on PM. In addition to the court's mandate for PM, EPA decided to add new standards for ozone. Mr. Craig reviewed MDA's concerns (outlined in his testimony).

MDA and others requested a 120-day extension in the comment period presently scheduled to end February 18, 1997; EPA received a new court order for a 30-day extension (March 12).

No cost-benefit analysis has been performed; this needs to be included. The new standard will have an adverse impact to farmers, road commissions, state highways, agri-business, etc.

Director Wyant will submit official comments on behalf of MDA. It is important that additional agricultural comments be submitted to EPA. MDA will encourage agricultural organizations to submit comments. If Commissioners wish to comment, MDA staff will help them prepare and submit their comments.

Michigan State Fair. Mr. Craig distributed copies of an article from the February 5, 1997, edition of the Detroit News regarding the proposed speedway at the Michigan State Fair (copy on file in the MCA office). Unfortunately, Palace Entertainment and Sports Company withdrew its proposal to build a \$50 million racetrack and supporting facilities at the fairgrounds due to lack of local political and community support. The State Fair Council believed this was an opportunity for the fairgrounds to provide additional opportunities for education and promotion of agriculture for all ages. The council does not have other alternatives at this time.

AMENDMENT OF AGENDA:

There was consensus to move the agenda and hear the remainder of the Director's Report later in the meeting.

LEGISLATIVE REPORT:

The Commissioners welcomed Vicki Pontz-Teachout who recently returned to work after an extended illness.

Ms. Pontz-Teachout distributed the House and Senate Appropriations Committees and House Standing Committees membership listings for 1997-98 (copies on file in the MCA office). There are no changes in the Senate Standing Committees. She pointed out that Representative Howard Wetters is chair and Representative Mike Green is minority vice chair of the House Agriculture Committee. Representatives Ron Jelinek and Larry DeVuyst are also on that committee.

There are 28 House Standing Committees; in addition to the Agriculture Committee, MDA will follow activities of several new committees including: Conservation, Environment and Recreation; Consumer Protection; Forestry and Mineral Rights; Health Policy; Tourism; and Transportation.

Attachment G is the February 1997 Department of Agriculture Bill Status Report. Ms. Pontz-Teachout reviewed new bills introduced and their impacts on agriculture.

Commissioner Tatter asked what the personal property tax implication for food processors is under S.B. 29. He commented that Michigan needs to review the personal property tax as it applies to equipment that adds value. Businesses must pass taxes (a cost of business) to consumers or they will fail and every business failure creates social problems. If S.B. 29 is for farmer-owned cooperatives only, it will create a further barrier to bringing nonfarmer-owned firms doing value-added processing into Michigan.

QUESTIONS RE DIRECTOR'S WRITTEN REPORT:

Commissioners had a number of questions related to the written Director's Report (Attachment D). Questions to which information was not available during the meeting will be forwarded to the appropriate divisions with a request for information for MCA. Regarding the chlordane sampling program in fat lake trout, Mr. Wyant will request staff to report on the sampling program at an upcoming meeting.

Commissioner Tatter referred to the Short Measure Cylinders of Industrial Gases and suggested MDA issue a press release on this; MDA has issued releases when it found cordwood measures were not accurate, so the public should be aware of these shortages as well.

Commissioner Tatter commended staff, again, on the excellent training program for commodity board members. He recommends this training be continued and the excellent notebook be updated and provided to every new member of these boards. The Director suggested that a program should be developed for new Commissioners.

RECESS AND RECONVENE:

Chairperson Veliquette recessed the meeting at 10:00 a.m. and reconvened it at 10:25 a.m.

MARKET DEVELOPMENT DIVISION:

Denise Yockey, International Marketing Manager, provided an update on international marketing in MDA. Attachment H is a summary of her report.

Commissioner Tatter expressed his appreciation for Ms. Yockey's assistance in preparing for his presentation in Canada later this month and thanked her for being involved in the free trade zone/bonded warehousing research to bring products into the state for processing or distribution.

