

MICHIGAN COMMISSION OF AGRICULTURE
Constitution Hall
Atrium Level, Con-Con Conference Room
525 West Allegan Street
Lansing, Michigan 48933

MEETING MINUTES
November 12, 2008

PRESENT:

James Byrum, Chairperson
Ann Jousma-Miller, Vice Chairperson
Dale Norton, Secretary
Don Coe, Commission of Agriculture (via teleconference)
Todd Regis, 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 9:02 a.m. on November 12, 2008. Commissioner Dale Norton called the roll with Commissioners Byrum, Jousma-Miller, Norton, Regis, and Chief Deputy Director Wenk present in the room and Commissioner Coe present via teleconference. Director Koivisto joined the meeting at 9:20 a.m.

APPROVAL OF AGENDA

MOTION: COMMISSIONER JOUSMA-MILLER MOVED TO APPROVE THE MEETING AGENDA FOR NOVEMBER 12, 2008. SECONDED BY COMMISSIONER REGIS. MOTION CARRIED.

APPROVAL OF SEPTEMBER 16, 2008, MEETING MINUTES

MOTION: COMMISSIONER NORTON MOVED TO APPROVE THE SEPTEMBER 16, 2008, MEETING MINUTES. SECONDED BY COMMISSIONER JOUSMA-MILLER. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on December 9, 2008, at the Amway Grand Plaza Hotel, Grand Rapids, Michigan, in their Emerald Conference Room.

COMMISSIONERS' TRAVEL

Commissioner Jousma-Miller traveled for today's meeting. Commissioner Norton attended a Bovine Tuberculosis (TB) meeting at the Michigan Farm Bureau offices. Commissioner Coe attended a Joint Leadership Seminar in Grayling.

There was no other travel submitted for approval.

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

COMMISSION COMMENTS:

Commissioner Norton attended a preliminary meeting relative to the new Farm Bill, noting final commitments must be made by June 1, 2009. The U.S. Department of Agriculture (USDA) is sponsoring a Listening Session on Bovine TB to be held at the Holiday Inn South in Lansing on December 8; it is one of four such sessions being scheduled across the country. Those who have crop insurance policies on soybeans could be eligible for significant payments due to the high price differential and it is important they check for qualification. He participated in a panel discussion at Kalamazoo College, discussing agriculture from a farmer's point of view. He will be attending a meeting next week at the Michigan State University (MSU) Veterinary Clinic, meeting with the new director of the Clinical Sciences facility to discuss the future of that clinic.

Commissioner Jousma-Miller reported rainfall affected the potato harvest in the Upper Peninsula (U.P.), with russet yield down significantly and whites being somewhat above normal. She expressed her disappointment that the department's recent meeting with the Wisconsin Department of Agriculture relative to Bovine TB and potentially opening the borders was not successful. Bio-energy remains on the front burner in the U.P. due to their having the fiber content availability through wood residual matter. In the near future, the Land Policy Institute and Michigan Farm Bureau will be sponsoring wind policy meetings in the U.P. Also, several annual Farm Bureau meetings are scheduled, as well as the U.P. Potato Growers Annual meeting. She continues to receive telephone calls from the game ranch and cervid industries inquiring as to when and if they will be released from quarantine. She has also received comments relative to the U.P. Fairgrounds being vacant.

Commissioner Regis noted that in conjunction with the "Buy Local" campaign, retailers this year want to add "Buy a Lot" to that campaign. He noted it is good for the State of Michigan to have its Governor on the President-Elect's Transition Team and hopes that may offer assistance to Michigan's agriculture industries.

Commissioner Byrum noted Michigan is a tale of two states this year. In areas that received sufficient rain, yields are astounding, and in those not receiving adequate rain, yields are less than stellar. Soybeans are moving relatively well in terms of seed, corn is somewhat lackluster, and farmers are essentially not

selling produce at harvest. Considerable confusion exists in the producer community on exactly what to do and how to plan for the future.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

AGRICULTURE PROCESSING RENAISSANCE ZONE DESIGNATION: Patricia Lockwood, Special Projects Coordinator, and Mike DiBernardo, Economic Development Specialist, Agriculture Development Division

Ms. Lockwood introduced Dave Parker, Gerber/Nestle Fremont Plant Manager, Mark Shipley, Operations Manager for Gerber/Nestle, and Andy Lofgren, Executive Director for the Newaygo County Economic Development Corporation.

