

MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

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

MEETING MINUTES April 10, 2013

PRESENT:

Bob Kennedy, Chairperson, Michigan Commission of Agriculture and Rural Development
Diane Hanson, Vice Chairperson, Michigan Commission of Agriculture and Rural Development
Trevor Meachum, Secretary, Michigan Commission of Agriculture and Rural Development
Don Coe, Michigan Commission of Agriculture and Rural Development
Fred Walcott, Michigan Commission of Agriculture and Rural Development
Gordon Wenk, Chief Deputy Director, Michigan Department of Agriculture and Rural Development

CALL TO ORDER AND ROLL CALL

Chairperson Kennedy called the meeting of the Commission of Agriculture and Rural Development to order at 9:03 a.m. on April 10, 2013. Commissioner Meachum called the roll with Commissioners Coe, Hanson, Kennedy, Meachum, and Walcott, and Chief Deputy Director Wenk present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE MEETING AGENDA FOR APRIL 10, 2013. SECONDED BY COMMISSIONER COE. MOTION CARRIED.

APPROVAL OF MARCH 11, 2013, MEETING MINUTES

MOTION: COMMISSIONER HANSON MOVED TO APPROVE THE MARCH 11, 2013, MEETING MINUTES. SECONDED BY COMMISSIONER COE. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on Wednesday, June 12 at the Detroit Eastern Market.

COMMISSIONER COMMENTS AND TRAVEL

Commissioner Coe advised the Traverse City area continues to have snow on the ground with rain; the farmers are pleased as additional moisture in the ground is needed. On March 12, he presented to the Quality of Life Leadership Academy, along with chair of the Natural Resources Committee (NRC). After the event, he had an opportunity to discuss the deer management issue with NRC member Tim Nichols who advised the NRC will consider the Quality Deer Management Program during their May meeting. The fruit tree industries

are currently opposed to that program. With the recent report of Bovine Tuberculosis (TB) affecting a dairy farm in the state, he emphasized that yearling bucks tend to roam and can be a method of transmission of the disease into other areas.

Over the last month, he attended a number of local food hub meetings. The Traverse Bay Economic Development Corporation recently held a very successful annual meeting. Earlier this month, he attended a meeting hosted by the Director of the Michigan Department of Transportation (MDOT), who is holding open forums across the state. The Director Steudle is very aware of agricultural issues and the need for adequate transportation to support the industry.

Commissioner Walcott reported he attended the Bovine TB Advisory Committee Meeting in Harrison recently. The TB Program will be reporting later in the meeting.

Commissioner Meachum advised the MACMA (Michigan Agricultural Cooperative Marketing Association) Apple Division Annual Meeting in Grand Rapids was well attended, during which three Michigan legislators spoke about the importance of agriculture to the economy of the state.

Two grower meetings held recently at the Southwest Michigan Research Extension Center were grower organized to determine ways of improving funding for the state's experiment stations. Even though Michigan State University (MSU) has been given revenue increases, the experiment stations are experiencing large budget reductions and many are nearing the critical stage.

On Monday, he met at the Cherry Marketing Institute with Phil Korson, Al Anthony from the Horticulture Society, Dawn Drake from MACMA, and several apple and cherry growers from around the state. There is interest in forming a Tree Fruit Advisory Group to consider a 232 Program that would use grower assessment money to fund research extension and experiment stations to assist MSU and to demonstrate the importance of those stations to the industry. In response to inquiry from Commissioner Walcott, Commissioner Meachum advised that program would be administered by the Michigan Department of Agriculture and Rural Development (MDARD). He and Phil Korson will be meeting with MDARD later today to discuss the potential.

Last month, he met with Commissioner Kennedy and MDARD's Mike DiBernardo, Jodi Gruner, and Scott Corrin to discuss specialty corn and fruit and vegetable value-added projects.

At this point in time, full crop potential is predicted this year for fruit and vegetable growers in southwest Michigan, which is a very welcome situation.

Commissioner Hanson reported snow remains in the Upper Peninsula (UP) and is melting slowly, which is good for the farmers. On March 26, she spoke at the Copper Country Farm Bureau Meeting and she appreciated having the overview information prepared by the department that allowed her to share all of the things MDARD accomplishes on a daily basis. She also attended the Delta County Soil Conservation Annual Meeting.

Dr. Baker is hiring an administrator for the Michigan State University (MSU) UP Research and Extension Center in Chatham, which is expected to be announced during the Growing the UP Meeting next week.

Commissioner Kennedy reported that during the visit to southwest Michigan with MDARD's Agriculture Development staff, they met with a group of Hispanic growers in the region who are interested in growing white corn for sale to Detroit area food processors. This project has good potential and would be beneficial for all parties involved.

He attended the MDARD All Employee Meeting held March 19-20 in Lansing, which was a very well-structured event. It was enlightening to put into correlation the amazing amount of work accomplished by the department with the number of people it has, because they all fit into one room. He was very pleased to have been able to participate in the meeting.

He joined a Bovine TB meeting held by MDARD and the Michigan Department of Natural Resources (MDNR) in the Saginaw area to address the various issues around the recently identified TB positive herd. It was an informative meeting and the community and producers in the area were very appreciative of that effort.

He also attended the Bay Area Agriculture Club Meeting. A fertilizer storage facility expansion on the Saginaw River was announced, which is another needed agricultural growth project in the state.

The Saginaw valley area is very wet and has received over three inches of rain recently, which will delay activity in the fields for quite some time.

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

MOTION: COMMISSIONER WALCOTT MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER COE. MOTION CARRIED.

DIRECTOR'S REPORT

Chief Deputy Director Wenk expressed the Director's apologies for not being here today; she was invited to speak at the Gleaners Women's Power Breakfast Meeting being held at the Detroit Eastern Market.

The Governor's Economic Summit was held March 18-19 in Detroit and was well attended. Interested parties from across the state discussed various needs for the talent-based portion of the state's economy. Regional differences were examined and specific needs identified. This is a forerunner to the Governor's upcoming education summit that will develop solutions for the identified talent needs.