Director Wyant said Ms. Yockey is an excellent example of creating successful partnerships with Michigan Jobs Commission (MJC), MDA, Mid-America International Agri-Trade Council (MIATCO), USDA's Foreign Ag Service, and NASDA. With a very small budget, she utilizes alliances and partnerships to achieve the maximum results.

As referenced in the Director's Report, Ms. Yockey hopes to provide a report by next month on the sensitive issue of some commodities coming across the Canadian border.

MACD:

Marilyn Shy, MACD Executive Director, relayed Larry Leach's regrets that he could not participate in today's MCA meeting. Attachment I is a copy of her remarks that accompanied a slide presentation on the 1996 Iron Days Tour, well closures, forestry programs, gypsy moth, and erosion control or restoration of wetlands in Antrim, Tuscola, Barry and Lenawee conservation districts.

Ms. Shy is pleased MCA will visit a Clinton County Soil Conservation District project in May and meet with Antrim Soil Conservation District in July.

Commissioner Darling suggested when soil conservation districts hold meetings in the counties regarding groundwater programs, Farm*A*Syst, etc., MDA's emergency phone numbers for spill response and its Right to Farm number or DNR's 800 number for pollution should be prominently displayed and reported so when emergencies arise, people know who to call.

Chairperson Veliquette reported a number of lake associations in Antrim and Grand Traverse counties have turned to the soil conservation districts as a source of science-based information and are pleased and confident in their relationships with the districts.

Director Wyant acknowledged Virginia Zeeb who is an active member of the Clinton County Soil Conservation District. He and the Commissioners are looking forward to their visit in May with that group.

MICHIGAN FARM BUREAU:

Ron Nelson, Scott Everett, and Al Almy presented 1997 MFB Policy Books to the Commissioners (copy on file in the Commission office) and highlighted those pertaining to MDA and the agriculture industry. Attachment J is a summary of their comments.

Referring to Policy 41, Commissioner Tatter asked why MFB is waiting two years before initiating action regarding the state's deer population. He suggested MFB seek an Attorney General's opinion on whether landowners have a right to protect their crops rather than waiting and bringing formal suit in two years. If it is determined that farmers do not have that right, then what is the state's position on protecting private property; e.g., cost sharing for fencing, etc.

Mr. Everett reported delegates at the annual meeting felt MFB has a long-standing tradition of working closely with public agencies and they do not want this relationship discontinued so will give DNR, MFB, and others two years to solve the problem.

Director Wyant commended MFB on its process for developing policy; historically, it has been successful; e.g., livestock initiative, Proposal A, elimination of statewide inheritance taxes, leadership for right to farm, and many other agriculture-related issues. Deer management is a real problem and the Director pledges MDA's support in finding a solution as quickly as possible.

UNITED DAIRY INDUSTRY OF MICHIGAN:

Nick Bellows, Chief Executive Officer, distributed copies of the Dairy Category Management Program, American Dairy Association of Michigan's 1997 Proposed Program Plans and Budget, and the Dairy Council of Michigan 1997 Proposed Program Plans and Budget (copies on file in the Commission office). He presented slides and comments on dairy promotion, budgets, and strategic planning. Attachment K is a summary of his comments. Mr. Bellows also previewed new commercials that are or will be airing soon.

REP. HOWARD WETTERS:

Director Wyant introduced Rep. Howard Wetters, Chairman of the House Agriculture Committee. Rep. Wetters commented on his assignments in the House of Representatives that relate to agriculture and specifically called attention to deregulation of utilities as an issue that, if not handled properly, can have costly implications to rural Michigan. Attachment L is a summary of his comments.

Commissioner Tatter requested Rep. Wetters to provide Director Wyant or the MCA office with copies of pertinent information on deregulation of utilities including meeting dates and other agriculture-related issues to help MCA be informed.