She noted the request being presented today would represent the twenty-first Agriculture Processing Renaissance Zone designation. Ms. Lockwood provided a brief history of Gerber Products Company, noting nearly 190 Gerber food products are labeled in 16 languages and distributed to 80 countries. They have maintained one of the world's largest private research facilities dedicated exclusively to infant nutrition. Gerber Products employs approximately 1,100 people at its Fremont, Michigan, campus; is the largest employer in Newaygo County; and has a significant impact on the local economy.

Over the last two years, MDA has had the opportunity to work on this project in collaboration with the Michigan Economic Development Corporation, Michigan Department of Transportation, Gerber Products Company, the Newaygo County Economic Development Corporation, members of Newaygo County, and the City of Fremont.

Mr. DiBernardo reported this Agriculture Processing Renaissance Zone is extremely important, as it will serve to not only maintain existing jobs at the Gerber Fremont facility, but create an additional 200 new jobs. They have also committed to an investment of \$75 million for infrastructure improvements and plant upgrades to ensure their future competitiveness. Gerber purchases commodities from over 200 Michigan producers, representing directly \$12 million and another \$36 million indirectly to Michigan's economy. He noted the department is very pleased and proud of the relationship that has been built during the development of this application and requests the Commission's approval of this Agriculture Processing Renaissance Zone.

MOTION: COMMISSIONER JOUSMA-MILLER MOVED TO SUPPORT A RESOLUTION TO APPROVE THE PROPOSED AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION WITH THE GERBER PRODUCTS COMPANY IN THE CITY OF FREMONT, MICHIGAN. COMMISSIONER NORTON SECONDED.

Mr. Parker expressed his thanks to everyone for their support on this project. In response to question from Commissioner Norton, Mr. Parker explained Gerber is fully owned by Nestle and part of the Nestle Nutrition Division. Infant nutrition, of which Gerber is a part, is clearly the heart of the Nutrition Division, as Nestle was founded in the 1800s as an infant formula company. Nestle is the world's largest food company, with a strong focus on nutrition and Gerber is very happy to be part of a company that shares their same passion for providing safe, healthy products to the world's younger consumers.

Commissioner Jousma-Miller noted Michigan is very proud to have Gerber, not only as a part of the Newaygo County community, but as a part of Michigan since 1928. In response to her questions, Ms. Lockwood noted as Gerber's expansion moves forward, they are working with the City of Fremont in terms of the value-added it will offer for the municipality.

Commissioner Norton noted a community-based methane digester is projected and asked for additional details. Mr. DiBernardo reported Novi Energy has issued a letter of intent to purchase land for that purpose, has received a grant from the Public Service Commission, and is working with Michigan Economic Development Corporation (MEDC) in finalizing financing for the digester.

In response to inquiry from Commissioner Norton, Ms. Lockwood confirmed that as part of the City of Fremont Resolution, the State of Michigan will reimburse local schools, community colleges, intermediate school districts, and public libraries for any revenue lost due to the tax exemption provided.

COMMISSIONER BRYUM REQUESTED A VOTE ON THE MOTION TO APPROVE THE PROPOSED RESOLUTION. MOTION CARRIED UNANIMOUSLY.

LEGISLATIVE UPDATE: Nancy Nyquist, Legislative Liaison

Ms. Nyquist reported the Legislature returned to session for today and tomorrow, and they will return for a few session days in December. Following the recent elections, the Democrats remain in control of the House of Representatives and will have a 63 to 43 majority.

A number of issues could be part of this lame duck session, including the Blue Cross/Blue Shield of Michigan package, financing for the Cobo Center, a light rail system in the metro area, and the smoking ban. Today, the House Agriculture Committee is considering several bills, including: HB 6604, which would modify the total weight compliance standards for a coupled vehicle; HB 6462, which provides for income tax check-off for alternative fuels; and HB 6608, which allows for the flat rate sale of liquefied petroleum gas. The Senate Agriculture

Committee is meeting Thursday and will consider the Farm to School Program. The Julian-Stille Grant Program Bill will be discussed on the Senate Floor today, as well as the amendment to the Animals Running at Large Act that would allow for the taking of swine at large in the wild.

Ms. Nyquist mentioned that any legislation not enacted by the end of the year is considered dead and must be reintroduced in January. As soon as practical, she and the Director will be meeting with the new members of the House Agriculture Committee to ensure they are well aware of the department's programs and priorities.

