

MICHIGAN COMMISSION OF AGRICULTURE

**Geagley Laboratory
Gordon Guyer Room
1615 S. Harrison Road
East Lansing, MI 48823**

MEETING MINUTES NOVEMBER 2, 2009

PRESENT:

James Byrum, Chairperson
Todd Regis, Vice Chairperson
Don Coe, Secretary
Velmar Green, Commission of Agriculture
Don Koivisto, Director, Michigan Department of Agriculture

CALL TO ORDER AND ROLL CALL

Chairperson Byrum called the meeting of the Commission of Agriculture to order at 9:01 a.m. on November 2, 2009. Commissioner Coe called the roll with Commissioners Byrum, Coe, Green, Regis, and Director Koivisto present.

APPROVAL OF AGENDA

Commissioner Byrum noted one item had been added to the agenda: Agriculture Development Program Update.

MOTION: COMMISSIONER COE MOVED TO APPROVE THE MODIFIED MEETING AGENDA FOR NOVEMBER 2, 2009. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.

APPROVAL OF SEPTEMBER 16, 2009, MEETING MINUTES

MOTION: COMMISSIONER COE MOVED TO APPROVE THE SEPTEMBER 16, 2009, MEETING MINUTES. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on December 14, 2009, at Constitution Hall, in Lansing. In order to save money, the meeting was moved from Grand Rapids, which was to have been held in conjunction with the Fruit, Vegetable, and Farm Market EXPO.

COMMISSIONERS' TRAVEL

Commissioner Coe traveled to attend today's meeting. There was no other travel submitted for approval.

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

COMMISSIONER COMMENTS:

Commissioner Regis reported an increase in agriculture tourism. Also, the potential expansion in cranberry production is very encouraging. He hopes a potential solution will be forthcoming relative to agriculture issues created in the recent Executive Order No. 2009-45. The agriculture industry has received some unpopular media attention recently based on a deplorable labor issue in the southwest part of the state, for which the Department of Agriculture (MDA) has little or no responsibility. It is important to note this is an isolated occurrence and most producers are conducting their businesses in the correct manner.

Commissioner Coe reported his area just experienced the coldest, wettest October since 1952, which has had a dramatic affect on the grape harvest and on the new winery businesses in the area. Many grapes remained in the vineyards in hopes of developing higher sugar levels. There will be a reduction in yield and fewer high quality wines. The apple industry experienced a large crop this year; but unfortunately, with a small market. He has been responding to numerous inquiries related to the State's budget situation, as well as implications of the Governor's Executive Order.

Commissioner Green reported he attended the U.S. Animal Health meeting recently, noting Steve Halstead, MDA's Animal Industry Division, was also in attendance. During that meeting, it became obvious the U.S. Department of Agriculture (USDA) is changing their perspective related to Bovine TB issues. He suggested the department needs to work more closely with Senator Stabenow to aggressively move toward implementation of the changes needed on the Bovine TB issue in Michigan. The fall weather has had a horrendous affect on agriculture; they have not been able to harvest. In light of the recent Executive Order and having just recently been appointed to the Commission, he feels he had no opportunity to actually serve the Commission or the department.

Commissioner Byrum reported 25% of the sugar beets remain in the fields. Even though 5-10% of dry beans also remain in the field, the recent wet weather will end that harvest. Corn harvest has slowly begun and yields have very high moisture and very low test weight; also, mycotoxins are being detected. This will be a huge issue for livestock and dairy producers as they attempt to decide what to feed their animals. There also have been major rejections of corn from the

Midwest because of high damage and high levels of problems with the corn. Much of the soybean crop remains in the field and because they absorb moisture, the recent wet weather has created a fundamental problem. With harvest delayed, wheat acreage across the state will be down 25-30%. He has been heavily engaged with the current political issues. Michigan State University (MSU) issued a release last week in concert with the government where they enumerated new priorities for the university, including the Extension Service and Experiment Station.

DIRECTOR'S REPORT

Director Koivisto reported the MDA Employee Awards Ceremony is scheduled for November 9 at 1:30 at the State of Michigan Library and Historical Center, to which the Commission has been invited. It has been a difficult year for the department in light of the changes and layoffs; however, continuing recognition of MDA's great workforce helps to move the department forward in a positive direction.

An Agriculture Symposium was held on September 25, which produced many interesting ideas from the agriculture leaders in attendance. One of those was the expressed desire to speak with a collective voice from the private sector of agriculture and to participate in molding the industry for the future.

He participated in several agricultural tours recently, including Cooperative Elevator, Farm Markets, Ottawa County, Nobis Farm, and Sietsema Farms. Upcoming tours include Old Europe Cheese, the Christmas Tree Farm, and Better Made. These visits are always very positive and will be continued.