Chairperson Veliquette thanked Rep. Wetters for his informative report and invited him to maintain a close contact with MCA.

INFORMATION DISTRIBUTED:

Mr. Richard Vander Veen distributed copies of his testimony entitled "1997 and Future Michigan Retail Electric Programs," on behalf of Competitive Utility Tariffs, Inc. to the Michigan Public Service Commission (copy is on file in the MCA office).

RECESS AND RECONVENE:

Chairperson Veliquette recessed the meeting at 12:10 p.m. The Chairperson had commitments

that required him to leave after lunch; Vice Chairperson Darling reconvened the meeting at 1:08 p.m.

MICHIGAN BEAN COMMISSION:

Dale Kuenzli's reported on nutritive value of beans, Michigan Bean Commission's efforts to promote and market beans nationally and internationally, research programs, crop loss due to the 1996 disaster (weather), and the challenge of fewer marketing facilities. Attachment M is a copy of his remarks.

Mr. Kuenzli also distributed a packet of information including recipes and "The Bean Bag" newsletter (copies on file in MCA office).

REGULATION

John McGill, MBSA, discussed the mandatory point-of-origin bean inspection 523: program which began in 1938. He reported MBSA Board of Directors recommends MDA amend Regulation 523 to provide an optional bean inspection system in Michigan. MBSA, processors, and brokers question value and need for a mandatory inspection in light of rising costs and self-imposed industry standards.

Mr. McGill reviewed information supporting this request. He indicated the amendment will create cost efficiencies for growers and most customer grade standards exceed state standards. Michigan is the only state that maintains point-of-origin inspections. Attachment N is background information Mr. McGill distributed on this program.

Mr. McGill requested Regulation 523 be amended to change the mandatory to optional point-of-origin inspection for dry beans. Further, he requests the change become effective by September 1, 1997.

Bob Boehm reported MFB has a policy supporting continuation of the mandatory inspection; however, this and other dry bean issues will be discussed at an MFB advisory committee meeting on February 19. Perception three years ago was that much had been done to have a quality image in this state; however, it may be necessary to educate growers about what has happened with consolidation at the end-user and elevator levels. Another concern is continued availability of marketing information for growers. He hopes MFB will have a recommendation after the meeting next week.

Consensus of Commissioners and Director was for MDA staff to meet with Messrs. Kuenzli and McGill and other leaders in the industry to develop a recommendation regarding amending Regulation 523, Dry Bean Inspection, for consideration and action by MCA during its March or April meeting.

MICHIGAN BEEF INDUSTRY COMMISSION and MICHIGAN VEAL COMMITTEE:

Kathleen Hawkins, Executive Director, Michigan Beef Industry Commission and Michigan Veal Committee, introduced Wanda Cooper, Chairperson, Michigan Veal Committee, and Bill Sheridan, Chairman, Michigan Beef Industry Commission. Attachment O is a summary of their reports on the Michigan Beef Industry Commission and Michigan Veal Committee.

Mr. Wyant reported he, Dr. Harlen Richie, Tom Reed, and Kevin Kirk attended the five-state Regional Beef Alliance meeting in Indianapolis February 5 and 6. Michigan provided leadership in creating the alliance. Industry recognizes it is in a crisis situation and, consequently, leadership has focused on solutions. There will be incredible changes in the industry in the next five years in Michigan and the Eastern Corn Belt (includes this five-state region). This effort will be led primarily by universities through requests for grants from Fund for America, U.S.D.A., etc. MSU will work with Purdue University and the University of Illinois, University of Kentucky and Ohio State University to develop a beef production model that will provide the type cattle needed to meet the market niche. This requires a cooperative effort among all segments; communication is a key.

ACKNOWLEDGEMENT:

Director Wyant welcomed Tom Frazier of Senator Spencer Abraham's office to the meeting and invited him to participate in this or future meetings.

PUBLIC COMMENTS:

No one requested to speak to the Commission at this time.