DIRECTOR'S REPORT

Director Koivisto reported the department continues to visit major agriculture businesses in the state, most recently, Michigan Turkey, DeGrandchamps cranberry operation, Michigan Blueberry Growers, Zeeland Farm Service, major Christmas tree producers, Big Boy, and various Farm Markets. During these visits, the department meets with management to identify any problems or concerns they may have which the department may be able to assist and learn what activities of producers in other states might improve processes in Michigan. The department strives to preserve the agriculture industry in the state and continually works toward expanding those businesses in Michigan.

The department hosted their annual awards program recently, recognizing employees for years of service and their outstanding contributions to the department. MDA's employees are what make the department such an effective and efficient operation. He was pleased to have the opportunity to recognize MDA staff for their many exceptional contributions.

A recent Executive Order created the new Department of Energy, Labor, and Economic Growth, which essentially adds energy to the previous Department of Labor and Economic Growth. The Renewable Fuels Commission, which was previously coordinated by MDA, will become a part of this new department.

With elections being complete, the Director encouraged Commissioners to continue their involvement with the legislators on a political scale. The Commission's ability to advocate for the department has been invaluable and will be even more important in the future as we face the current budget situation.

DIRECTOR'S TRAVEL

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

BUDGET UPDATE: Amy Epkey, Budget Officer

Ms. Epkey provided a brief update on the budget, noting they are currently closing out fiscal year 2008, beginning fiscal year 2009, and preparing for fiscal

year 2010. The department is working very closely with the State Budget Office (SBO) throughout the budget process. The Governor will present her budget in February for the 2009 fiscal year and the department is working with SBO on current services baseline requests, boilerplate adjustments, etc. The department submitted all priorities that were presented before the Commission at the September meeting, including the additional funding required. Obviously, that funding may be difficult to obtain.

At this time, the department has also been requested to provide reduction plans. For 2010, a 2% reduction plan was requested, which equates to \$650,000. A 10% reduction plan that can be achieved by the year 2013 is also requested.

WEIGHTS AND MEASURES – ITEM PRICING UPDATE: Amy Epkey, Budget Officer, and Robert DeRubeis, Weights and Measures Manager, Laboratory Division

Ms. Epkey noted there had been a request for information relative to recalls and Food and Dairy inspection levels and she briefly reviewed that information. While the department continues to operate with 22 fewer inspectors than the FDA recommended level, there has been an increase in the level of recalls. Commissioner Norton asked if the increase in recalls is due to improved detection methods, or simply more problems surfacing than in the past. Ms. Epkey noted that while inspections have increased, Food and Dairy attributes the increase primarily to more occasions through diversity of options and opportunities.

Relative to item pricing, Ms. Epkey noted MDA is required to respond to all item pricing and scanner error complaints, which are handled through the Consumer Protection Program. That program is also responsible for the gasoline inspections and net content inspections. Annually, the department spends about \$125,000 responding to item pricing and scanning error complaints. Results indicate low compliance rates – 50.6% on scanning errors and only 1.2% compliance on item pricing. She confirmed the compliance rate on gasoline devices currently is 99% due to intensified efforts in that area based on higher gasoline prices having spurred an increase in complaints.

She reviewed potential increased funding options for the program, including amending the Weights and Measures Act that would grant MDA authority to implement a price verification program and issue fines/penalties for violations. Following MDA's inspection, complaints are referred to the Attorney General's Office, who has the authority to levy fines; however, none of that revenue returns to MDA. The second option would be to identify a new funding source through potentially developing a fee structure for the 38,675 Michigan retail outlets. Finally, the Consumer Pricing and Advertising Act could be amended to remove the department's investigative role, which is not being recommended by MDA;

however, if we are unable to recover the cost incurred, the department may need to consider that option as well.

Director Koivisto confirmed insufficient personnel are available to conduct inspections at the level desired. Mr. DeRubeis advised the program has only 10 weights and measures inspectors, 13 motor fuel quality inspectors, and the item pricing and net content inspections are handled by one staff person for the entire state. Director Koivisto emphasized that if the department could collect fines, it would provide funding to increase personnel for the program inspections. Mr. DeRubeis emphasized increased presence is needed in the marketplace to control scanning errors, which are currently providing retailers an abusive means for making profits, and he gave a specific example of how that might occur. Also discussed were the implications of Michigan's item pricing law, which creates a huge burden on retailers in having to keep pace with numerous daily price changes. It was noted Michigan is only one of two states still requiring item pricing.