It was great to have Commissioner Kennedy participate in the successful All Employee Meeting. Focus of the event was on customer service and how the department can continue to maintain and improve its customer service. MDARD is viewed as an agency

with excellent customer service and one that works well with those it regulates, including finding solutions to customers' problems. During the meeting, various ways for continuing to improve were identified. With the majority of MDARD's staff being assigned in the field, employees enjoyed the opportunity to network with one another.

The Director will be leaving for the Netherlands Saturday on a trade mission with the Lieutenant Governor and Grand Rapids area businesses. They will be exploring investment and export opportunities, in particular, building a partnership around greenhouse production and seed sources.

The Governor's Timber Summit is being held on April 23 in Lansing to examine the timber industry in Michigan and what can be done to help move that industry forward.

On April 26, an event is being held to celebrate all of the wineries on Old Mission Peninsula becoming verified in the Michigan Agriculture Environmental Assurance Program (MAEAP). This achievement demonstrates the potential of a group of growers accomplishing a common goal and highlights the benefits of MAEAP.

In response to the Governor's wanting to take long-term views of Michigan's land and water resources, MDNR recently completed the land strategy, which is currently being reviewed and open for comments. The water strategy is now being addressed to determine how the state's water can be best used for economic advantage, while striving to protect that resource for future generations.

DIRECTOR'S TRAVEL

Chief Deputy Director Wenk advised that Director Clover Adams has no additional out-of-state travel planned in the near future.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

BUDGET UPDATE: Maria Tyszkiewicz, Budget Officer

Ms. Tyszkiewicz reported the department's budget bill has been reported out of the House Appropriations Subcommittee and floor action by the House is anticipated next week. The House made minor changes, reducing the Private Forestry Program by \$300,000 and shifting \$400 from the Indemnification line item to the County Fairs Capital Improvements line. This is the first stage of the budget process and the department is fairing quite well at this point when compared to other agencies. The Senate Appropriations Subcommittee is scheduled for Thursday. The General Government Bill includes language on the Strategic Growth Initiative.

Commissioner Coe advised the report from the chair of the Senate Agriculture Appropriations Subcommittee during the Agriculture Club Breakfast this morning was very encouraging. Chief Deputy Director Wenk advised we are in the informative stages of the budget process. Once the Senate completes their budget, the Conference Committee will meet to develop a consensus between the House and Senate versions.

Commissioner Coe asked relative to impact of the federal sequestration. Ms. Tyszkiewicz advised information is trickling in and a five to seven percent reduction is being imposed in some areas. Because the reduction is imposed at a federal level and funds are shared with other agencies, we need to parcel that down to the department level and make adjustments accordingly. At this point, no major issues are anticipated.

MICHIGAN'S LOGISTICS AND SUPPLY CHAIN STRATEGIC PLAN: Peter Anastor, Senior Policy Director, Michigan Economic Development Corporation; and Gordon Wenk, Chief Deputy Director

Chief Deputy Director Wenk reported that over the last eighteen months, Michigan's Logistics and Supply Chain Strategy was developed as part of the Interdepartmental Collaboration Committee and was led by the Michigan Economic Development Corporation (MEDC), MDOT, and MDARD. The effort considered Michigan's unique advantages in terms of shipping product and adding value to that product, identified transportation and logistics needs and challenges, and developed specific actions to place Michigan in the center of the logistics and supply chain movement. The food and agriculture industry was identified as part of that discussion and strategy. The strategy was ultimately developed through a collaborative, public-private steering committee that included many partners with an expertise in logistics and supply chain.

Mr. Anastor thanked the Commission for the opportunity to share information about the Logistics and Supply Chain Strategy, noting its draft and recommendations have been presented to the Governor and it will be shared with the public once it is finalized. The effort is a partnership at the state agency level and even a greater partnership in terms of bringing industry, associations, and academia into the discussions to coordinate several efforts that had been occurring on a disassociated basis. Developing one strategy state-wide built on those previous efforts will help Michigan move forward much more quickly.

Logistics and supply chain is the planning and management of all activities involving sourcing and procurement, manufacturing, inventory management, storage, and transportation of products as materials move from raw material sources to the ultimate consumer and business markets. This is wide imprint and the impact on any given business is significant. Importance of this for Michigan is emphasized by the fact that trade between the U.S. and Canada totaled \$524 billion in 2010 and that country is the number one trading partner with Michigan. There are obvious opportunities for Michigan in this regard.

The strategy provides a collaborative, business-focused plan that will leverage Michigan's assets to lower cost, reduce time, and remove risk for Michigan businesses. The benefits for Michigan are building freight volume and creating more and better jobs. Michigan's logistic supply chain advantages include location, infrastructure, industry, and supply chain capability – giving Michigan an advantage to move forward.

The Great Lakes Mega Region is one of the world's largest economies. It includes an estimated 55 million people, 20 percent of the world's fresh water, the most significant grouping of automotive assets in the world, and North America's busiest trade crossing. Michigan is located at the heart of this region. In addition, Michigan is a diverse state and this strategy highlights the need to work regionally, both within Michigan and with our

partners in other Great Lakes states and Canada. Creating efficient corridors to move goods will be a significant aspect in remaining competitive in global markets and partnering within our region will be a key to that success.

Michigan is blessed with having all four modes of infrastructure – truck, rail, air, and shipping ports – an opportunity that not all other states enjoy. Industry strength in Michigan includes the automotive and advanced manufacturing sector, life sciences, agriculture and food processing, medical devices, defense, chemical, furniture, wood products, mining, and clean energy. The strategy focuses on the strengths and needs of these industries as it moves forward. Supply chain capability expertise exists in Michigan through existing industries, world-class university knowledge, and industrial and entrepreneurial heritage.

There are ten specific recommended actions in the Logistic and Supply Chain Strategy. Infrastructure actions include the New International Trade Crossing; intermodal freight hubs at strategic locations in Michigan; air cargo facilities at strategic airports; and infrastructure enhancements that capitalize on and support the growth of core Michigan industries. The strategies around business development include innovative supply chain programs to support the growth of existing Michigan businesses and attract new businesses; promote and grow supply chain and logistics talent; develop a targeted marketing campaign around Michigan's logistic and supply chain assets and competitive advantages; identify niche market opportunities; identify and promote competitive transportation freight corridors; and develop a permanent organizational structure and identify leadership to coordinate business, government, and academia.