One key statistic to remember is that Michigan has over 525 large food processors and 800 small food processors, and the larger of those companies employ 300-500 people. These companies are continually growing and their jobs offer an average wage of \$14-20 per hour with full benefits. This represents only one significant element of the impact agriculture has on this state.

DIRECTOR'S TRAVEL

Director Koivisto plans to travel to the National Association of State Departments of Agriculture meeting to be held in Washington, D.C., in February 2010. While other meetings have been bypassed due to budget constraints, it is important the department is represented at this critical meeting. He confirmed some of his time while there will be spent with USDA.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

BUDGET UPDATE: Amy Epkey, Budget Officer

Ms. Epkey noted the Governor recently signed the last of the 2010 budgets for the fiscal year which runs October 1, 2009 through September 30, 2010. MDA's 2010 budget was signed on October 14; however, it included 16 line-item vetoes and additional boilerplate vetoes resulting in an additional cut of \$11.3 million in funding from the department's already reduced budget, giving MDA a 13% total budget reduction compared to the Legislature's proposal. The department's 2010 total budget is now \$73 million, including \$30 million of general fund, which is a 25% reduction from the previous year.

The Governor's vetoes have direct program impacts, including \$485,100 cut for producer security, effectively eliminating that program; \$300,000 cut from the Agriculture Development Division, eliminating the Select Michigan Program, curtailing agriculture economic development efforts, and hindering MDA's ability to work with the State's commodity groups; a \$6,625,800 veto cuts all equine grant administration, which ends all state funding for local county fairs, including premium payments and building improvements; a \$2.5 million cut to eliminate funding for the Office of the Racing Commission; a veto eliminates \$236,900 in grant funding for Michigan's 79 local conservation districts; and another veto cuts \$540,100 in funding to support the Michigan Agricultural Surplus System.

A supplemental, HB 4788, passed the full House last week and hopefully will be considered by the Senate this week. The bill would restore \$7.4 million of funding for the Office of Racing Commission, the equine grants to the industry, and the Producer Security Program. The supplemental does not restore funding for the Agriculture Development Division. One point of clarification, the supplemental uses equine funds for the Office of Racing Commission and the grants to the industry, which are funds generated by simulcast wagering at the tracks. No general fund dollars would be going to the Office of Racing Commission or the equine grants going to the industry. In response to inquiry from Commissioner Byrum, Ms. Epkey confirmed the Governor indicated she would support a supplemental if it were using exclusively restricted funds from equine funds for those programs.

Relative to the magnitude of the reductions, Ms. Epkey summarized the impact of some of the reductions the department has experienced over the past few years. There have been significant reductions in grants. In 2000, grants to the 70 local conservation districts were over \$20,000 to each district; in 2010, they will receive no general fund State dollars. There was a significant reduction in grant funding for the Michigan Agricultural Surplus system, which provides funding for the Michigan Food Bank.

The department has also needed to eliminate several programs including seed testing, fertilizer testing, pet shop and horse riding stable inspections, agriculture

bulk storage, dry bean grading, and administration of the Upper Peninsula State Fair. MDA also needed to consider delivering services differently. As of October 1, 2009, the department closed all of its regional offices in Detroit, Escanaba, Grand Rapids, Lansing, Saginaw, St. Joseph, Traverse City, and the district office in Marquette due to budget cuts.

Relative to reductions in staff, this week, MDA will be administering its third round of layoffs. The total actual and anticipated layoff level at this point is 49, which is 10 percent of the department's workforce and very significant for the agency. These layoffs have occurred at all levels of the organization. Unfortunately, MDA will lose some very valuable management, as well as individuals with specialized skills. Due to Civil Service rules, even if employees are later called back, they may not necessarily be returned to their previous positions.

As things move forward, the department recognizes it must conduct business differently. For example, through restructuring within the agency, the Agricultural Development and Fairs, Racing, and Exhibitions Divisions will no longer be maintained. Some functions will have to be eliminated, while others will be dispersed among other agency employees.

Also at this time, the department is preparing for the 2011 budget development. The Governor will present her budget proposal in February. Each agency has been requested to develop budget plans that reflect an additional 20% general fund reduction, which is \$6 million for MDA. The magnitude of this reduction presents a tremendous challenge for the department. During the December Commission meeting, Ms. Epkey reported she will present a comprehensive plan for potential fee options. Commissioner Coe suggested that, if not already included, an increase in fees for the gas station inspections be included in the proposal.

In perspective, it costs the average Michigan citizen only 2 cents a day for the services the department provides for food safety, consumer protection at the gasoline pumps, economic expansion, and the other programs it administers. MDA needs to determine if the department can maintain those programs, especially if they will be spending less than 2 cents a day as a result of the projected budget cuts.

Historically, the department has always been above \$100 million for its annual budget; for 2010, it is \$73 million; and 20% less than amount that is projected for 2011.

