

# MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

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

## MEETING MINUTES MARCH 18, 2015

### **PRESENT:**

Trever Meachum, Chair, Michigan Commission of Agriculture and Rural Development  
Fred Walcott, Vice Chair, Michigan Commission of Agriculture and Rural Development  
Dru Montri, Secretary, Michigan Commission of Agriculture and Rural Development  
Diane Hanson, Past Chair, Michigan Commission of Agriculture and Rural Development  
Bob Kennedy, Past Chair, Michigan Commission of Agriculture and Rural Development  
Jamie Clover Adams, Director, Michigan Department of Agriculture and Rural Development

### **CALL TO ORDER AND ROLL CALL**

Chairperson Meachum called the meeting of the Commission of Agriculture and Rural Development to order at 9:02 a.m. on March 18, 2015. Commissioner Montri called the roll with Commissioners Hanson, Kennedy, Meachum, Montri, and Walcott, and Director Clover Adams present.

### **APPROVAL OF AGENDA**

**MOTION: COMMISSIONER WALCOTT MOVED TO APPROVE THE MEETING AGENDA FOR MARCH 18, 2015. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED.**

### **APPROVAL OF FEBRUARY 18, 2015, MEETING MINUTES**

**MOTION: COMMISSIONER MONTRI MOVED TO APPROVE THE FEBRUARY 18, 2015, MEETING MINUTES. SECONDED BY COMMISSIONER WALCOTT. MOTION CARRIED.**

### **NEXT SCHEDULED MEETING**

The next scheduled meeting will be held on Wednesday, May 13, 2015, at the Michigan Corn Growers Association offices, 13750 Sedona Pkwy., Lansing.

### **COMMISSIONER COMMENTS AND TRAVEL**

**Commissioner Hanson** advised she attended the February Michigan Farm Bureau (MFB) Legislative seminar in Lansing and had the opportunity to speak with a number of representatives and senators. She was in Colorado Springs recently for the U.S. Potato Board conference. It was reported that due to the longshoremen strike, the industry lost 13 percent of their export product, which may not be recuperated. Tomorrow, she will be attending the Pure Michigan Agriculture Summit being held in Grand Rapids.

Manistique Papers announced it will be closing soon; possibly within a week. This will be devastating to that community.

Weather in the Upper Peninsula (UP) has been unseasonably warm, although some snow still remains.

**Commissioner Walcott** reported the annual Michigan Pork Producers Symposium held recently was combined with poultry this year, which resulted in a very successful event.

They are waiting to hear from some of the fruit and vegetable growers regarding what kind of damage they sustained from the extreme cold weather. Growers are patiently waiting to start spring activities in the fields.

**Commissioner Kennedy** reported wheat acreage is down approximately 15 percent this year in Michigan, and with lower corn prices, corn acreage is expected to shrink from 10-15 percent. This should result in higher soybean acreage.

Spring activities are starting in his area and hopefully that will continue.

With the lighter test weight and lower quality corn from last year across more than two-thirds of Michigan, they are beginning to observe various issues in on-farm storage. He suggested alerts should be shared, because it is a safety concern about which farmers need to be aware.

**Commissioner Montri** reported she attended a meeting with Director Clover Adams and the Telecommunications Association of Michigan. She is looking forward to hearing more from them during the meeting today.

The Urban Livestock Workgroup submitted their final report to the Director and Senator Hune on March 15, and it is also posted on the Michigan Department of Agriculture and Rural Development (MDARD) website. The 56-page report represents the culmination of work from the Policy and Technical Urban Livestock Workgroups. The Commission will receive a presentation from those workgroups in May. The report is a good start in addressing the various issues and discussion will continue.

The Michigan Meat Association held their annual meeting March 6-7, and the Michigan Farmers Market Association annual conference was held March 10-11. Both events enjoyed great participation. In recognition of National Reading Month, she will be reading to the Bath elementary third grade class next Friday.

The spring weather has been favorable for hoop house growers, especially with the slow thaw. Spring crops have been planted and transplants started.

She shared with the other Commissioners copies of the 2014 Michigan Farmers Market Association Annual Report. It gives a good overview of the association's activities.

**Commissioner Meachum** wished everyone a happy Agriculture Day. In conjunction with March being National Reading Month, he reminded everyone to visit a local school and read to the students, noting copies of *The Apple Orchard Riddle* received from Michigan Farm Bureau (MFB) would be an excellent resource. He is waiting for permission to also take apples his local school.