RECESS AND RECONVENE:

Vice President Darling recessed the meeting at 2:48 p.m. and reconvened the meeting at 2:58 p.m.

DIRECTOR'S REPORT (Continued):

At this time Director concluded his report; a summary of his comments on Southern Thumb Co-Op, Stonemans' feeder cattle operation in Gratiot County, progress of the Apple Cider Advisory Committee, and Gratiot and Montcalm Counties' Renaissance Zone is included in Attachment D.

COMMENT:

Commissioner Tatter recently learned MSU-E (field staff) apparently believes MDA's process to award groundwater protection grants favors awarding grants to MSU-E (on campus). Director Wyant will ask staff to report to the Commission how and where the grants were awarded. Every group that received a rejection has called the Director. The committee awarding grants is comprised of five members (representatives from MSU-E, MDA, Soil Conservation Districts, and Michigan Agri-Business Association, and a farmer/producer). Committee evaluates proposals, scores program based on quality, and may make some adjustment for regionality. When applications are rejected, MDA reviews the application with applicant to explain reason for rejection. MDA has held grant-writing and grant-proposal seminars to help applicants know what qualifies. The Director believes applicants are learning to perfect their application process. Typically, every region received some money.

COMMITTEE- OF-THE-WHOLE:

Vice Chairperson Darling declared MCA would meet as a committee-of-the-whole to review and update Commission policies.

COMMISSION POLICIES:

Each policy was reviewed and additions and deletions made. The Commission's recommendations will be incorporated and the document presented for consideration at the March meeting.

ADJOURNMENT:

Vice Chairperson Darling reconvened the regular meeting and adjourned it at 5 p.m.

Attachment D

SUMMARY OF COMMENTS BY DIRECTOR DAN WYANT TO MCA, February 12, 1997, Lansing, Michigan.

Director Wyant distributed and reviewed a list of his activities since the last meeting (list included in this attachment):

- Attended Michigan Harness Horsemen's Annual Banquet. The 1996 handle was \$460+ million--an alltime record. Track attendance is up and Detroit Race Course has made major renovations. Changes in this industry are positive; however, there are concerns about long-term viability with respect to competition from casinos and maintaining an interest in racing;
- MSU, MFB, and MDA cosponsored a value-added conference at Frankenmuth was successful. More than 200 attended--all segments of industry were well-represented. Farmer-owned processing is not new in Michigan; it has existed in the cherry and other commodity industries for some time. The concept is being developed in North Dakota, Minnesota, and other states, and there is interest in cooperative processing operations in the Thumb.
- Participation in the Pollution Prevention Conference hosted by MDA, DEQ, and MFB. This is an effort to keep agriculture proactive in pollution prevention. He commended MFB, Michigan Pork Producers, Pork Alliance, and others in the agriculture community for providing proactive programs and leadership in this area;
- Made a presentation at the quarterly MJC Board meeting reinforcing MDA's commitment and desire to be part of agricultural economic development. In addition he has meetings scheduled with Steve Arwood (retention and recruit programs) and Richard Czuba (Travel Michigan). MDA intends to be full partners in MJC's efforts to move these programs forward. Katherine Fedder and Sandra Hill are working with Michigan Travel on agricultural tourism. Michigan Department of Transportation's new map will have information about U-Pick markets and festivals.
- Attended Project GREEN Steering Committee Meeting. This is MSU's effort to support plant programs (similar to the Livestock Initiative). There is \$500,000 in MSU's current budget, \$500,000 in the proposed fiscal year 1997-98 budget, as well as \$500,000 in the capital outlay budget to support this project. Initiatives are targeting challenges facing the fruit and vegetable industry and will prove the value of Project GREEN. Farmers and

commodity groups are beginning to communicate the benefit of Project GREEN to the future of Michigan agriculture;

- Attended the Governor's State of the State Address. Similar to other industries, agriculture was not singled out; however, comments regarding tax cuts, jobs, transportation, and improved schools, relate to agriculture in the same way as they impact other industries.
- Met with Representatives Howard Wetters and Mike Green (chair and vice chair, respectively, of House Agriculture Committee).