In response to question from Commissioner Coe, Ms. Epkey advised that neither the Department of Environmental Quality (MDEQ) nor Department of Natural Resources (MDNR) has had any staff reductions to date. MDA's budget is now

nearly 40% general funds, yet at the same time, it has a great deal of impact on the general public. During recent reductions, the department eliminated grants, delivered services differently, and etc., which leaves staff as the only area left through which to absorb cuts. In response to inquiry from Commissioner Coe, Ms. Epkey advised a 20% cut would equate to the reduction of an additional 50-60 of staff members.

Director Koivisto reported the department continues to explore potential federal funding mechanisms; however, the majority of those funds come to the State by way of cost share or cost matching programs. Also, the federal stimulus dollars have not impacted the department. MDA continues to seek additional funding sources wherever the potential exists.

Commissioner Coe suggested the Director meet with USDA Rural Development staff while in Washington in February to discuss potential opportunities and current obstacles that exist in the rural agriculture economic development arena.

Commissioner Byrum noted the key message today is that the impact of reducing MDA's programs will harm commerce and the ability to do business in Michigan.

LEGISLATIVE UPDATE: Nancy Nyquist, Legislative Liaison

Ms. Nyquist summarized some of the recent legislative action. Senate Bill 785, which is now P.A. 120, is the wetlands legislation that mandates the cranberry expansion in Michigan. The budget supplemental, House Bill 4288, will hopefully be on the Senate agenda for this week. Senate concurrent resolutions 22, 23, and 24 have been designated for several hearings; these are relative to keeping MDA a stand alone agency, the Commission, and the MDEQ/MDNR merge.

Last week, Senate Agriculture also received testimony and reported out Senate Bills 955-950 which would transfer the Office Racing Commission back to MDA. Also, a number of bills were introduced: Senate Bill 935 and House Bills 5525 and 5543 were brought forth by a group of Oakland County legislators to allow County Boards of Commissioners to authorize farmers and flea markets.

The Animal Care Bill, Public Act 117 of 2009, was enacted by the Governor on October 12, 2009. A copy of the new law and letters of support from the industry were shared with the Commission. The law phases out veal crates for calves within three years and phases out battery cages for laying hens and gestation crates for breeding sows within 10 years.

The law amends the Animal Industry Act to prohibit a farm owner or operator from tethering or confining a "covered animal" for all or the majority of any day in a manner that prevents the animal from lying down, standing up, fully extending its limbs, or turning around freely. "Covered animal" means any pig during

pregnancy, calf raised for veal, or egg-laying hen that is kept on a farm. The prohibition does not apply to a covered animal during scientific or agricultural research; examination, testing, individual treatment, or operation for veterinary purposes; transportation; exhibitions; slaughter; and, in the case of a pig, the period beginning seven days before the pig's expected date of giving birth.

MDA or the Attorney General can bring a civil action to restrain, by temporary or permanent injunction, any act or practice in violation of the law. The action could be brought in the circuit court for the county where the defendant resided or conducted business. The court could issue a temporary or permanent injunction and issue other equitable orders or judgments.

Even though this law represents a compromise between Michigan animal agriculture group and the Humane Society of the United States (HSUS), it does not preclude further efforts by HSUS or other animal welfare/rights groups to bring animal husbandry practices to the public through ballot initiatives.

ANIMAL CARE ACT – NEXT STEPS: Steve Halstead, State Veterinarian and Division Director, Animal Industry Division

Dr. Halstead advised the next steps relative to P.A. 117, the Animal Care Law, will include defining the department's role, noting the department plans to involve stakeholders in that process. Act 466, which this new law amends, gives the department authority to promulgate rules. The law gives the department or the Attorney General the authority to bring civil action for any violation of the law. MDA envisions accomplishing that on a complaint-driven basis.

Given the generous time frame defined within the law, Commissioner Byrum noted the industry may move more quickly on the new requirements than actually required by the law. Based on that assumption, he suggested the department adopt a "wait and see" implementation strategy. The industry is already working on more clearly defining rules and regulations included in the law. Dr. Halstead indicated the department is also moving forward with an education component to ensure producers know exactly what is expected of them.

In response to inquiry from Commissioner Coe, it was noted that the Generally Accepted Agricultural Management Practices will need to be amended over the next few years as they relate to animal care and the provisions of P.A. 117.

COMMISSION RESOLUTIONS – AGRICULTURAL PROCESSING AND RENEWABLE ENERGY RENAISSANCE ZONES FOR CHANGE IN OWNERSHIP OF CHASE FARMS TO ARBRE FARMS CORPORATION AND WILLOW COLD STORAGE CORPORATION; AND FOR CHANGE IN OWNERSHIP FOR HEAT TRANSFER INTERNATIONAL, INC., TO HEAT TRANSFER INTERNATIONAL, LLC:

Mike DiBernardo, Agriculture Business Development Specialist, Agriculture Development Division

Commissioner Byrum noted that considering Agriculture Processing Renaissance Zone applications and subsequent actions is one of the policy functions of the Commission.