He thanked Commissioner Walcott for chairing the February meeting while he was in Nova Scotia for two apple conferences. The conferences provided a nice opportunity to learn more about Canadian agriculture.

He attended the Michigan Agricultural Cooperative Marketing Association (MACMA) Apple Division meeting last week that featured a guest speaker from Washington discussing the use and need for H2A workers. There is an opportunity for a partnership with that organization in an attempt to help some of Michigan fruit and vegetable growers with H2A employees. He also participated in the Southwest Michigan Horticulture Days last month.

In response to inquiry from Commissioner Walcott, Commissioner Meachum confirmed H2A is a federal program and the speaker last week was from a private organization that spun off from the Washington Farm Bureau and Washington Growers League. MFB is forming an organization to partner with the organization in Washington and plans to use them as a recruiter to help growers in Michigan. There was a very successful pilot program in Michigan last year, which is expanding to apples and asparagus this year. Commissioner Walcott complimented all of the growers willing to work with the program, because it will prevent driving them further under the radar to obtain employees. Making this type of a program work would greatly benefit all producers.

Director Clover Adams added that John Bakker reported Monday they are seeing only 50 percent of the normal bookings for asparagus starting in 2016. The labor issue for them is critical. In essence, Michigan is losing its asparagus acres. Growers are being driven out of business when there actually is a need for more asparagus.

Commissioner Meachum advised he attended the 100<sup>th</sup> Michigan State University (MSU) Agriculture and Natural Resources luncheon last week, which was a great opportunity to give thanks to some people well deserving of recognition.

Most growers believe the peach crop in Michigan is non-viable this year due to the harsh winter temperatures. Sweet cherries, at least in the southern half of the state, are in trouble as well. It is too early to know for other crops. His operation's peppers and tomatoes are planted in the greenhouse. In response to question from Commissioner Kennedy, Commissioner Meachum advised 15 degrees below zero is the critical temperature for the more tender fruit crops, and that temperature was reached on at least three occasions this winter.

In addition to travel previously mentioned, Commissioners Hanson, Kennedy, Meachum, Walcott, and Montri 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 MONTRI. MOTION CARRIED.**

**DIRECTOR'S REPORT**

Director Clover Adams reported she recently hosted five town hall meetings with food processors around the state, asking about their challenges and opportunities. Across the state, the broad concerns that are hindering the industry include infrastructure, labor, and regulations. There also was discussion about concerns with genetically modified organisms. Mention of opportunities for growth included exports, brand identification, using the Pure Michigan logo, and strong markets in local restaurants for local products. Labor in general was a significant issue expressed, including that young people are now largely untrained because of the school curriculums being offered. The other trend expressed was the fact that some young people from 18-21 years old don't care to have a drivers license, which limits their ability to hold a job. Infrastructure concerns shared include power sources, sewer and water, rail, roads, and broadband. The department is compiling responses from those meetings, which will be shared with the Commission. Later this spring, a meeting will be held with the production side of agriculture during which their input will be combined with the processors' information to reevaluate the goals for the sector and identify issues toward which the industry can work. Overall, the town hall meetings were well attended and she appreciated the industry taking time to participate.

The B2B Summit will be held tomorrow in Grand Rapids. There are 21 buyers participating, including some institutional buyers this year. There are 450 people registered for the event, 285 companies completed applications to fill buyers' needs, and 326 one-on-one meetings between buyers and suppliers are scheduled. There also will be walk-up tables for companies to answer questions and discuss opportunities with attendees. Boards for posting other needs, such as supplies, also will be available. The keynote speaker will be Dr. Lowell Catlett from New Mexico State University, a well-known futurist who looks at trends in agriculture. The department looks forward to a very beneficial event again this year.

During the Agriculture Club breakfast this morning, Dave Armstrong from GreenStone reported that corn, soybean, and wheat balance sheets are negative and he is hopeful people have sufficient equity or savings to carry them through.

The department is working on a project termed Operation Excellence. A consultant is working with each of the divisions on program management, identifying and removing impediments, standard operating procedures, and check lists for inspections to ensure consistency and prioritize activities. Output data will roll-up from field level, to supervisor, to division manager, and to department administration so that data can be utilized to better manage the agency. The consultant mentioned those in government think they are different, but in actuality, they are not, because unlimited resources do not exist in the private sector either. This was an eye opener for staff and helped them realize these types of goals can be accomplished. This effort, coupled with the technology improvements being implemented, will bring increased productivity

throughout the department, allowing staff to provide an even higher level of excellent service to its customers.