During the February 12 afternoon session of MCA. Director Wyant continued his report on the following issues

- Southern Thumb Co-op (Lapeer)--Co-op has filed for bankruptcy. A week ago its bank in St. Paul offered farmers owing money to the co-op a deal (sliding scale, multi-year repayment plan) and depending upon how much was owed, to forego a portion of their liability. Two months ago the bank and co-op offered membership 50 percent of liability which farmers refused.
MDA is responsible for ensuring warehouse receipts and price-later agreements security. MDA has verified grain is on hand to cover warehouse receipts, price-later agreements, and farmers who have proper priority liens in place.
Co-op management is pursuing a sale of facility; it is reported there are 14 interested parties. There are several complex issues that must be resolved.
- Stonemans are being sued as a nuisance. MDA was asked to file an amicus brief on their behalf. After consultation with legal counsel it was decided to file an affidavit on their behalf. Director Wyant and Wayne Whitman had toured the facility and reviewed the management plan. They could, with expertise, say this is a class operation, state-of-the-art facility, eligible for protection under the Right to Farm Act. Mr. Wyant and Ms. Baugh received copies of the motion for summary judgment scheduled for March 4 to argue that the case should not go to trial and the judge should decide on the law that Stonemans are entitled to win the case. Messrs. Wyant's and Whitman's affidavits are attached in support of the motion for summary judgment. Also attached are affidavits from Kevin Kirk (MFB) and MSU staff.
If the judge decides the motion for summary judgment in favor of the Stonemans, there could be an appeal. Judge may choose to take matter under advisement and not make a decision on March 4. Ms. Baugh anticipates the Stonemans' attorney will notify her when the judge makes a decision. A decision against the Stonemans will have significant negative impacts on agriculture.
- The Apple Cider Advisory Committee meetings have been progressive and positive. Committee is moving toward tightening awareness and providing education and practices to improve quality of apple cider in Michigan. At this time committee is not willing to require pasteurization of all cider. Committee wishes to incorporate other procedures first but wishes to be ready to require pasteurization if necessary. The Director will present final recommendations to the Commission.

- Representatives from the Renaissance Zone for Gratiot and Montcalm Counties met with the Director. R. Craig, Vince Parris, and Dr. David Skjaerlund are working on strategy to attract food processing businesses into the Gratiot and Montcalm counties' zone. While renaissance zones are helpful, agriculture must continue to do everything possible to help food processors. The Food Processing Roundtable will meet again next week; MDA and MJC staff will join the roundtable in an effort to determine what must be done to retain food processing presently located in the state.

Attachment H

SUMMARY OF REPORT BY DENISE YOCKEY, INTERNATIONAL MARKETING MANAGER, TO MCA, February 12, 1997, Lansing, Michigan.

Ms. Yockey provided an update on international marketing in MDA. One of her main responsibilities is to serve as a single point of contact for companies engaged in export. She provides these companies with information related to the state's export activities, conducts export educational workshops, motivates people/companies to think about exporting, and serves as a liaison between MDA and MJC for food and food processing.

A memorandum of understanding was negotiated with MJC that commits support to Ms. Yockey's position and to promote our food export activities.

The Michigan Food and Agriculture Directory lists about 380 companies who are exporters or wish to begin exporting. Directory is widely distributed free of charge to companies exporting food products, US Embassies, or other agencies that can help get the message out about our agricultural products.