Mr. DiBernardo noted that in September of 2005, an Agricultural Processing Renaissance Zone in the Township of Colfax, Oceana County, was approved for Chase Farms. This project is being brought back to the Michigan Commission of Agriculture to amend the development agreement to reflect a change in property ownership to Arbre Farms Corporation and Willow Cold Storage Corporation. Arbre Farms Corporation and Willow Cold Storage Corporation have agreed to meet all terms and conditions of the original agreement. MDA feels this is a good venture and encouraged the Commission to support this resolution.

MOTION: COMMISSIONER COE MOVED TO SUPPORT A RESOLUTION APPROVING THE AMENDED AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION IN THE TOWNSHIP OF COLFAX, OCEANA COUNTY, TO REFLECT A CHANGE IN OWNERSHIP FROM CHASE FARMS TO ARBRE FARMS CORPORATION AND COLD STORAGE CORPORATION. COMMISSIONER GREEN SECONDED. MOTION CARRIED.

Mr. DiBernardo noted that in May of 2009, a Renewable Energy Renaissance Zone in the City of Kentwood, Kent County, was approved for Heat Transfer International, Inc. This project is being brought back to the Michigan Commission of Agriculture to amend the development agreement to reflect a change in property ownership to Heat Transfer International, LLC. Heat Transfer International, LLC, has agreed to meet all terms and conditions of the original agreement. The principals have also committed to considerable investment in retooling that facility. The Commission was encouraged to support this resolution which represents a change in equity position allowing the company to invest additional funds into the project.

MOTION: COMMISSIONER GREEN MOVED TO SUPPORT A RESOLUTION APPROVING THE AMENDED RENEWABLE ENERGY RENAISSANCE ZONE DESIGNATION IN THE CITY OF KENTWOOD, KENT COUNTY, TO REFLECT A CHANGE IN OWNERSHIP FROM HEAT TRANSFER INTERNATIONAL, INC., TO HEAT TRANSFER INTERNATIONAL, LLC. COMMISSIONER COE SECONDED. MOTION CARRIED.

COMMISSION RESOLUTIONS – AGRICULTURAL PROCESSING RENAISSANCE ZONE REVOCATION NOTICES FOR DIVERSIFIED NATURAL PRODUCTS AND

SUBTERRA, LLC: Mike DiBernardo, Agriculture Business Development Specialist, Agriculture Development Division

Mr. DiBernardo reported that, in partnership with the Michigan Economic Development Corporation, the department identified some companies who were not complying with their Agricultural Processing Renaissance Zone agreements, or instances where there were questions related to those agreements. Contact with and personal site visits with those companies were coordinated. From those discussions, it was determined that two companies, Subterra, LLC, and Diversified Natural Products, were not in compliance with the Agricultural Processing Renaissance Zone terms and conditions to which they agreed.

Mr. DiBernardo noted that in December of 2002, an Agricultural Processing Renaissance Zone in the Township of Carp, Ontonagon County, was approved for Subterra, LLC. This project is being brought back to the Michigan Commission of Agriculture with the recommendation of revocation for the existing Agricultural Processing Renaissance Zone for Subterra, LLC, effective beginning in 2010. Unfortunately, due to contracts that did not materialize, Subterra was unable to meet any of the benchmarks set forth in the original agreement and voluntarily requested the withdrawal of their Agricultural Processing Renaissance Zone designation.

MOTION: COMMISSIONER REGIS MOVED TO SUPPORT A RESOLUTION APPROVING THE RECOMMENDED REVOCATION OF THE EXISTING AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION FOR SUBTERRA, LLC, EFFECTIVE BEGINNING IN 2010. COMMISSIONER GREEN SECONDED. MOTION CARRIED.

Mr. DiBernardo noted that in April 2006, an Agricultural Processing Renaissance Zone in the City of Scottville, Mason County, was approved for Diversified Natural Products. This project is being brought back to the Michigan Commission of Agriculture with the recommendation of revocation for the existing Agricultural Processing Renaissance Zone for Diversified Natural Products effective beginning in 2010. Diversified Natural Products has been unable to meet the benchmarks set forth in the original agreement and MDA and the Michigan Economic Development Corporation are requesting the withdrawal of their Agricultural Processing Renaissance Zone designation effective beginning in 2010.

MOTION: COMMISSIONER COE MOVED TO SUPPORT A RESOLUTION APPROVING THE RECOMMENDED REVOCATION OF THE EXISTING AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION FOR DIVERSIFIED NATURAL PRODUCTS EFFECTIVE BEGINNING IN 2010. COMMISSIONER REGIS SECONDED. MOTION CARRIED.