The objectives and actions identified in the strategy will be accomplished through a collaborative and focused effort emphasizing the need for quick action. Collaboration among state departments and with private industry is the key to the success of the strategy. Government should be seen first as a partner and facilitator, with an expectation for significant industry involvement leading to realistic and impactful actions. Connecting with Michigan's regional and local economic developers will also be important, as their knowledge of regional and local priorities will help drive the strategy forward.

In response to inquiry from Commissioner Coe, Mr. Anastor advised that while the committee did consider the movement of people, the major focus was on freight. MDOT is always considering both aspects. Commissioner Coe noted the people consideration is important to the growth of agri-tourism in Michigan and it should be included in logistics as a whole. Mr. Anastor advised they are partnering with the five Next Michigan Development Corporations across the states, which are built around airports and the opportunities there.

In response to question from Commissioner Walcott, Mr. Anastor reported roads and bridges at the county level are part of the prioritization of infrastructure and will be considered as they partner with MDOT to address those issues.

Commissioner Kennedy pointed out that agricultural volumes will be increasing and it is good to see we are thinking ahead to meet that demand. He also encouraged sharing to a greater extent the logistics and supply chain advantages that already exist in Michigan to help attract additional business. Mr. Anastor advised they are developing strategies to accomplish that marketing through leveraging the Pure Michigan brand.

In response to comments by Commissioner Hanson, Mr. Anastor acknowledged the UP is lacking in adequate infrastructure and those specific opportunities are definitely included in the strategy.

Chief Deputy Director Wenk thanked Mr. Anastor for his leadership on the project. Once direction is received from the Governor, they will begin moving forward with the strategy.

MICHIGAN GRAPE AND WINE INDUSTRY UPDATE: Linda Jones, Grape and Wine Program Manager

Ms. Jones updated the Commission on activities of the Michigan Grape and Wine Industry Council (Council). The Council is housed within MDARD and funded by non-retail liquor license fees, which is a very unusual commodity group. Chief Deputy Director Wenk chairs the Council and Commissioner Coe has served on the Council in the past. The Governor appoints members to the Council, which includes six voting and two non-voting members. Representatives from MDARD, MEDC, the Michigan Liquor Control Commission, and MSU also sit on the Council. Various subcommittees meet and report at the full Council meetings, and she encouraged Commissioners to join any of those public meetings when the opportunity arises.

The Council assists in establishing policy for how the department disperses the resources that are available to the program that help promote and grow the Michigan grape and wine industry. The Council's next meetings are May 16 in Traverse City and August 22 in East Lansing.

The wineries on the Old Mission Peninsula have been very dedicated to MAEAP and a press conference will be held on April 26 to celebrate their all being MAEAP verified. The Commission has been invited to join that event. The wineries are very excited to promote how they are engaged with MAEAP.

Michigan is an emerging wine region to watch – it is in the top ten states for wine production and eighth for wine grape production. The Council is focused on supporting locally grown fruit and is very proud of its ranking. Michigan is located on the 45th parallel, which is where many of the world's great wine grape growing regions are located, and the state produces cool climate wines recognized as very food-friendly styles.

Growth in the industry has been phenomenal, with the number of wineries and grape acreage having doubled over the last ten years and it continues to grow at about six percent annually. Riesling is the number one planted grape and Michigan is recognized nationally and internationally for its Riesling wines. Michigan has also won several awards for its fruit wines, brandies, and hard ciders, which add to the diversity of the state's product mix.

Legislation is currently being considered that would allow wine tasting at farmers markets. She and Mr. Bajema will be meeting with the bill sponsor tomorrow. The Farmers Market Association is hopeful it will be passed in time for this summer's farmers market season.

April is Michigan Wine Month and the Governor's Proclamation has been sent to each of Michigan's wineries. Many events will be held during April, which are highlighted in the *Michigan Wine Country* magazine. She shared copies of the magazine and advised they are available to Commissioners in boxes of 50 anytime they should wish to obtain.

A radio campaign is being conducted with Pure Michigan in some major markets, including Grand Rapids, Toledo, Fort Wayne, South Bend, Green Bay, and Detroit. It will air from April through the end of August and drives listeners to Michigan.org to obtain additional information on Michigan wines. Last year, that campaign generated an additional 12,000 visitors to the MichiganWines.com website.

In response to inquiry from Commissioner Kennedy, Ms. Jones advised grape acreage is growing, doubling in the last ten years. Of the total 14,000 acres dedicated to grapes, most of that is planted in juice grapes for Welch's; however, that acreage has been flat to declining, so as those better sites become available, people are considering transitioning those to wine grapes. The average vineyard is about 10 acres, with some of the 250 growers having 150 acres. Although difficult, an economically viable business can be created on 10-20 acres when combined with value-added business activities.

Commissioner Kennedy asked if there were any major detriments to the growth of the wine industry. Ms. Jones advised land use issues in terms of zoning can be problematic because it doesn't fall neatly into agricultural or commercial space and this can be a challenge in working with local townships. The Office of Regulatory Invention is considering revision of the definition of a winery to create various levels of wineries to help alleviate that challenge. Labor availability and crop insurance are also important issues. One of the Council's roles is to monitor various challenges and look ahead at what steps need to be taken to ensure the future growth and viability of the grape and wine industry in Michigan.

Commissioner Coe commended Ms. Jones and the department for what they have accomplished for the wine and grape industry over the last 30 years.

MICHIGAN WHEAT PROGRAM UPDATE: Jody E. Pollok-Newsom, Executive Director, and Dave Milligan, Chairman, Michigan Wheat Program

Mr. Milligan advised Michigan ranks number twelve in the U.S. for production of winter wheat and Michigan wheat production as a percent of total U.S. production is 2.4 percent. All classes of Michigan wheat production yield more than 40 million bushels; however, the industry is facing a challenge in that yields have remained fairly flat. In 1993, Michigan was primarily a white wheat grower and that has changed now to a ratio of 40:60 white to red wheat. Michigan is blessed with active millers in the state, including Chelsea, Star of the West, Knappen, King, and Mennel Milling companies whose product is shipped to key end users such as Kellogg, Kraft, and General Mills. The thumb area of Michigan is one of the strong wheat growing areas in the state, as well as the southeast corner of the state.