Commissioner Regis reiterated the low scanning and item pricing compliance rates and that violations are then given to the Attorney General's Office for action. He noted MDA is clearly doing its job inspecting all complaints, but feels the Attorney General's Office, while currently responsible for upholding the Consumer Protection Act, is not enforcing the law. This presents an opportunity for the department to better protect consumers, as well as retailers, and he encouraged the Commission to consider what action could be considered to change the current law to allow MDA authority to issue penalties and violations, as well as other options to begin enforcing this law.

PROPOSED 2009 COMMISSION MEETING SCHEDULE: Chairperson Byrum

In reviewing the Proposed 2009 Commission Meeting Schedule, Commissioner Norton expressed a desire for a June meeting. It was proposed to add a "to be determined" (TBD) June meeting to the schedule.

MOTION: COMMISSIONER JOUSMA-MILLER MOVED TO ACCEPT THE PROPOSED 2009 MICHIGAN COMMISSION OF AGRICULTURE MEETING SCHEDULE WITH A JUNE TBD MEETING INCLUDED. SECONDED BY COMMISSIONER NORTON. MOTION CARRIED.

BOVINE TUBERCULOSIS (TB) PROGRAM QUARTERLY UPDATE: Dr. John Tilden, Bovine TB Program Director

Dr. Tilden reported the USDA Bovine TB Program Review is scheduled for November 17-21 and the resultant report is expected by late January or early February. He then reviewed recent efforts by the department to minimize the potential spread of Bovine TB via cattle movements, specifically increasing enforcement capabilities at the Mackinaw Bridge Agricultural Inspection Station.

He noted the decrease of cow/calf operations in the U.P. is partially the result of losing Wisconsin markets due to their vigorous testing requirements for Michigan cattle being imported into their state. In an attempt to improve that situation, MDA Animal Industry staff recently met with the Wisconsin Department of Agriculture. While recognizing the improvements Michigan has achieved, Wisconsin plans to continue with their more stringent than the national standard testing requirements. They did offer that if the U.P. cattle industry is willing to conduct additional surveillance testing, again beyond that required by federal standards, they would agree to enter into an agreement with Michigan to develop a mutually agreed upon standard. Commissioners Byrum and Jousma-Miller noted that members of the Commission would have been available to join the meeting with Wisconsin and that opportunity would be helpful in the future.

Dr. Tilden reported a USDA Bovine TB Listening Session is scheduled for December 8 in Lansing. The department will be on hand to provide comments from MDA's perspective. This is one of four such sessions being held across the country.

Director Koivisto reported one of the key topics currently being discussed is the indemnification issue, which will most likely be under close scrutiny by USDA. Driving this discussion is the recent \$10,000 indemnification for the single herd in California.

In response to inquiry by Commissioner Norton, Dr. Tilden reported there currently is no practical means for testing of Bovine TB through a cow's milk. National beef and dairy industry leaders have identified the lack of a vaccine and the lack of accurate tests as the critical limiting factors in the Bovine TB Program at a national level.

Dr. Halstead reported MSU recently held a Bovine TB stakeholders session on October 30 to review research proposals. Concern relative to a friendlier test was one of the top priorities expressed during that session.

PSEUDORABIES (PRV) ERADICATION PROGRAM UPDATE: Dr. Steven Halstead, State Veterinarian

Dr. Halstead reported the four herds that tested positive for PRV in Michigan were herds of transitional, or sports swine. All facilities have been depopulated and released from the PRV quarantines.

A positive finding of PRV in a free-ranging swine outside the Saginaw facility was discovered recently. This points out why, with free-ranging swine, we must make the assumption those animals are PRV positive. At that time, all facilities were quarantined in the state, but were still able to conduct hunts. Some facilities did

test out of the quarantine, but most are not pressuring for release from quarantine. In addition, the state was closed to all importation of sports swine and the exhibition testing requirements were re-established.

The department is working with one herd in the U.P. for which hunter collected samples tested positive; these are not official samples because of contamination present. Additional animals tested from that facility have been negative. USDA will be advising today relative to establishing a herd plan which would allow this owner to bring in animals for future hunts. Commissioner Jousma-Miller noted this producer has no way of surviving without release from quarantine. Dr. Halstead noted the facility was free to hold hunts provided animals are dressed-out and tested on site. Finding the positive samples from our laboratory certainly changed the picture and a whole-herd test was conducted. If the USDA approved herd plan is accepted by the owner, the quarantine will be released.

Dr. Halstead reported the State's PRV Free Status application has been submitted to USDA, one additional positive PRV finding has been confirmed from a feral swine in Gratiot County, and draft legislation has been submitted amending the Animals Running at Large Act that would allow the taking of swine in the wild. Additional sports swine legislation requested has been tabled in committee and the Feral Swine Working Group is drafting an alternative.