Commissioner Byrum complimented the department on their effective monitoring of the Agricultural Processing Renaissance Zones, noting it is important these zones actually perform. In response to inquiry from Commissioner Regis, Mr. DiBernardo advised that once zones are rescinded, they can not be reissued. He further noted that currently, seven additional zones are available.

GOOD AGRICULTURAL PRACTICES/GOOD HANDLING PRACTICES AUDIT PROGRAM AND DIRECT MARKET FOOD SAFETY UPDATE: Ken Rauscher, Director, and Colleen Bess, Fruit and Vegetable State Supervisor, Pesticide and Plant Pest Management Division

Mr. Rauscher introduced Colleen Bess, Fruit and Vegetable State Supervisor. She has also been coordinating the Good Agricultural Practices/Good Handling Practices (GAP/GHP) Inspection Program. The state was faced with a challenge last year when it was notified that apple producers would need to be certified in order to sell under federal contracts. Ms. Bess has been integral in the success of the project to provide that certification.

Ms. Bess provided an update on the GAP/GHP Program, the goal of which is to reduce the risk of microbial contamination on the farm or in the packing house. This program was initiated in 2003 and was escalated when federal contracts began requiring GAP audits. The Specialty Crop Block Grant Program assisted in providing funds to train 20 fruit and vegetable permanent, temporary, and plant industry staff, which was eventually recognized and approved by USDA.

While the bad weather this year presented a tremendous challenge, approximately 225 GAP audits have been completed on farms ranging from six to 3,000 acres in size. With often only one day of harvest, small farms present a unique challenge relative to scheduling the audits. The majority of the farms audited this year were small farms (less than 200 acres). An effective trace-back system and required paperwork presented challenges for those producers.

While the majority of the audits were conducted on apples, audits on potatoes, peaches, cherries, carrots, onions, blueberries, radishes, green onions, beets, raspberries, apricots, pears, strawberries, watermelon, winter squash, summer squash, and cantaloupe were also completed, with an overall failure rate of only 6%. The average audit takes anywhere from two hours to a full day for the auditor to complete. Because processors are indicating they want the GAP/GHP audits, it is anticipated that two to three times the number of audits will be completed next year, with cherries leading the effort.

In response to inquiry from Commissioner Coe, Ms. Bess indicated the average audit cost is approximately \$400-500 per farm, which for the new emerging agriculture sector, presents an economic burden. Also, a new handbook is

expected soon from USDA, which will dictate the direction audits will take next year. Commissioner Coe pointed out there currently are approximately 56,000 farms in Michigan, of which 12%, or 10,000-12,000 farms are selling directly to consumers – this represents a huge workload requirement for GAP/GHP audits if the FDA mandates certification. Ms. Bess reported MSU Extension has also been training staff to assist with the effort. Commissioner Coe complimented Ms. Bess and her staff on what they have been able to accomplish and noted the GAP/GHP Audit Program for small producers and the direct market food safety efforts must be continued by the department. In response to question from Commissioner Byrum, Ms. Bess advised that other states are conducting similar programs.

Mr. Rauscher reported that in an attempt to obtain a picture of the challenges and solutions of meeting food safety and liability concerns for these direct market producers, and also to get a perspective from farm market operators, Jan Wilford, from the Environmental Stewardship Committee, and he organized the Direct Market Food Safety Workgroup to take a look at these challenges and possible solutions. Initially addressed were identifying the audience for the training and determining whether GAP/GHP is required or if a set of standards for guidance instead would address the food safety issues. A website is being developed to post informational materials as they are developed, as well as a calendar of useful training events.

In response to question from Director Koivisto, Mr. Rauscher advised relative to GAP auditing for fruits and vegetables imported into this country, the new federal regulations address that area. Many retailers are demanding a GAP audit, some of which are international standards.

Commissioner Byrum noted it is important to understand the distinction between moving toward the direction of GAP audits on imports and actually having them completed, because many foreign countries do not yet have systems in place. Also, the legislation currently moving through Congress may not be stringent enough to ensure the safety of imported food. However, he noted that the food supply today is safer than it has ever been. The irony is that science has developed a means of identifying problems that historically were never detected. This situation is demanding more requirements on the entire agriculture industry and will continue to present challenges in the future.

AGRICULTURE DEVELOPMENT PROGRAM UPDATE: Bob Craig, Director, Agriculture Development Division

Commissioner Byrum congratulated Mr. Craig on his action of seconding the motion during the Future Farmers of America (FFA) Convention over 40 years ago which allowed females to become members of the organization, a rather controversial change at the time. During the 82nd National FFA Convention on

October 22, 2009, the U.S. Senate adopted a resolution celebrating that 40th anniversary and the contribution women have made to the organization. Mr. Craig reported that today, approximately 40% of the FFA members are women and over half of the leadership positions nationwide are held by women.