Upon request Ms. Yockey does export market research for companies and provides information regarding phytosanitary barriers, tariffs, duties, etc. She represents Michigan on MIATCO; copies of a brochure, "A Guide for Food Exporters" and MIATCO's Annual Report were distributed and are on file in MCA office. MIATCO is a coalition of 12 midwest states that works cooperatively on export activities. Annually federal funding of approximately \$6 to \$7 million is provided MIATCO. MIATCO does overseas export activities and in-store promotions in other countries. Ms. Yockey notifies Michigan companies about these activities and encourages their participation.

Ms. Yockey serves on the MIATCO Marketing Committee that reviews how federal grants are awarded (Market Access Program). In addition to recruiting companies for these projects, she heads up programs; e.g., MIATCO Education, which develop export strategic plans. Michigan has 11 companies participating--more than any other state.

Ms. Yockey distributed and reviewed the Michigan Food Export Programs for 1997 (included in this attachment). Visits are made to 30-35 companies annually to discuss products and countries to which they are interested in exporting. In addition, a beginning exporters' workshop probably will be conducted.

One of Ms. Yockey's priorities was to increase the number of companies participating in federal, regional, and state programs. The Market Access Program (federal grant program) provides matching funds to promote products overseas. This year 12 companies are

participating and about \$557,000 was allocated to promote their products in other markets.

Twenty companies participated in MIATCO activities during the past year; 11 are in the education project. Twenty-five companies participated in the statewide export workshop, 50 different companies have been visited, and calls made to many others.

Program successes include: MJC surveyed all companies that received state assistance during the past two years. Of these 24 food and agriculture companies received assistance totaling \$130,000 which resulted in nearly \$12 million in sales; those export sales support about 130 jobs in the state.

Ms. Yockey also worked on the QVC promotion which came to Michigan; in 1996, 18 companies were involved and average sale was \$9,000. A workshop is being held during ANR Week on Selling and Shipping Food Products Direct to Consumers (television and world wide web avenues for marketing food products). Last count was that 65 have signed up for the workshop. QVC will return to Michigan in July 1997. Companies will be asked to participate in merchandise fairs in northern Michigan and Lansing during April. She helped get the MDA International Unit on the World Wide Web and arranged the commodity organizations' introduction to MDA's Web Site and subsequent application for Grown-In-Michigan Grants.

Attachment J

SUMMARY OF COMMENTS BY RON NELSON, SCOTT EVERETT, AND AL ALMY, MFB, REGARDING 1997 MFB POLICIES RELATED TO AGRICULTURE TO MCA on February 12, 1997, Lansing, Michigan.

Ron Nelson, Scott Everett, and Al Almy presented 1997 MFB Policy Books to the Commissioners; copy on file in the Commission office.

Mr. Nelson presented a brief overview of agriculture-related policies, highlighting the following:

- Policy 2, MDA. MFB believes MDA has successfully faced a number of challenges during the past year and recognizes the importance of maintaining funding for day-to-day activities and for those unknown issues that arise;
- Policy 4, Food Safety;
- Policy 6, Anti-Disparagement Legislation;
- Policy 7, Inspection of Nontraditional Meats; e.g., cervidea, ratites;
- Policy 8, Prompt Payment;
- Policy 9, Michigan Agricultural Commodity Insurance Act (changes needed in this act);
- Policy 10, Marketing and Bargaining Legislation (attention called to interest of other commodity groups to organize under P.A. 344);
- Policy 15, Michigan Horse Industry;
- Policy 16, Livestock and Poultry Health (MDA has provided leadership in this area with other agencies);

- Policy 18, Project GREEN (funding for this is extremely important);
- Policies 20 and 21, Grain Dealers Act and Hedge-to-Arrive Contracts (Grain Dealers Act needs to be as modern as the industry);
- Policy 23, Red Tart Cherry Industry;
- Policy 24, Cranberries;
- Policy 26, Michigan Bee Industry;
- Policy 27, Aquaculture and Commercial Fishing (this and the previous three policies point out the growing diversity of Michigan's agricultural industry; within this diversity there is much creativity in marketing; e.g., new-wave co-ops, value-added, which may provide important options for many segments of agriculture);
- Policy 29, Manufacturing Milk Act (needs to be reviewed relative to federal regulations);
- Policies 31 and 32, Liquid Fertilizer Storage and Anhydrous Ammonia (new issues);
- Policy 34, Stray Voltage;
- Policy 38, 1996 Crop Disaster Program (new policy specifically addressing the 1996 disaster); and
- Policy 39, Beginning Farmer Loans.