Commissioner Meachum reported the State of Michigan has asked businesses to register and pay business taxes electronically. He and his accountant are having a difficult time getting that system to actually work. After needing to then mail their business forms and payments in December, they received a letter advising the state received their money and it was placed in a credit account, but until their report is filed electronically, they are in violation and daily penalties will be assessed. His accountant is unable to reach anyone by telephone because of the current backlog. His accountant did receive a letter requesting paper forms until the system can be remedied; however, the businesses are not receiving that communication. Although this is not a function of MDARD, the department may hear more about this problem.

### **DIRECTOR'S TRAVEL**

Director Clover Adams has no new out-of-state travel planned in the near future requiring approval.

In response to inquiry from Commissioner Meachum, the Director advised her upcoming travel to Washington, D.C., will be covered by the National Association of State Departments of Agriculture (NASDA). She will part of a strategic planning effort for NASDA.

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

**Jim Casha, Norwich, Ontario**, encouraged the Commission to contact the Governor and ask that he stop the transfer of the Michigan State Fairgrounds to private interests. The Fairgrounds is ideally suited for a regional transportation hub that could connect the entire state and MDOT should be leading with an iconic regional multi-modal transit hub at that location. This could be significant for agriculture in Michigan.

He reviewed various agriculture products, including Spanish River Carbonite (SRC), Aerway farm equipment, and Tunnel Tech systems that could be beneficial to Michigan's agriculture industry and the environment. In particular, use of SRC could help reduce the algae bloom in Michigan lakes and ponds.

During the Workforce and Talent Development event last week, he heard about the huge crisis in the agriculture labor market. He emphasized the Fairgrounds could be utilized as a year-around exhibition center to showcase Michigan's agriculture industry and serve as a training and job creation center.

### **SOILS AND WATER QUALITY: Tim Boring, Vice President, Michigan Agri-Business Association (MABA)**

Mr. Boring reviewed soils and water quality information MABA has been sharing with crop advisors and the farming community. The issue was highlighted by the unprecedented levels of algae blooms occurring in Lake Erie last August, which culminated in shutting down Toledo's drinking water supply, as well as other issues.

In looking back over the last number of years, algae issues have occurred in Lake Erie outside the normal mid-summer flush that often happens. This is a biological process and some extent of algae issues have occurred in Lake Erie for hundreds of years – a natural cycling system. But obviously, inputs and invasive species changes have affected that cycle and dynamics within the lake have been altered.

Other points to consider are the number of different watersheds throughout Michigan and the hydrology and cropping systems that occur in western Michigan which are very different than those found affecting Lake Erie. Some of the causal effects in the Western Lake Erie Basin result from the adjacent intensive agriculture production area. Although data of total phosphorus loads indicate improvements, the type of phosphorus has changed. We moved from a system of primarily particulate phosphorus loading problems (phosphorus attached to inorganic sediments that falls out of solution and has very low bio-reactivity) to dissolved reactive phosphorus (DRP) (90-100 percent bio-reactive and remains in suspension) which changes the dynamic of the situation. As we implemented practices to address particulate phosphorus, we ended up amplifying the proportion of what is occurring with DRP phosphorus.

When considering water and agricultural chemical transport, 10 percent of water from fields is surface runoff and 30 percent is drained through tile systems. This is big change in what has been done with water management of these systems over 30-40 years and represents a significant portion of where the water now goes. Considering nutrient loss, one percent of the phosphorus is infiltrated into the tile drain and five percent is surface run-off. From a conservation standpoint, efforts historically were directed to surface runoff which guided conservation practices implemented over the landscape. Wind is actually a larger contributor to moving phosphorus than one would imagine and conservation practices have been implemented to prevent that as well. However, all of these practices don't address the infiltration issue and there needs to be an increased focus in that area.

Growers are looking to maintain a .2 ppm phosphorus concentration in the soil and water in the fields to maintain optimal crop growth. However, when you reach the lakes, just .01 ppm can trigger an algae bloom. With higher rates in the soil, it becomes much more variable and creates a dramatic increase of phosphorus in the bottom of the system. Recent soil test data indicates high levels of phosphorus in the soil results in highly critical levels of DRP in the bottom of the system. In response to inquiry from the Director, Mr. Boring confirmed that data is similar to what is found in all of the states in the Corn Belt.