In response to question by Commissioner Norton, Dr. Halstead reported slaughter surveillance for PRV is still being conducted and the requirement is managed by USDA, with Michigan well surpassing those numbers each year. He reported the surveillance confirms PRV is not circulating within the commercial hog population.

CHRONIC WASTING DISEASE (CWD) INVESTIGATION UPDATE: Dr. Steven Halstead, State Veterinarian

Dr. Halstead reported as a result of the one CWD positive animal in Kent County, two herds were depopulated, for which all animals tested negative. The epidemiology trace work is complete and there are no further ongoing investigations. However, open leads remain – there were animals that could not be tested (moved, disappeared, or not submitted for testing).

In coordination with USDA Wildlife Services and the Michigan Department of Natural Resources (MDNR), about 600 quarantines were placed; and quarantine release protocol, field audit procedure, field flow chart, and privately owned cervid facility question and answer documents were developed. Agencies are working to release quarantines at this point and audits are being performed. In response to the amount of work required to release herds from quarantine, an internal surge force was developed by using department-wide Sampling Team staff for conducting audits. Currently, 129 herds have been fully released from

quarantine, quarantine releases with compliance agreements are in place for 4 herds, and approximately 450 herds remain under quarantine. As audits and reviews are completed, additional quarantines will be released.

Dr. Halstead reviewed the testing completed in the private cervid facilities, noting approximately 2,300 animals have been tested, compared to only 1,600 at this point last year. In free-ranging deer, MDNR reported nearly 3,000 animals have been tested state-wide, with approximately 500 in the nine townships around the one positive animal. A considerable upsurge in testing is expected as the firearms hunting season begins this week.

The department has also been hosting various community meetings to answer questions and outline the current status of the CWD response program.

In response to questions by Commissioner Norton, Dr. Halstead advised it is the facility owner's responsibility to report to MDNR if an animal escapes their facility and an escaped animal cannot return if out more than 48 hours. A facility is not permitted to introduce animals from the wild into its herd. He noted hunts can still be conducted while a facility is under quarantine.

Commissioner Jousma-Miller inquired if there is an indemnity program to assist the cervid livestock owners. Dr. Halstead reported there is no such program, and, in fact, many owners are reporting the desire to close their businesses, which requires a decommission plan be submitted to MDNR designating how the herd would be managed.

Director Koivisto reported recent discussion has ensued relative to the potential of MDA no longer being involved with the cervid industry; that its oversight could be reverted entirely to MDNR. He noted this would require a change in statute, but believes the Legislature at this point in time would look favorably on this change. Commissioner Byrum noted the cervid industry became part of MDA as a result of a unfunded statute and a portion of it moved back to MDNR by a subsequent Executive Order. Commissioner Jousma-Miller noted that licensing and regulation was delegated to MDNR and the health of the animals to MDA, which has created considerable confusion in the industry. Dr. Halstead noted the Executive Order states if CWD were found, the Governor would consider moving oversight of the cervid industry entirely back to MDNR. In addition, the previously anticipated agricultural retail aspects of the industry have not developed, as it remains primarily a hunting industry. Director Koivisto added there also could be the potential of seeking an Executive Order for a moratorium on any new cervid facilities.

Noting the fact there are no resources for management of the cervid industry allocated to MDA, along with the consequences of the current split responsibility,

the Commission agreed this topic should come under advisement and warrants further consideration and discussion at the next meeting.

GREAT LAKES LEADERSHIP ACADEMY REPORT: Jim Johnson, Director, Environmental Stewardship Division

Mr. Johnson gave an overview of the Great Lakes Leadership Academy, noting the Kellogg Foundation remains significantly involved in funding this program, which consists of two individual parts: the Emerging Leader Program, which is a skilled-based session delivered over a nine month period, and the Leadership Advancement Program, which is a 2-year program with participants learning from leaders in both public and private sectors. In his group, 22 people from all walks of life have been working together on their leadership skills. He noted it has been an exceptional experience and offered him an opportunity to meet people from agriculture and natural resource areas that were completely unrelated to his day-to-day work environment.