The Wheat Program referendum was initially rejected by growers. Through a second attempt in July 2011, 54 percent of the growers did approve, and the Michigan Wheat Program was established. The board was appointed by Governor Snyder in November 2011 and the inaugural meeting was held in December of that year. The Wheat Marketing Program Board of Directors and their respective districts were reviewed, noting those are

determined by acreage in the various regions. Starting from ground zero was very challenging; and, through MDARD's assistance, they were able to obtain a loan to cover operations until they began to receive assessments. He acknowledged the outstanding help and support received from the department, namely then Director Creagh, Jeff Haarer, Brad Deacon, Deb Merrill, and Jamie Zmitko-Somers.

One of the first accomplishments was hiring Jody Pollok-Newsom as Executive Director in February 2012, followed by policies and procedures being established in April 2012. Assessment was set at one-half of one percent of value of wheat with seed wheat at a price of \$6.41. Strategic plan development began in December 2012, which included the focus areas of research, production issues, education and communication, promotion, and market development.

Ms. Pollok-Newsom advised there has been a great cooperation of various parties to bring the program to where it is today. In less than three weeks, they were able to coordinate a strategic planning session that involved all interested parties to determine what the program needed to accomplish. The mission statement was established as: to promote a viable, thriving, and growing Michigan wheat industry which includes input supplies, seed producers, growers, millers, end users, and consumers.

Research efforts are being targeted around farmers, researchers, millers, end users, input providers, and Michigan State University Extension (MSU-E). They were able to work with millers and end users to hire Eric Olson for the MSU Wheat Breeder position. The industry is contributing \$25,000 per year for three years toward that position. In August last year, they met with researchers to fund research projects, proposals were requested, and over \$200,000 in funding was awarded to 12 initial projects.

Production areas addressed include risk management issues, crop insurance inequities, partnering with Michigan Farm Bureau, data submission regarding falling numbers, and evaluating for the 2014 crop. Membership in the National Association of Wheat Growers will be maintained to assist with state specific issues.

Education efforts with growers encompass plot tours with MSU-E, winter grower meetings, and the various industry meetings to help growers realize their potential. Communication efforts include an educational piece with McDonalds, monthly articles in *Michigan Farmer* and *Farmers Advance*, and press releases. Also, their website, launched in October, can be found at www.miwheat.org and includes the complete Assessment Notebook and an email sign-up option for alerts. The winter grower meeting was very successful and attended by over 200 producers, indicating the strong interest in wheat.

Various opportunities exist for promotion of the Michigan Wheat Program, such as Ag Day at the Capitol, MAEAP, and the Michigan Ag Council. Market development includes the Summer Quality Tour with MSU-E and end users, membership in Michigan Millers Association, and discussion with the organic segment of the market.

Future plans include maintaining the current assessment rate, a bus tour of Ontario plots, social media, research long-range plans, developing high tech approaches to growing, and continuing to build the program and the industry.

In response to inquiry from Commissioner Meachum, Mr. Milligan advised they are budgeting \$1.1 million in annual assessments. And in response to question from Commissioner Coe, Ms. Pollok-Newsom and Mr. Milligan advised the department has been very helpful from a regulatory perspective.

The Commission and Chief Deputy Director Wenk commended Ms. Pollok-Newsom, Mr. Milligan, and the Wheat Board for all they have been able to accomplish in a short space of time.

RECESS AND RECONVENE

Chairperson Kennedy recessed the meeting at 10:50 a.m. for a brief break. He reconvened the meeting at 11:05 a.m.

VALUE-ADDED AGRICULTURAL ECONOMIC DEVELOPMENT IN NORTHWEST MICHIGAN: Doug Luciani, President and CEO, Traverse City Area Chamber of Commerce and Traverse Bay Economic Development Corporation

Commissioner Coe advised he wanted to demonstrate what local units of government and private sector economic development groups have accomplished toward rural development in northwest Michigan and the UP, as well as how collaboration of various regional economic areas can leverage assets across the state. He was able to arrange for two speakers today and introduced Doug Luciani, President of the Traverse City Area Chamber of Commerce and the Traverse Bay Economic Development.

Mr. Luciani advised the Traverse Area Chamber works very collaboratively in northern Michigan. Value-added agriculture has been part of northwest Michigan's economic mix for many years and encourages locally grown food from locally grown farmers. The chamber partners with various local food networks in the area, including the Fresh Food Partnership, the Fair Food Network, Taste the Local Difference Program, Just Buy It Northern Michigan (sourcing 20 percent locally), and the Food and Farming Network.

The Grand Vision was initiated by several public and private organizations and currently serves six counties in the Traverse Bay area. Several diverse interests are coming together within issue networks that include food and farming, energy, growth and investment, housing, and natural resources and transportation. The Food and Farming Network works to preserve agriculture as a viable economic practice in the region by protecting farmland, enhancing the affordability of farms, and supporting agricultural infrastructure in the region. The overarching goal is to increase the resilience and double the value of the region's food and agricultural system by 2019.

Value-added food processing will be the basis for the area's economic growth, including the goal of sending product around the world, as well as doubling the value and the ability to withstand negative events, such as the storm last March that destroyed so much of the cherry and apple crop.

Traverse City's over 30 wineries are located on two beautiful peninsulas extending from Traverse City and encompass all of what they are trying to preserve in the area. Brew masters in the area are known for pushing the envelope when it comes to using unusual

flavorings in their beers and ales, especially if they can be grown locally. It has assisted in growing four-season tourism in the area. The area's eclectic cuisine borrows freely from other regional styles and relies heavily on imagination, boldness, and spunk. Capitalizing on fresh ingredients from nearby farms, forests, lakes, streams, and orchards, Traverse City restaurateurs seem to be on a mission to showcase the best of what the area has to offer. Preserving farmland and natural resources leads to other opportunities. From youth sports to internationally acclaimed amateur events, Traverse City can accommodate a variety of athletic events that capitalize on the beauty of the area.