Commissioner Byrum recognized that Mr. Craig has been with the department for almost 19 years, leading the Agriculture Development Division and bringing many development successes to MDA and the agriculture industry in Michigan. Mr. Craig is recognized across the state and nationally as an exceptional leader in agriculture development. Unfortunately, he is one of the 49 employees who will be leaving the department this week as a result of budget reductions to the department. Commissioner Byrum asked Mr. Craig to present to the Commission today an overview of the Division's success story over the last few years, which is an important message not only to the Commission, but to the agriculture industry and to the entire State of Michigan.

Mr. Craig presented an Agriculture Development Division update on behalf of himself and his entire division staff, highlighting the growth and achievements of Michigan's agri-food industry for more than a decade and the role MDA has played in that agri-economic success. From the birth of the state's renewable fuels sector to expanding agriculture-based businesses to identifying ways consumers can buy local foods, MDA's Agriculture Development (AgD) Division helped bring these initiatives to fruition.

He reviewed some highlights and strengths of Michigan's food and agriculture industry. The agri-food industry contributes \$71.3 billion annually to the state's economy, up from \$55 billion in 1997. It employs more than one million Michigan residents, nearly 25% of the state's workforce. He reviewed some of the key drivers and innovative initiatives contributing to the tremendous growth of agriculture in Michigan.

The industry exports about one-third of its agricultural commodities each year, generating more than \$1.68 billion and supporting more than 19,691 jobs in 2008. This has almost doubled when one compares the USDA statistics of \$869.8 million for agricultural exports in 1997.

The food and agriculture industry produces over 200 commodities, the second most agriculturally diverse state in the U.S. Michigan leads the nation in the production of 20 commodities. AgD has worked with most commodity groups in Michigan since 1997 and provided oversight to commodity check-off groups, commodity coordination, as well as economic development and marketing assistance to new "infant" industries in Michigan, namely aquaculture, chestnuts, cranberries, and organic agriculture.

In 2000, Site Magazine ranked Michigan fifth in the nation in food processing plant expansions. Over 525 large food processors and 800 small food processors are located in Michigan.

AgD and other partners assisted in the formation and successful launch of Michigan Turkey Producers Cooperative and Michigan Sugar Beet Growers, Inc. These two farmer-owned cooperatives now operate very successful value-added processing plants in Michigan that provide over 1,500 jobs, assure ready markets for growers, and are key partners in promoting "Select Michigan" products.

The green jobs and bio-economy have been drivers of economic growth for Michigan's food and agriculture industry. There are now five corn-based ethanol plants operating with a total production capacity of 267 million gallons per year, \$600 million annual total economic impact, 220 direct jobs, and using 90 million bushels of corn annually. Also, two biodiesel plants are operating on a partial basis in the state with about 20 million gallons of capacity and approximately 20 direct jobs. The direct investment in state biofuels facilities, both in plants and equipment, equals nearly \$1 billion.

In 2009, consumer purchase preferences for Michigan grown and/or processed products soared as a mega-trend and part of the buy local movement. In 2002, the first year the Select Michigan Program was conducted in Michigan, sales of fresh fruits and vegetables on average increased 111 percent. Sales have subsequently increased approximately 10-20 percent per year thereafter.

Mr. Craig said he was very fortunate to have the Commission of Agriculture and some great Directors, Don Koivisto, Mitch Irwin, and Dan Wyant with whom he worked over the years. They all have been very supportive of him and his team.

Commissioner Coe noted that new businesses go where they are welcome and that welcome is only apparent where government focuses on development. Losing the Agriculture Development Division is going to open the door for other states to grow their agriculture economies.

Commissioner Regis remarked that the accomplishments of AgD over the last few years have been amazing and he has greatly enjoyed working with Mr. Craig, whose thumbprint is on every success story reviewed today. Agricultural growth will continue in Michigan as a result of those efforts.

Commissioner Byrum advised that Michigan Turkey Producers Co-op and Pioneer Sugar would have never come to fruition without Mr. Craig's commitment to the projects and AgD's efforts to make those happen. The Michigan Economic Development Corporation (MEDC) certainly has a major role in economic development in Michigan, but in terms of understanding the unique nature of

agriculture development, they do not have the type of sensitivity and commitment to the agriculture industry that is needed to be successful. Mr. Craig is Michigan's resident expert in agriculture economic development, and unfortunately, as of 5:00 Thursday afternoon, that is gone. Everyone joined Commissioner Byrum in congratulating Mr. Craig and wishing him well in his future endeavors. All were invited to join the reception planned for Mr. Craig and Chris Lietzau on November 4 at the Harrison Road House from 4:30 to 7:00 p.m.