His Academy class visited Brazil for the international component of their leadership program. He reported it was an outstanding visit, the intent of which was to view leadership on a global level and which offered the opportunity to examine leadership in the context of the cultural and social challenges facing that part of the world. Brazil is a beautiful country that is very friendly toward Americans. Socially, it has a small upper class, a very large class of poor people, and very few middle class families. The trip involved several visits, including: International Harvester Brazilian operations; a small cooperative dairy operation that has developed its own community-based services; and a sugar cane harvesting factory that was purchased by employees and has developed its operations to allow production variation from ethanol to sugar production, depending upon market prices.

Mr. Johnson expressed his appreciation to the department for the opportunity to participate in this valuable leadership program and management's flexibility that allowed him to devote time to participate fully in those activities.

AGRICULTURE ECONOMIC UPDATE: David Armstrong, Executive Vice President, GreenStone Farm Credit Services, and Dr. David Schweikhardt, Professor, Agriculture Economics, Michigan State University

Dr. Schweikhardt thanked the Commission for the opportunity to discuss the evolving credit situation in Michigan agriculture. Presently, there is an assumption that agriculture will face only a marginal impact from the credit crisis, primarily based on the extremely favorable outlook for farm income and agricultural exports in recent years. He believes such optimism is unwarranted – agriculture cannot escape the larger trends now occurring in credit markets. These trends include extreme pressure on the entire financial system, policies of the Federal Reserve, investors transferring loanable funds into higher quality

investments, decline in the availability of export credit, variable condition of commercial banks, likelihood of a continual decline in the housing market, decrease in demand for agricultural commodities, and declining asset values on a worldwide basis.

As a result of these trends, he believes the availability of agricultural credit will be affected in a dramatic fashion in coming months. Virtually all analysts believe that a recession is a certainty at this point and that it will be a deep recession lasting for an extended period. Producers, lenders, and state government should be prepared for that possibility.

Mr. Armstrong also thanked the Commission for inviting him to present an outlook on the agricultural economy in Michigan from the GreenStone Farm Credit Services perspective. GreenStone holds approximately 60% of the market share when compared to selective commercial banks in the state that are actively engaged in agricultural lending. He gave an overview of the farm credit system, noting GreenStone is part of the national farm credit system, which is a government sponsored enterprise. One of the key differences between GreenStone and the rest of the farm credit system is that their stock is not publicly traded. All loan funds are raised through the sale of system-wide consolidated bonds through the Federal farm credit banks. They have experienced a compounded annual growth rate of about 13% since formed in 2000 and their capital position remains strong.

GreenStone currently is experiencing delinquency rates of 1.5% of rural residents and part-time farmers, of .6% in their traditional farm portfolio, and .69% of their commercial segment – all extremely manageable rates. The future, of course, is not necessarily dependent upon historical trends; however, GreenStone feels optimistic about 2008 high crop yields and producers' ability to manage income compression from sliding commodity values and rising input costs.

The current value for farm land is averaging \$3200-3700 per acre. At the end of September, GreenStone had experienced 33 active foreclosures out of 17,000 customers, with only four of those being considered as farmers.

The impact of the crisis on financial institutions, GreenStone in particular, depends upon the financial institution's capital position and their exposure to bad debt. Availability and cost of funds to agriculture are what could have the largest impact this winter and spring. Currently, capacity to serve the financing needs of agriculture appears to be available. Being part of the nation-wide farm credit system, GreenStone has struggled with its traditional sale of bonds.

Mr. Armstrong noted there are storm clouds on the horizon and he agrees with Dr. Schweikhardt regarding the uncertainty with which we are currently faced. It

definitely could have an impact on the demand for agricultural products. He noted there will be more financial volatility in the future; commodity prices will most likely continue to decline; the milk to feed ratio is currently at 1.8, which is a struggle for producers; timber sales and the bedding market will continue to suffer due to the weak housing market; and the swine industry continues to struggle, for which the export market may offer some improvement. GreenStone is hopeful that land values and land rent rates will decline only modestly. Overall, credit availability appears to be present today, although somewhat tenuous as you move into the fixed and adjustable rates, and at a higher cost.

Commissioner Byrum noted suppliers may be unwilling to finance going forward into season inputs, primarily due to risk and lack of credit availability. Dr. Schweikhardt confirmed this is happening at every single point in the economy, including the export credit market. He noted the 30% loss in currency value in importing countries world-wide, making it impossible to price products.

FOOT AND MOUTH DISEASE EXERCISE BRIEFING: Brad Deacon, Emergency Management Coordinator

Mr. Deacon provided an overview of the recent Foot and Mouth Disease full scale emergency management exercise conducted recently, noting it was a major event for the entire state. Michigan State Police Homeland Security Division approached the department, asking if they would be interested in conducting a state-wide exercise on an animal health issue, which aligned with the department's already planned emergency management activities. The event was a major State of Michigan emergency management exercise, which opened the State Emergency Center and required coordination with multiple other entities.