MEDC recently awarded \$50,000 to the Traverse Bay Economic Development Corporation to plan a new regional food hub in Traverse City's Building 58. Building 58 is located in the Village at Grand Traverse Commons and is one of the largest historical preservation and adaptive reuse redevelopments in the U.S. After renovation of the 55,000 square foot building, the Traverse City Food Hub will provide a yearlong indoor farmers market, a community kitchen for educational classes and value-added agricultural product development, a certified commercial kitchen for lease, cold storage, and product processing and aggregation for restaurants, schools, hospitals, and grocery stores. The project is expected to lead to more employment opportunities for farmers, agri-food entrepreneurs, distributors, processors, and others. This is a great way to add value and could not be done without great policy and good government in Michigan that recognizes the value of these projects.

About 30,000 students in the six-county Grand Vision area receive one to two-thirds of their daily nutrition at school, and half of them – in some schools as many as 80 percent – come from families so strapped they qualify for federal subsidies for their school meals. Value-added agriculture is providing needed nutrition for healthier children, while at the same time, supporting local farms. To help train the next generation, *Get Farming!* (of the Food and Farming Network) provides a source for information, training, workshops, and networking for new and beginning farmers, as well as those transitioning to new, local markets.

Considering the financial side, it is very difficult for farmers to obtain loans, especially if they are a smaller operation. The Chamber worked with Fifth Third Bank, applying to their Community Reinvestment Act funds to begin a new fund and they approved a \$50,000 grant, which the Chamber matched. The Chamber initiated their \$100,000 Micro Revolving Loan Program that will be available to small businesses for small micro loans. This fund will have a quick review and turnaround and should be available to farmers in the second quarter of 2013.

There is money available; however, those in agriculture are often not aware. The Northwest Michigan Farm and Food 20/20 fund was developed to encompass the whole business lending continuum. The fund is a mix of loan products offered through regional lenders proactively filling the capital gap for niche and beginning small to mid-scale farms. This collaborative effort links farm viability and growth to regional agriculture and food economic development.

Commissioner Coe noted he was the fortunate recipient of some MDARD and U.S. Department of Agriculture (USDA) grant programs for his business. Many farmers don't

want to undertake the application process and don't understand what entities are there to help. The 20/20 fund is an attempt to build a business lending continuum with individuals assigned to help the financial institutions, the farmers, and the business consultants match up what is available.

On another note, Mr. Luciani advised he is finding it necessary to choose his words very carefully when speaking at public meetings because of a group that believes in what is being termed "Agenda 21" that claims government intervention is taking away personal freedoms. Commissioner Coe agreed this is a threatening vocal minority who believes government is trying to control every part of their lives and is making it very difficult for elected officials to move forward on efforts such as economic development. Everyone needs to be very aware of this situation.

RURAL ECONOMIC DEVELOPMENT EFFORTS: Dennis West, President, Northern Initiatives

Commissioner Coe next introduced Dennis West of Northern Initiatives, who will speak to the interesting role of alternative lenders.

Mr. West explained Northern Initiatives is a community development financial institution, based in Marquette that serves 46 rural Michigan counties. It began in the UP because in 1985, Northern Michigan University observed that 66 percent of their students were coming from the UP where the unemployment rate was 15 percent. They decided to become involved in economic development and in 1992, Northern Initiatives was spun out as a private non-profit organization. In 1997, they began to look below the bridge to support their scaling up process. Today, they are a \$15 million organization with about \$13.5 million available for lending. They deliver loans and business services to small business owners and entrepreneurs who create jobs and enable the people and communities of northern Michigan to thrive.

As an alternative lender, they consider all things traditionally considered by a bank, but weigh three things in particular – business plan, character of the individual(s), and the life stories that can be verified. Approximately one third of their loans are made those in business for the first time. They also work a great deal of time with businesses in transition and have a particular impact in downtown areas.

Finding the entrepreneurs creates jobs and sustainable economies with flourishing local enterprises. In America, we find that 11 percent of the population has the attitude and aptitude to start a business, which is the relationship they build with the Small Business Technology Development Center. They encourage people to talk with those counselors, develop a business plan, and test the viability of their idea. The difference between someone starting and being able to build a business is whether they have the ability to build systems. They work with businesses to build those systems to manage and adjust as circumstances dictate.

Similar to other financial institutions, items they require from all applicants include a business plan, signed application, equity (hopefully), willingness to offer personal guarantees, income and expense report, balance sheet, cash flow projections, tax returns, and personal financial statements. The difference is found in risk rating. On a one to seven

scale, with one being the most desirable, their portfolio is comprised of a few four-rated and mostly five-rated customers.

Northern Initiatives' loan products and services include microloans, small business loans, guaranteed loans, and USDA guaranteed loans. Microloans are less than \$60,000, with a 6-year term, and free technical assistance. Small business loans are for \$50,000-\$500,000, typically for expansion capital or permanent working capital. They can offer guaranteed Small Business Community Advantage loans for under \$250,000 and USDA Business and Industry Guaranteed loans for up to \$2 million. Northern Initiatives has extended nearly 700 loans totaling over \$39 million and has loans in 41 of 46 northern rural Michigan counties. Its current portfolio has 160 loans, totaling over \$7 million.

There is a growing trend toward local, fresh, natural, and authentic, and those represent the areas where value-added production and small business opportunities exist. It is important to have an alternative lender to help support that development. Through a recent survey, they learned that 80 percent of their small businesses are using other local suppliers, where hidden leverage exists.

Looking at the future, they feel they have sufficient capital, staff, and systems that by the beginning of next year they will be in a position to complete 100 loans annually. This will be a large increase from their current rate of approximately 53 per year. As an alternative lender, they make available capital in places where it currently isn't easily obtained. Northern Initiatives does not compete with banks, rather, community banks are their greatest source of referrals.

The Commission complimented Northern Initiatives on their economic development efforts throughout the rural community. Commissioner Coe emphasized that as demonstrated by the last two presenters, there are other funding sources available and the department can encourage collaboration among those groups to provide an avenue for new business in Michigan.