Howard Kelly was not present to review labor policies; he may be able to make his presentation at a future meeting.

Scott Everett provided an overview of three policies addressing issues that are requiring much of his time:

- Policy 41, Wildlife Management (a number of proposals to reduce the deer population are listed in this policy. He emphasized "Any other technique to increase the antlerless harvest" certainly will be considered. MFB members believe two years is sufficient to get the population down to a proper level. MFB is asking DNR to study effects of feeding concerning overpopulation and disease and enact restrictions to help avoid these problems).
- Policy 44, Farmland Preservation. A balance between development and farmland preservation must be obtained. There are concerns about P.A. 591, Land Division Act. MFB would like the Agricultural Security Area Bill reintroduced and is interested in what local units of government can provide as an incentive for farmers to retain farming in an area.
- Policy 53, Agricultural Drainage, MFB is pleased with MDA's role in drains in Michigan. Drainage is important for production agriculture. MFB places emphasis on protecting the minority (farmers) in this issue.

Mr. Nelson also called attention to:

- Policy 55, Disposal of Pesticides and Containers--MDA's efforts in Clean Sweep Program are appreciated;
- Policies 89 and 90, Taxation and Assessing Practices; and
- Policy 111, Utility Regulation and Rates.

Mr. Almy commented on the land use issue. Many programs have been proposed over the years to maintain the essential landbase needed for a strong agriculture. Agriculture cannot survive without land, air, and water. Land use discussions address many points of view from absolute preservation to selling.

There are many uncertainties about property rights. It is critical that the land-use, agriculture preservation issue be addressed if there is to be a strong agriculture industry in the future. MFB looks forward to working with MDA, conservation districts, environmental groups, etc. on this. It is critical to aggressively pursue policies and programs that allow agriculture the landbase it needs for the future.

Attachment L

SUMMARY OF COMMENTS BY REP. HOWARD WETTERS TO MCA on February 12, 1997, in Lansing, Michigan.

Rep. Wetters relayed Speaker Hertel's greetings to the Commission, Mr. Wyant, and MDA. There will be a number of technical bills in the House; e.g., land use and Drain Code, and he values the Commission's input and encourages their communicating questions, views and opinions to him. As he has worked on agriculture issues through the years, he has found a bipartisan, cooperative, and open relationship with this department; this will continue to be his approach to agriculture-related legislation during the next two years.

In addition to agricultural issues, Rep. Wetters is involved in rural economic issues and serves on the Conservation and Environment Committee, Public Utilities, Taxation, and the Tourism committees. As issues arise and are developed relating to agriculture, he will share them with MCA and request its views and recommendations.

Mr. Wetters reported consideration is being given to deregulating residential electrical distribution in Michigan. Deregulation will have great stakes for rural Michigan and agriculture as an industry. Cost of electricity will be reduced; however, the issue is what happens to the rest of the costs--infrastructure. Issues to be addressed include: (1) Maintenance of rural infrastructure which would be more costly than maintaining lines in urban areas; (2) Stranded costs; and (3) How process will be handled--transmission and costs. He commended the Public Service Commission on its recent report addressing these concerns. Deregulation of utilities will have a longer term impact on agriculture than other issues being addressed by the Legislature during the next two years. There are many financial interests to be addressed and if not handled properly, rural electrical costs could increase as much as 30 percent; if properly handled, there should be no impact. Rep. Wetters urged MCA and MDA to keep abreast of this issue. He will be a strong advocate for agriculture and rural Michigan on the committee so deregulation will not dramatically impact this industry.