Another piece to consider is no-till adoption, because when not tilling the soil, stratification of phosphorus and potassium results. Phosphorus is concentrated in the upper one inch of the soil. It is much easier to lose that particulate phosphorus and the DRP is increased as well.

As we move forward, there needs to be a continued focus on managing phosphorus surface loses, as well as increased focus on managing tile drain water. This could include biological means to regulate and control DRP and additional tile control structures. At this point, adequate information about the various agriculture systems is

not available to effectively discuss solutions. The other piece is how fertilizer is managed. The 4R (source, rate, place, time) fertilizer management strategy will become more advanced, including temporally across the year, how soil solution phosphorus is managed in concentrated zones and soils, and maximizing agronomic values by mitigating the environmental losses. It underscores the need for much better information for making the decisions moving forward.

In response to inquiry from the Director, Mr. Boring advised implementation of conservation practices caused the shift from particulate to dissolved reactive phosphorus, representing unintended consequences.

Commissioner Meachum asked if the no-till data suggests that a field should be plowed every few years. Mr. Boring suggested that perhaps simply stabilizing phosphorus to be broadcast or subterranean placement of nutrients would be a preferred solution. However, at this point in time, no good phosphorus stabilizers exist because of a lack of market pressure to develop.

In response to question from Commissioner Kennedy about recent legislation in Ohio, Mr. Boring advised the House and Senate versions are different, but basically would eliminate manure applications to frozen ground. There are a number of loopholes and contingencies within that legislation. They have also implemented a requirement to obtain certification in order to apply fertilizer, but there are loopholes in that as well. Ohio has taken a highly regulatory approach, but because much will still be missed, there may not be much end effect.

Commissioner Walcott pointed out the focus of the presentation was only on agriculture contribution to the algae bloom. Mr. Boring advised he has not spent much time researching data related to commercial and municipal contributions to the problem, but they definitely are a factor to be considered in the solution. Another contributing factor is the biological change of the lake itself. Agriculture is on the list of contributors and the goal should be for agriculture to not be on that list. He confirmed the biological cycling of the Great Lakes has been happening for over 100 years and is a natural part of the issue. What is happening externally is amplifying what is inherently a biological process.

#### **BROADBAND IN MICHIGAN: Eric Frederick, Vice President, Connect Michigan**

Mr. Frederick thanked the Commission for the opportunity to provide an update on broadband in Michigan, which will include infrastructure access, broadband and technology adoption, connected communities, and recent developments. He has also brought friends with him today who have been working on broadband issues across the state to provide some perspective on what they are seeing in the field.

Connected Nation is a non-profit organization dedicated to expanding broadband access, adoption, and use. Connect Michigan, a subsidiary of Connected Nation, implemented the State Broadband Initiative Program in the Great Lakes area from 2009-2014. They (1) partner with the Michigan Public Service Commission; (2) collaborate at all scales with a diverse group of stakeholders; (3) have three in-state staff; (4) maintain broadband mapping, research, and community planning; (4) host the annual Michigan

Broadband Conference in Lansing; and (5) maintain the goal of facilitating the expansion of broadband throughout Michigan.

In 2009, Michigan's service was defined at 768Kbps (kilobits per second) in speed and today that is 25Mbps (megabits per second). Increases in various speed tiers have been realized over the last four years, with the most dramatic being in the higher tiers of 25-50Mbps across the state.

The National Broadband Plan outlines goals in the U.S. as 100 million homes having 50Mbps connections by 2015 and by 2020, having 100Mbps service. Work continues toward those goals and Michigan is progressing fairly well on the higher speed tiers. Broadband coverage has grown significantly since 2010, with many unserved areas now being covered, as well as redundant service created in many areas. He reviewed mapping that illustrates that growth, including the availability of the various speeds and providers offering that service. Much of the state is covered, although there are pockets with no 3Mbps service. As speed tiers increase, the service begins to decrease. Because it is a capital intensive business to reach rural areas where household density drops, many of those unserved areas still exist, especially at the 25Mbps service level. Work continues to bring service to those rural areas.