ANNUAL BOVINE TUBERCULOSIS UPDATE: Rick Smith, Tuberculosis Program Coordinator, Animal Industry Division; and Steve Schmitt, Wildlife Health Section Supervisor, Michigan Department of Natural Resources

Dr. Schmitt reported Bovine TB is a disease caused by the bacterium *Mycobacterium bovis* and is found primarily in cattle, privately owned cervids (deer and elk), bison, and goats, but can affect any warm-blooded animal, including humans. The spread of Bovine TB requires close contact with an infected individual or contaminated area, mainly through the air by sneezing or coughing or by consumption of contaminated feed. Transmission is enhanced by crowding and stress. There currently is no approved vaccine or practical medication for wild or domestic animals.

Bovine TB is rare and sporadic in wild deer and was introduced by European cattle. Prior to 1994, only eight white-tailed or mule deer in North America were reported to have Bovine TB. Michigan is thought to be the only place in the U.S. where the disease has become established in the wild deer population. The disease has persisted in Michigan white-tailed deer due to high deer densities and focal concentrations due to feeding and baiting.

MDNR coordinates TB response efforts with MDARD and USDA. The elimination of Bovine TB from free-ranging deer is an important and difficult goal to accomplish. To help reach that goal, comprehensive surveillance of wildlife populations in northeastern Michigan and statewide is necessary.

In 2012, deer surveillance activities for Bovine TB continued. Over 4,700 deer were tested in 2012, with 23 of those being positive. Since testing began, nearly 200,000 deer have been tested, with 726 positives. The intensive surveillance is in northeastern Michigan in the Montmorency, Alpena, Oscoda, and Alcona Counties, the origin of 94 percent of all positive deer. Intensive surveillance is also conducted in the seven surrounding counties to determine if the disease is spreading from the four-county area. In the remainder of the state, passive surveillance is completed by encouraging the state's over 700,000 deer hunters to submit any suspect deer to one of the MDNR offices for testing. Of the positive deer found in 2012, 18 were from Deer Management Unit (DMU) 452, which lies within the four-county area noted previously, and the other five were just outside that area.

Another wildlife species tested is elk and their range overlaps to where Bovine TB is found in in the deer. In 2012, 171 animals were tested and one positive was found. This was the first positive elk since 2006. At this time, it is felt these animals are a spill-over host from the deer through common feed sites. Because they could be capable of being a maintenance host, surveillance will continue in that species.

Bovine TB eradication strategies that have been in place since 1996 include keeping deer from concentrating by eliminating supplemental feeding and baiting, and reducing deer numbers through hunting to a level supported by the natural vegetation. Success has been achieved in eliminating large-scale winter feeding and it is almost non-existent in northeastern Michigan. However, baiting is still problematic. There also has been success in reducing the deer population through increased hunting activity, bringing the number of deer in the four-county area down from 160,000 to 100,000 since 1995. However, the message from the hunters is 100,000 deer is where they would like the number to remain.

Those two strategies have been successful in reducing Bovine TB prevalence in white-tailed deer inside DMU452, which has declined from 4.9 percent in 1995 to 1.7 percent in 2012. Outside of that area, the prevalence drops to only 0.3 percent. When viewing the prevalence graphically, it depicts a significant decrease in the trend, but reveals it has been basically level over the last ten years. Evidence from the newly developed Bovine TB Deer Spatial Model suggests that eradication of TB, if it can be achieved, will take decades and will require more aggressive management action than in place now. This would involve reducing deer population numbers, for which they do not have public support. Regardless, strategies will move forward toward eradication efforts.

Future TB eradication strategies include developing an oral TB vaccine, although that is still years away. Strategies through the Joint MDNR/MDARD Bovine TB Plan are to increase hunter access to private land in the TB area (93 percent of the land in DMU452 is private land); improve habitat on public land (food plots) to draw deer away from private land; and ensure Disease Control Permits are easy to obtain. Additionally, through a pilot project, determine if neighbors can work together to improve TB management.

Dr. Smith reviewed the current Michigan Bovine TB zones, noting the majority of the state is in the TB Free Zone. Seven counties are in the Modified Accredited Advanced Zone (MAAZ) and Montmorency, Alpena, Oscoda, and Alcona Counties are in the Modified Accredited Zone (MAZ).

In 2012, over 825 herds were tested, representing more than 35,383 cattle and with 1,015 suspects being found. Even though not required, testing is completed in the TB Free Zone due to commerce and requirements of other states, which is completed by private vendors.

There were three TB infected farms in 2012, all in Alpena County. Herd number 53 was an Alpena County beef herd, for which it was their second infection. Indemnity funds were obtained through approval by the Legislature and depopulation is in process. In April, the 54th positive herd was identified, which was an Alpena dairy herd and this also was a second infection. USDA recommended a test-and-removal process, which provides for the dairy to continue operation. Their last test was completed in February and quarantine was released on March 4. In November, the 55th herd was found; it is another Alpena County dairy herd and their test-and-removal process is in progress.

The program has just completed its fourth year of conducting the Wildlife Risk Mitigation Project. The project focuses on biosecurity practices on farm and how cattle operations are managed and then provides preventive measures to be implemented by producers. Over the years, 963 farms have requested a wildlife risk assessment and 945 producers are currently verified and have implemented their plans, representing 98 percent of the farms.

The annual TB Program Review by USDA last August was very successful. In September 2011, Michigan achieved Split-State Status which moved 57 counties in the Lower Peninsula into the TB Free Zone and Presque Isle County was moved to the MAAZ. With that zoning order, 12,744 herds moved to TB Free Status, which represents 91 percent of Michigan's cattle. In response to inquiry from Commissioner Coe, Dr. Smith advised funds from the TB Program had been used to assist producers with the project; however, that is now almost depleted. Unless more funding becomes available, risk assessments will continue, but farmers will need to completely finance improvements needed.

As has been done every two years, the department began the process of discussing its Memorandum of Understanding (MOU) and split state status arrangement with USDA. The department proposed the seven MAAZ counties be moved to TB Free Status and the outer portions of the four MAZ counties be moved up to MAAZ status. USDA requested a risk assessment be completed and this is currently in process with results anticipated by the end of this month. Continued discussions with USDA will then follow.