The objectives of the exercise were reviewed as well as the scenario of the exercise as it progressed during the day's events. Over 135 individuals participated from the various State agencies, Ingham County Emergency Management and Public Health, and staff from USDA. An observers' tour was also sponsored which included MDA and MDNR leadership, livestock industry leadership, livestock industry media, legislative staff, local emergency management, Michigan State University, Wisconsin Department of Agriculture, and USDA.

The exercise was funded through Homeland Security funds and an outside contractor assisted in development, execution, and evaluation. The after-action report is expected soon and will be shared with staff, the Commission, and stakeholders.

Major strengths evident through the exercise included: working relationships and teamwork; radios and geographic information system; command, control, and

use of Incident Command System; and animal health response, including MDA and USDA Veterinarians, Veterinary Corps, MDA Sampling Team, and just-in-time training. Several areas for improvement identified were: information sharing; use of Incident Command System; animal disease planning, including stop movement orders, ingress/egress and decontamination, and mass carcass disposal; coordination among multiple locations; and logistics in command posts. Key recommendations for future focus include updating the Animal Disease Response Plan and continued training.

This major exercise successfully demonstrated the State's ability to respond to a Foot and Mouth Disease event implementing current emergency response plans, standard operation procedures, mutual aid agreements, and command and control functions conducted by multiple agencies. Future exercises should sustain the strengths identified in this exercise and validate improvements made.

Director Koivisto recognized Mr. Deacon for the vital role he plays in the department by very effectively keeping MDA current on all emergency management and terrorism training expertise. Because of Mr. Deacon, Agriculture has an excellence presence with the Homeland Security Board and other State officials.

COMMISSION POLICY MANUAL – DRAFT REVISIONS

Following discussion of the proposed draft revisions to the Commission Policy Manual, the Subcommittee was charged with making additional changes to sections relative to frequency of meetings, provisions for electronic meeting participation consistent with that of other State policy-making bodies, notation that written documents provided during public comment are public documents and subject to the Freedom of Information Act, notation the Commission will not necessarily respond to public comment, notation the Director is the appropriate person to respond to Commission issues regarding department operations, and reference to the Select Michigan Program in Policy No. 4 changed to "such as the Select Michigan Program." The Commission will consider adopting the revised Commission Policy Manual at the December meeting.

COMMISSIONER ISSUES

Commissioner Norton noted the ballot initiative passed in California, which bans gestation stalls, battery cages for chickens, and veal stalls; they have until 2015 to make those changes. The pork industry has heard that Michigan and Ohio may be targeted next by Humane Society of the U.S. for these potential changes, which creates a considerable concern for the livestock industry. In addition, they would increase food costs even further by limiting producers' ability to produce. He noted the need to educate others on why livestock practices have evolved as they have. Commissioner Byrum reported the Michigan Agriculture Business Association (MABA) recently reviewed MDA's Farm*A*Syst and Crop*A*Syst

programs and suggested an Animal Welfare* A* Syst program be developed, moving beyond the current Care of Farm Animals Generally Accepted Agriculture Management Practices (GAAMP) toward a verification type system.

Based on the item pricing report received today, Commissioner Regis requested the department prepare a report for the Commission summarizing: (1) amendments needed in the Weights and Measures Act to give MDA the authority to implement a price verification program, to include issuing fines and penalties; and (2) identify funding sources for a potential retail outlet fee structure to support complaint-based random inspections. The summarized report should include proposed required steps and the actual costs associated with that plan. In addition, a report of 2007-2008 major price item violations was also requested. This report should include details of violations reported to the Attorney General's Office and what action that agency took in response to these clear violations of the Consumer Protection Act. Both reports were requested for the December meeting.

Commissioner Coe expressed the need to have a physical quorum at the Commission meeting location, or some other location that is publicly notified. This could clearly provide for electronic participation by other Commissioners. Commissioner Byrum noted the Commission needs to be consistent with how other policy-making bodies handle their meeting participation and reiterated the charge to the Commission Policy Subcommittee to investigate and incorporate appropriately into the policy.

Commissioner Regis commented on the Michigan Christmas tree being erected outside the Capitol Building for the holidays and noted this is an industry the Commission has fully supported over the years. The lighting ceremony will follow the "Silver Bells in the City" parade scheduled on November 21.