Even with the expansion of availability, in 2014 there were nearly two million non-adopting adults in Michigan, with various reasons from awareness and cost of access to eight percent advising it was not available. In 2014, 53,000 non-adopting businesses existed in Michigan. Over 37 percent of those businesses cited lack of need as the reason and only two percent advised it was not available. The challenge lies in helping people realize how broadband can impact their lives and how to adopt it, and they are working to address those issues in communities across the state.

Commissioner Montri advised her business has access to the lowest speed broadband, but in practicality it doesn't provide any advantage for them. He advised that would fall under the "other" category on the chart, which represents nine percent of businesses.

Through their community program is where Connect Michigan is trying to make a difference. The Connected Community Engagement Program (CCEP) is working actively with Michigan communities. Steps in their local technology planning program include (1) establish community team of diverse stakeholders; (2) assess the local broadband/technology landscape against standards based on National Broadband Plan; (3) implement projects to increase access, adoption, and use of technology and broadband throughout the community; and (4) achieve Connected Certification. Federal grant funded and required engagement is being conducted with 14 communities in Michigan, and they are currently working with 45 different communities, made possible by creating efficiencies in their program.

In response to inquiry from Commissioner Montri, Mr. Frederick advised through the federal grant, services were free of charge to the communities; however, that federal funding ended in January of this year and they have funds to operate at only a light fashion until September 15, 2015. Communities who did not participate under the federal grant are providing some financial assistance to the program.

Connected Certified communities have a higher broadband adoption rate than the state as a whole and above U.S. average. Communities with plans, although not yet reaching certification, are advancing broadband adoption at a rapid pace.

CCEP projects being implemented include website and social media classes for businesses, digital literacy campaigns, residential and business surveys to better identify access issues and areas of demand, zoning ordinance language review and updates, awareness and support campaigns for educational one-to-one device programs, and public-private partnerships for infrastructure expansion. There is an increasing use of residential surveys to more precisely identify local demand to support provider business cases and a trend toward more localized, township-level action planning as broadband coverage increases.

Clare County, which had been one of the most underserved areas in the state, provides an excellent example of the typical success of CCEP. Collaboration between schools, libraries, local government, and broadband providers resulted in a public-private partnership for expanding service in rural areas. They leveraged unused portions of the existing fiber ring to increase capacity for spurs to rural areas, townships shared the cost of tower construction, and internet service providers installed equipment and provided service. In October 2011, 69 percent of households had 3Mbps access, and just one year later, that number grew to 88 percent.

Models for success in rural communities include (1) knowing your providers, there may be access to providers you did not know exist; (2) using [www.connectmi.org](http://www.connectmi.org) for broadband provider maps, as well as county profiles; (3) ask Connect Michigan for help in finding a provider's local representative; and (4) make use of site surveys and signal testing. Meaningful broadband and technology adoption are as critical as infrastructure access in rural areas. Increased adoption and use helps spur demand, which helps increase the supply of network connections.

Some recent developments impacting Michigan include PA 564 of 2014, Michigan Public Safety Communications System facility colocation; Michigan Economic Development Corporation (MEDC) Michigan Connects fiber map, which is a map of Michigan's fiber optic routes; and the build-out subsidy, which includes the Connect America Fund and rural broadband experiments. PA 564 of 2014 opens the Michigan Public Safety Communications System towers to colocation by other entities. An area must be unserved at 3Mbps to qualify for colocation.

The MEDC Michigan Connects fiber map is the first publicly available map of fiber routes and is supported through voluntary participation from carriers. When a specific area is clicked or an address entered, it lists carriers (1) with fiber within one-quarter mile, (2) with 100Mbps service; and (3) known to have fiber in the municipality. It can be found at [www.miconnects.org](http://www.miconnects.org). This has already helped numerous businesses across the state.

In response to inquiry from Commissioner Montri, Mr. Frederick advised once a list of providers and infrastructure owners is displayed, links will take individuals directly to their websites. Also, Connect Michigan can always advise the local contacts.

Commissioner Montri asked what solutions exist for communities and rural business where the infrastructure exists, but no provider currently services them, noting this is the case in many rural areas. Mr. Frederick advised it might be identifying who owns the fiber, bringing them together with other community stakeholders, and finding a provider who would be interested in leasing that idle fiber.