Through the end of last year, there were 55 infected herds, which have all been within the northeastern part of the state. In February, a TB positive cull dairy cow from Saginaw County was identified through a slaughter trace, which is a rarity for Michigan. There have been no cases of Bovine TB in Saginaw County since 1979. The dairy farm was quickly quarantined and because a whole herd test indicated a higher than expected reaction, the herd was designed as the 56th herd infected by Bovine TB. MDARD and the Dairy Cooperative are working with the producer to ensure the milk does not enter the human food supply and is disposed of in an environmentally sound way. The department has

initiated a comprehensive response and in addition to intensive investigation of any cattle that have entered or been sold from the herd, a special surveillance area was designated which will require any of the herds within ten miles of the infected premises to have a whole herd TB test by September 26, unless they have entered into a herd plan with the TB Program.

Dr. Schmitt advised the MDNR is taking the Saginaw County herd identification very seriously. In response, the surveillance plan will include ten-mile circle testing of 300 deer annually for three years and testing of 100 deer annually for three years in the adjacent counties. Because most of that testing will be conducted during the normal hunting season, to intensify the process, Disease Control Permits will be issued to all of the cattle producers within the ten-mile circle area. And, most importantly, Wildlife Services has begun shooting deer within a two-mile radius of the infected herd. No lesions have been seen in the 45 deer taken to date and further laboratory testing will be conducted. Once the source has been identified, MDNR and MDARD will meet to determine a course of action.

Commissioner Kennedy advised the public meeting yesterday in the Saginaw area was informative and very effective. In response to his question, Dr. Schmitt advised the circle testing area is considered by township sections. Also, Saginaw County has a higher deer population than northern Michigan; however, it is one of the lower deer population counties in that area of the state.

Commissioner Coe advised everything he hears from farmers and the general public is that the deer population is a problem. He suggested verifying the true public opinion, although he acknowledged that farmers often do not want hunters on their land due to property damage. Commissioner Hanson confirmed that is the situation in the UP as well and the deer population and feeding continue to be problematic. Commissioner Coe noted the focus needs to be on decreasing the deer population. Dr. Schmitt agreed that is required to move forward, but the problem remains as to exactly how to accomplish that goal. Farmers and large land owners have been given the opportunity to take additional deer, but the reduction is not what MDNR would like to see for disease management.

Commissioner Walcott asked about the potential of a bounty program. Dr. Schmitt advised that MDARD does pay hunters \$200 for any TB-positive deer submitted to the department. Because much of the land in the four-county area is privately owned and there are numerous shooting clubs, those deer are valuable and a bounty program would most likely not be effective in that area.

LEGISLATIVE UPDATE: Derek Bajema, Legislative Liaison

Mr. Bajema reported the Legislature was on break for two weeks and was back in session yesterday. MDARD is meeting with Senator Hansen on Senate Bill 279, which would allow wine tasting at farmers markets and there is discussion around limiting by proximity and population the number of farmers markets that would be allowed to offer wine tasting. Commissioner Coe added he feels the population limitation is completely unrealistic, particularly in the Traverse City area. Mr. Bajema advised the department will continue negotiations on the bill.

A hearing will be held soon on House Bill 4335, which would allow dogs on patio areas of restaurants. The Michigan Restaurant Association advised they are relatively comfortable with the proposal.

Senate Bill 26 is the invasive plants tool that would provide for the Commission's consulting with the Michigan Invasive Plants Council on future declaration of invasive plants. Work continues and MDARD appreciates the industry's input; a hearing is anticipated within the next few weeks.

The freedom to pet bears as introduced in Senate Bill 48 is now Public Act 8 of 2013. The department was officially neutral on the bill.

The Forestry Package is likely to be considered in the Senate Natural Resources Committee next week. It is very important to MDARD and rural development. It creates incentives by removing some penalties that exist in the current Qualified Forestry Program. That original program has a cap of 1.2 million acres; however, only 70,000 acres have been enrolled. This speaks to a need to readdress the program, which this package accomplishes. The department appreciates Senator Booher's leadership on the effort.

It is anticipated the Groundwater Dispute Resolution legislation will be introduced soon. The bill approved by the Governor last year allowed an "opt out" provision, and after consulting with impacted industry, it was determined that was not appropriate. A bill should be introduced soon.

A bill that would raise the statutory limit on administrative spending for the Farmland Preservation Program is also likely to be introduced in the near future. Currently, it is capped at approximately \$900,000 and this would raise that level to \$1.4 million, which is commensurate with cost increases to administer the program.

Meetings continue with stakeholders to discuss a feed law update. This is important as we correlate some of our state laws with changes in the federal Food Safety Modernization Act.

In response to inquiry from Commissioner Coe, Mr. Bajema advised there is a component within the Forestry Package that will eventually fund the program. Until enrollment reaches a level to support the program, there will be a general fund need and that will be approximately \$1.7 million next year. The Commission expressed their support for the package, noting it will provide advantages for the small farm community.

COMMISSIONER ISSUES

Commissioner Kennedy reviewed a resolution before the Commission recognizing the Food and Dairy and Pesticide and Plant Pest Management Divisions, which read:

WHEREAS, Michigan's food and agriculture industry, our state's second largest economic driver, contributing over \$91 billion each year, is a cornerstone to our economic recovery; and production agriculture, food processing, and related businesses employ nearly one million people; and,

WHEREAS, Michigan's 2011 agricultural exports generated nearly \$2.8 billion and supported over 23,985 jobs both on and off the farm in food processing, storage, and transportation; and,

WHEREAS, soybean and soy products were Michigan's largest export commodity in 2011, valued at \$477.1 million; and,

WHEREAS, Citizens LLC processes over \$14 million of Michigan grown, non-GMO, food grade soybeans annually for tofu and soymilk production and began exporting to Japan and the Asian Rim Countries in 2004; and,

WHEREAS, Citizens LLC contracts farmers from over 25 counties to grow soybeans and trucks them to their Charlotte facility, where they are processed for shipment; and,

WHEREAS, on August 23, 2012, Citizens LLC Charlotte Processing Plant experienced a devastating fire damaging the facility and over 13,000 bushels of soybeans valued at \$260,000; and,