SUMMARY OF COMMENTS BY KATHLEEN HAWKINS, BILL SHERIDAN, AND WANDA COOPER, MICHIGAN BEEF INDUSTRY COMMITTEE AND MICHIGAN VEAL COMMITTEE, TO MCA on February 12, 1997, Lansing, Michigan.

Kathleen Hawkins, Executive Director, Michigan Beef Industry Commission and Michigan Veal Committee, introduced Wanda Cooper, Chairperson, Michigan Veal Committee, and Bill Sheridan, Chairman, Michigan Beef Industry Commission.

Mrs. Cooper reviewed the history of the veal industry in the U.S. Industry began as an offshoot of the dairy industry. Leading states producing special-fed veal are Wisconsin and Pennsylvania; Michigan is seventh or eighth nationally.

Since the 1970s, this industry has been the target of animal rights groups. In spite of challenges created by these groups, there have been positive outcomes including: (1) best quality assurance program for livestock in the U.S.; (2) it is a model to other livestock industries for certification of producers and suppliers; and (3) production practices are firmly and absolutely based in science.

At its peak, state had a marketing potential of 90,000 veal calves annually; presently, potential is at 27,000 to 30,000 special-fed veal calves annually. This is not a large veal-consuming state; most sales are to Florida and the East and West Coast states. There are two packers in Michigan, one in Detroit and one on the west side of state.

Mrs. Cooper expressed appreciation to MDA for its support of the program particularly the matching grant funds used for promotional and educational programs.

Mr. Sheridan commended Mrs. Cooper on her excellent representation of the veal industry in Michigan.

In October 1996, the Veal Committee and Michigan Beef Industry Commission began sharing office space and an executive director; this has worked very well.

Mr. Sheridan thanked MDA and Director Wyant for the commodity board workshop held in December which was informative and is an essential program that should be continued.

Mr. Sheridan represents markets on the Michigan Beef Industry Commission. The wave of the future lies in integrated systems which were initiated by the poultry and pork industries. Because of its many segments, a beef alliance has been difficult to accomplish; however, an integrated program has been started in Michigan.

Michigan was invited to submit a grant application with the National Cattlemen's Association to develop a communications system for producers to market brand-like beef. Delegates nationwide looked at Michigan as innovators for developing a model that was so easy to operate.

Ms. Hawkins believes there will be significant changes in the industry in the next decade. It is important to have partnerships either through alliances to sell or promotions. She also expressed appreciation for the MDA grant which supports promotion and education programs.

She reviewed the beef and veal marketing plan (copies are available upon request).

Included in this attachment are copies of the Michigan Beef Industry and Veal Industry summaries. There are separate boards of directors for the Veal Committee and the Beef Industry but each operates under its own state act; however, the checkoff portions and administration were combined.

Ms. Hawkins reported the checkoff decreased about five percent over the past year due to a depressed beef market which is directly related to high corn and feed grain prices. Smaller checkoffs are likely to continue for a while. She displayed and reviewed programs developed in cooperation with Michigan companies, dietetic seminars, and other promotional/educational activities. She briefly reviewed the annual report which identifies accomplishments achieved with checkoff dollars.

Business is changing; genetics and premium payment for quality are integral parts of the new system. Premiums must be shared with the grower; grower must know genetics that will produce the premium.

I, David Crumbaugh, Secretary of the Michigan Commission of Agriculture, do hereby certify that I have read the minutes of the February 11-12, 1997, Annual Meeting of the Commission of Agriculture and they are a true and accurate description of the proceedings thereof.

David Crumbaugh, Secretary

I, Daniel J. Wyant, Director of the Michigan Department of Agriculture, do hereby certify that I have read the minutes of the February 11-12, 1997, Annual Meeting of the Commission of Agriculture and they are a true and accurate description of the proceedings thereof.

Daniel J. Wyant, Director

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