EXECUTIVE ORDER NUMBER 2009-45

On October 8, 2009, Governor Granholm issued Executive Order Number 2009-45, creating a new Department of Natural Resources and Environment which will assume the functions of the Department of Natural Resources and the Department of Environmental Quality. The order takes effect January 17, 2010.

Also impacted by the executive order is the Department of Agriculture. After the executive order's effective date, the department director will continue to serve as the head of the department; however, in the future, the Governor will appoint the department director.

Commissioner Byrum reported the Legislature has until December 7, 2009, to override the Executive Order; otherwise, it will go into effect January 17, 2010. Until then, the Commission still has policy authority for the Department of Agriculture and responsibility for employing and selecting the Director. The Executive Order is very clear; essentially, the Commission would no longer have policy authority and would serve as an advisory committee only in the future.

Director Koivisto advised it has been a continuing privilege to work with the Commission. Each member brings a unique expertise from a variety of agricultural areas and this has served the department in a very productive way. In response to inquiry from Commissioner Coe, the Director advised the Commission would certainly continue to have a role; however, that has not yet been clearly defined.

Commissioner Regis advised he will continue to have conversations where appropriate with members of the Legislature and Executive Office in an attempt to find a reasonable way to continue the critical role of this bipartisan Commission of Agriculture. This is a department that operates on 25 % less of a budget than it did a year ago; because it is only going to become even tougher in the future, there needs to be a bipartisan Commission that gives oversight, makes recommendations, and continues to set policy and mandate procedure for the department. He will continue to advocate for such a role.

Commissioner Green noted that the nature of the way the Commission operates is actually the framework by which government should operate. We have a

bipartisan Commission that has always functioned very well with the department and he is concerned they no longer want that process to continue.

Commissioner Byrum emphasized that transparency, access, and participatory government is actually what the Commission provides. Losing the elements of this solution, resolution, and problem-solving based department, which are a direct result of that transparency and direct involvement, is potentially a real problem going forward and is a tremendous loss.

COMMISSIONER ISSUES

Retirement Resolutions

Commissioner Byrum reviewed a retirement resolution before the Commission recognizing Elise M. Clay Thomas. Ms. Thomas retires with 20 years of dedicated service to MDA and a total of 38 years with the State of Michigan.

MOTION: COMMISSIONER COE MOVED THE RESOLUTION FOR ELISE M. CLAY THOMAS BE ADOPTED WITH BEST WISHES FOR HER LONG AND HEALTHY RETIREMENT. COMMISSIONER GREEN SECONDED. MOTION CARRIED.

Commissioner Byrum then reviewed a retirement resolution before the Commission recognizing Barbara L. Hensinger upon her retirement from MDA on December 1, 2009. She leaves MDA with over 33 years of dedicated and loyal service to the State of Michigan. Ms. Hensinger was recognized for her outstanding contributions to the department since joining MDA's Human Resources Division in 1989 as its Assistant Director. Since October of 1998, she has served as Organizational Development Officer and Director of the Fairs, Exhibitions, and Racing Division.

MOTION: COMMISSIONER REGIS MOVED THE RESOLUTION FOR BARBARA L. HENSINGER BE ADOPTED WITH BEST WISHES FOR HER LONG AND HEALTHY RETIREMENT. COMMISSIONER COE SECONDED. MOTION CARRIED.

Director Koivisto noted two of the people with whom he has worked most closely since being appointed Director two years ago are leaving the department, Bob Craig and Barb Hensinger. To see them both leave is very difficult and he expressed his appreciation for their contributions.

Commissioner Byrum added the Commission's expression of thanks and appreciation for all that Ms. Hensinger has accomplished for the department. He wished her well in her future endeavors.

Ms. Hensinger advised it has been a pleasure working with the Commission and the department, noting it is the best department in State government. She felt it was a pleasure to move to a problem-solving, get-things-done agency. She remarked the department is a wonderful team with whom to work on a variety of projects. On December 7, she will be assuming her new duties as the Ingham County Fair Manager.

Other Commissioner Issues:

Given the 20 % budget cut with which the department is faced for 2011, Commissioner Byrum requested the department organize a Commission workshop in early December to review the budget, its potential impacts for MDA, and the department program priorities for subsequent years. The other Commissioners agreed with this approach.

Commissioner Byrum requested to include in the special workshop discussion on how to restructure at least a skeletal Agriculture Development Division to ensure future agriculture opportunities are addressed. Meeting subsequently with MEDC on this topic was also suggested.

In addition, for planning purposes if the Executive Order stands, Commissioner Byrum suggested the Commission meetings would be less frequent in the future and more advisory and informational in nature. Commissioner Coe suggested including in the Commission workshop discussion of the future role of the Commission.