WHEREAS, Michigan Department of Agriculture and Rural Development (Department) Food and Dairy Division staff, namely Pam Weaver and Kevin Halfmann, quickly and effectively responded to the incident, facilitated the shipment of over 3,500 bushels of damaged beans for animal feed usage, and coordinated with the Office of Agriculture Economic Development to explore other recovery efforts and rural development opportunities; and,

WHEREAS, the Department's Pesticide and Plant Pest Management Division staff cooperated with the Food and Dairy Division in the response, namely April Hunt and Timothy Lyons, who provided guidance and approval regarding the use of damaged beans for animal feed; and Jean Meiner and Carolyn Diamond, who provided historical sanitation inspection and export certification information; and,

WHEREAS, the Michigan Commission of Agriculture and Rural Development (Commission) commends the Food and Dairy and Pesticide and Plant Pest Management Divisions on their most effective response to the Citizens LLC Charlotte incident, noting it was a job well done throughout the entire process; and

THEREFORE, the Commission extends its recognition and sincere appreciation to the Department for the outstanding customer service extended to Citizens LLC.

Commissioner Kennedy emphasized the department's timely response and assistance was instrumental in Citizens' capability to rebuild quickly and that is greatly appreciated.

MOTION: COMMISSIONER MEACHUM MOVED THE RESOLUTION RECOGNIZING THE FOOD AND DAIRY AND PESTICIDE AND PLANT PEST MANAGEMENT DIVISIONS BE ADOPTED. COMMISSIONER COE SECONDED. MOTION CARRIED.

PUBLIC COMMENT

Wendy Banka, Ann Arbor, Michigan, advised she becomes more educated with each Commission meeting she attends and appreciates the informative presentations. She hopes that at some point she will be able to say because of the Commission's efforts, urban agriculture is booming in Michigan.

Relative to the Generally Accepted Agriculture Management Practices (GAAMP) process, she feels there are clear issues with the last two GAAMPs cycle processes. The 2012 process resulted in a Preamble to the GAAMPs, which at the request of Senators Smith and Hune is currently being reviewed by the Attorney General for appropriateness. As a result of extensive discussion regarding the 2013 GAAMPs, the Site Selection GAAMP was returned to committee for reconsideration. She suggested the GAAMPs process is not working correctly because the language added the last two years was very different from any previous versions. She and other individuals approached Jim Johnson and the Site Selection Committee Chair to request being part of the process to allow for their engaging in discussion to provide their perspectives. Dr. Powers invited her and Randy Zeilinger to

address the Site Selection GAAMP Task Force on April 12. They were not invited to sit on that committee and she plans to ask Dr. Powers to reconsider that decision. She encouraged the Commissioners, if they are willing, to support that position. For the last two years, the Site Selection Task Force actions have denied her, and others, rights to Right to Farm protection. Good governmental process should allow those having been systematically denied rights to be a part of the decision-making body.

She pointed out that at the last Public Comment Hearing for the GAAMPs, no one from any of the GAAMPs Committees or the department decision-makers attended that session. Brad Deacon advised a summary of comments made would be provided to all interested parties. That summary was a very brief version of what was actually said and did not reflect the extensive issues discussed – so, no one involved in the decision-making process received that information. Individuals' current ability to impact the process is then limited to three minutes at the eight Commission meetings each year; therefore, if the Commission could help them become part of the GAAMP Committee, they would be very grateful.

Randy Zeilinger, Michigan Small Farm Council (MSFC), as mentioned last month, noted local prosecution entities have changed tactics and are now filing formal charges against small farming operations. His case goes to trial tomorrow, which may prevent his appearing before the Site Selection GAAMP Committee on Friday.

He asked the Commission and MDARD how closely these legal cases are being monitored at the state level. The cases span from the UP to Garden City, where there has been one successful win of a case that sighted the Right to Farm Act. A beekeeper in Sterling Heights had his hives destroyed without any due process from the local government. Some of the local governments are stating the Right to Farm Act does not apply to small scale operations because they are in urban or high density areas, which has been disproved numerous times over the last ten years by the Court of Appeals. If this trend by local prosecutors continues, the Supreme Court is a likely destination for cases, which would have far-reaching consequences for everyone involved in any scale of agriculture. If the department is not following these legal cases, he asked for consideration to do so in the future. This situation is state-wide and he asked for some support or at least some opinions from the Commissioners and MDARD.

Commissioner Coe noted the backyard, urban farmers have been attending Commission meetings for almost a year, the Commission took some action in not approving the 2013 Site Selection GAAMP and asking the small farmers to organize, which they have done. It is obvious this will be an ongoing issue for the Commission and he encouraged the department to respond.

Chief Deputy Director Wenk advised the first overture by the department was suggesting that Ms. Banka and Mr. Zeilinger address the Siting Selection GAAMP Committee. Typically, the GAAMPs chairs are responsible for who serves on their respective committees, with the Siting GAAMP being the only one with statutorily designated members. Typically, the Commission does not weigh in on what experts are called for those committees. Relative to court cases, the department is aware of them and often testifies; however, it does not monitor all case activity. Beyond the Commission's role of approving GAAMPs, the department's primary role is making various GAAMP

determinations. The courts coordinate the adjudication, as the Right to Farm Law is structured as an affirmative defense and the courts make those determinations. Sometimes the court cases are contradictory to one another and until it actually becomes published opinion at the Supreme Court level, that discrepancy will exist.

Commissioner Coe suggested the MSFC consider some type of legislative remedy. Mr. Zeilinger advised that has been discussed, but members doubt if they could compete with large farming operations in lobbying efforts. On an individual, local level, small farmers have been successful.

ADJOURN

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

The meeting was adjourned at 1:02 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes March 11, 2013*
- C) *Director Jamie Clover Adams – Issues of Interest Report*
- D) *Statewide Logistics and Supply Chain Strategy Presentation*
- E) *Michigan Wheat Program*
- F) *Northern Initiatives Presentation*
- G) *Traverse Bay Economic Development Corporation and Traverse City Area Chamber of Commerce Presentation*
- H) *2012 Bovine TB Surveillance-MDNR Presentation*
- I) *Michigan's Bovine TB Program-MDARD Presentation*
- J) *Legislative Status – April 2013*
- K) *Resolution Recognizing MDARD Staff (Citizens Elevator)*