It was noted by Commissioner Jousma-Miller that Tom Kalchik from MSU has been appointed chair of the Farm Market GAAMP Task Force and she looks forward to a report from that group in the near future.

In light of the current budget situation, Commissioner Byrum emphasized the department cannot be all things to all people as an agency and there are statutorily established programs it is managing for which expense overwhelms the ultimate benefit. Based on this, he requested for the December meeting a list of those programs the Commission could analyze for potential presentation to the Administration and the Legislature for the purpose of requesting that if adequate resources are not available, rather than purporting to implement or manage a program, the department's requirement of the program implementation be rescinded. Consideration needs to be given to those programs that the State

simply cannot manage any longer from a resource stand point. It was noted many unfunded mandates also exist, which further restrict the department.

PUBLIC COMMENT

George Papadelis, Telly's Greenhouse & Garden Center from Troy, reported that in their court case against the City of Detroit, they have won at the Circuit Court level. Judge O'Brien wrote an opinion in their favor based not on State law, not on exemption in the construction code, nor on the Michigan Right to Farm Act; rather, stating a problem with the City's ordinances. Those ordinances state agriculture may occur on five-acre parcels of non-platted land and define agriculture as including floriculture; and yet, they have other ordinances that specify an agricultural structure greater than 660 square feet may not be constructed regardless of how many acres of land or other physical property is involved. Fortunately, the City of Troy District Court agreed with Judge O'Brien's decision and dismissed the tickets the City of Troy had issued to Telly's Greenhouse for the agricultural structures erected on their property. However, the City Council has subsequently determined there is a larger picture to consider. The Municipal League wants the Council to have more control over what farmers are doing in the city. The Council did not want this case to stand for fear it would be used as case law in future litigation between farmers and cities. Therefore, the City Council has decided to appeal the decision. Mr. Papadelis has been working with the Farm Bureau who is currently developing a brief on Mr. Papadelis' behalf. At this point, it has transformed into a case of the Municipal League versus the Farm Bureau.

Tonia Ritter, Michigan Farm Bureau (MFB), mentioned the MFB annual meeting is convening December 2-5, 2008, in Grand Rapids. MFB just concluded their policy-making development meeting where nearly 1,000 resolutions were considered from their 67 county Farm Bureaus and debate will continue on various issues during the Annual meeting.

Ms. Ritter noted each year, MFB reviews policy and may now have some different direction on issues with which the Commission has dealt over the past year. She reminded the Commission that MFB has a strong policy in support of the cervid industry. Currently, the policy states they oppose a permanent jurisdictional transition from MDA. The cervid industry has worked very closely with MDA because of their concerns about animal health issues and practices on these farms which they feel are agricultural in nature and very similar to other livestock practices. The cervid industry is looking for treatment as an industry included in agriculture. They worked feverishly in opposition to the Executive Order that moved some oversight to the MDNR. But once completed, they have worked effectively with MDNR in attempting to manage things on two fronts. MFB does share the department's concerns, particularly in light of the current budget situation. She recommended the department meet with representatives

from the cervid industry to gain their perspectives before any action is taken by the Commission.

Commissioner Norton reported Ms. Ritter and her husband were recently named Michigan Milk's Outstanding Young Dairy Cooperator. The Commission congratulated her on having received this excellent recognition.

ADJOURN

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

The meeting was adjourned at 12:28 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture Commission Meeting Minutes September 16, 2008*
- C) *Gerber Products Company Request for an Agricultural Processing Renaissance Zone for the Freemont, Michigan Facility and Draft Commission Resolution*
- D) *Legislative Update, October 2008*
- E) *Michigan Department of Agriculture Item Pricing and Scanner Accuracy Investigations November 5, 2008*
- F) *Michigan Department of Agriculture Food and Dairy Inspector Levels and Food Recalls November 5, 2008*
- G) *Michigan Commission of Agriculture Proposed 2009 Meeting Schedule*
- H) *Mackinac Bridge Agricultural Inspection Station Status Update October 2008*
- I) *Update on Wisconsin's Bovine Tuberculosis Movement Testing Requirements for Michigan Cattle*
- J) *Great Lakes Leadership Academy Brochure*
- K) *Evolving Credit Crisis and Michigan Agriculture – Memo from David Schweikhardt*
- L) *Michigan Foot and Mouth Full Scale Exercise 2008 PowerPoint Presentation*
- M) *Michigan Commission of Agriculture Policy Manual – Draft Revisions*