PUBLIC COMMENT

Tonia Ritter, Michigan Farm Bureau. Ms. Ritter noted, as the largest general farm organization in the state, Michigan Farm Bureau needs to take every opportunity to highlight things happening to the infrastructure that have provided the framework for agriculture to grow and thrive in this state. Agriculture has taken a few blows recently and some are still in play as discussed today. MFB is adamant in its position on these issues.

The first issue is the Governor's recent Executive Order. MFB has appreciated that the Commission of Agriculture has always provided MFB with additional avenues for access. Their members adopted a very strong policy, which like all other policies began with the grass roots level advancing concerns to the state level; and that policy reads, "The present Commission system has allowed for continuity and consistency of programs. We strongly support the Commission system of government, including the authority of the Commission to employ the Director." MFB's position could not be any clearer to this Commission, to the elected officials of this state, and to the Executive Office; and MFB will stand by that policy position.

When you consider what has occurred and what came forward in the Executive Order 2009-45, you must ask a series of questions. The major premise of the Executive Order appeared to be the merger of the two departments of Environmental Quality and Natural Resources. But, unfortunately the issue of the Commission systems was wrapped into that Executive Order. What problem are we trying to solve? MFB has not come up with any answers. Where is the cost savings? There does not appear to be any. Is there something that is really streamlining? No, would be the answer. In the end, MFB cannot find any good argument for why they would remove the role of this Commission in the oversight of the department and in the selection of its Director. It is very troubling that they want to remove a system that has been serving the State very well for nearly 90 years. The system is not broken; in fact, it has provided tremendous opportunity for transparency, accessibility, and accountability.

MFB looks to the other departments with which they have challenges, and it is apparent in MFB's Policy Book. MFB has some significant frustrations with other state agencies and is very troubled by the idea they are proposing to make MDA look like other departments that do not have accountability, do not have transparency, and have created tremendous frustration for MFB's members and for the agriculture processing industries in this state. It does not seem to be a model we should be embracing. What model do we want? It is the one that we already have.

The second issue relates to the budget cuts MDA is facing. When you look at the statistics, the gross national product that has been growing in this state is agriculture. It troubles MFB greatly that much of that appears to have been overlooked when you consider the deep cuts that were made in the Agricultural Development Division. With very little, the department has accomplished a great deal. There are tremendous challenges ahead with no Agriculture Development Division in the department; because, the department has not received the attention it should have from other departments that coordinate economic development in Michigan. Agriculture is the second largest industry in the state – a \$71.3 billion industry employing more than one million residents. How many producers, processors, workers have stayed in Michigan directly as a result of what MDA's Agriculture Development Division staff have been able to accomplish?

In this state, we need to focus on what model is going to deliver the people in this state the programs they want. However, with the current budget, unfortunately, like my mother said, we are cutting off our nose to spite our face.

She thanked the Commission for their commitment and noted MFB hopes to work with the Commission for a better outcome for the future of agriculture in Michigan.

Commissioner Byrum confirmed the future will be different. It is indeed unfortunate today as we look at Bob Craig, Chris Litzeau, Barb Hensinger, and others leaving the department. The State of Michigan will not be better off. Agriculture's policies will not be better off, and agriculture development opportunities will not be handled as effectively. He emphasized that he appreciates the Commission's commitment, support, and dedication and service to the people of Michigan.

ADJOURN

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

The meeting was adjourned at 11:25 a.m.

Attachments:

- A) *Agenda*
- B) *Agriculture Commission Meeting Minutes September 16, 2009*
- C) *FY2010 Budget Talking Points*
- D) *Legislative Status – November 2009*
- E) *Enrolled House Bill No. 5127*
- F) *Letters in support of HB 5127: Michigan Farm Bureau, Michigan Allied Poultry Industries, Michigan Pork Producers Association, and the Humane Society of the Unites States*
- G) *Memo and Resolution for Agricultural Processing Renaissance Zone to amend the Designation and Development Agreement in Colfax Township, Oceana County, for Arbre Farms Corporation and Willow Cold Storage Corporation*
- H) *Memo and Resolution for Renewable Energy Renaissance Zone to amend the Designation and Development Agreement in City of Kentwood, Kent County, for Heat Transfer International, LLC*
- I) *Memo and Resolution for Revocation of Agricultural Processing Renaissance Zone Designation in Carp Lake Township, Ontonagon County, for Subterra, LLC*
- J) *Memo and Resolution for Revocation of Agricultural Processing Renaissance Zone Designation in City of Scottville, Mason County, for Diversified Natural Products*
- K) *1997-2009: Michigan Agri-Food System Economic Impacts and Michigan Department of Agriculture, Agriculture Development Division Accomplishments – Handout and PowerPoint*
- L) *Executive Order No. 2009-45 and related News Release*
- M) *Resolution for Elise M. Clay Thomas*
- N) *Resolution for Barbara L. Hensinger*