The Connect America Fund transitions Universal Service Fund subsidies from supporting phone systems to broadband mobile and wired support build-out. Frontier and CenturyLink have accepted subsidies for projects in Michigan. The Federal Communications Commission (FCC) developed a new program called Rural Broadband Experiments as part of the transition and it supports new and innovative deployments of broadband for those who are not traditionally eligible for subsidy from the FCC. Several initial applications in the Michigan area are waiting on FCC to decide on waivers, additional rules, and the path forward before deployment. This will be an opportunity for innovative deployments across the country.

### **COMMUNITY PERSPECTIVES ON BROADBAND**

#### **Mandy Chasey, Economic Development Director, Ogemaw County, and Director of Business Services for Michigan Works!**

Ms. Chasey advised the Ogemaw County Technology Planning Team, which she chairs, became Connected Certified as of last July. They began working with Connect Michigan in January 2012 and have made strides in improving service to their area and she shared maps depicting those changes. They were able to bring fiber service to Rose City through the M-33 corridor. However, they did experience some service loss because MySpot closed last October, and two of their towers had been part of the system servicing the county.

Broadband is extremely important in the more rural areas of Michigan. It is critical for their county to attract business. They hope to continue improvements so they can be competitive and enhance attraction. Tourism is a large part of their business and internet service is important to that industry as visitors expect to be connected.

Their residents are concerned primarily about the recent landline legislation because their only option continues to be dial-up internet. Ogemaw County has four-five significant pockets where that is the case.

Without Connect Michigan, they simply would not have reached the level of service coverage they have today. They are now working on their vertical asset inventory, which is what the service providers need. They look forward to achieving continued good results in the future.

#### **Todd Wells, Sales Manager, Casair, Inc.**

Mr. Wells reported Casair is a small company in Montcalm County that began in 2001 and is growing rapidly. They have 100 towers operating from private entities from which they can broadcast a wireless signal as far as 12 miles with speeds from 1-30Mbps.

They are in the midst of building 25 new towers in central Michigan through a grant/loan from the U.S. Department of Agriculture (USDA), which they hope to complete by June of this year. They are also building a fiber network that is 400 miles long and will connect to each of their towers throughout the rural areas, providing the capacity customers need. He reviewed a map of current coverage areas, as well as anticipated future coverage across the state. When fiber is run to the towers, it can provide 25Mbps connection in the very rural areas.

He recently installed an internet-based Wi-Fi system on a farm to allow for computer chips in the milking cows to monitor milk output from each animal. They installed a tower on the farmer's silo to bring the signal to his farm. This system was an investment, but in the long run will save the farmer a good deal of money. Casair has facilitated point-to-point internet-based irrigation and fertilizing systems for many other farms.

Casair is able to come into a rural area, build a tower in one month, broadcast 12 miles with the speeds needed, and service a small number of customers profitably. There are many other providers trying to do the same thing.

In response to question from Commissioner Montri, Mr. Wells advised the investment for a farmer to install an internet point-to-point system varies from about \$1,000-2,000.

**Marilyn Passmore, Director of Government Affairs, Charter Communications**

Ms. Passmore reported Charter Communications is the cable provider for over 800 communities across 75 Michigan counties. They have had a long and positive relationship with Connect Michigan across the state.

Charter added over 200 Michigan jobs in the past two years and in 2014, made a \$100 million investment in an all-digital system that offers customers 60Mbps internet service. Currently, over 1.1 million Michigan homes have Charter all-digital service available. Charter business customers have scalable speeds from 10Mbps to 10 Gigabit internet service.

In 2000, residential speeds were 256K–1.5 Mbps. By 2014, that was increased to residential speeds at 60Mbps with 100Mbps available. Charter rebuilt cable systems in 2014 to 10,000 rural homes in 20 Michigan communities across Gratiot, Iosco, Isabella, Montcalm, Ogemaw, and Ottawa Counties. This brought 60Mbps broadband service to these markets. It is very exciting to see the growth from their investments.

Various rebuild projects are planned in 2015 for five rural cable systems that will impact 32 Michigan communities and over 16,000 homes across eight counties. Those counties include Gladwin, Iosco, Lapeer, Oakland, Ottawa, Sanilac, St. Clair, and Tuscola. This is all-private investment and they feel their fiber-rich network is prepared to provide needed flexibility to their customers.

**Bob Balzer, Director of Business and Economic Services, Gladwin County**

Mr. Balzer noted Gladwin County is a small rural community in the center of the state with about 25,000 people that is traditionally manufacturing and agricultural related. In

1996, they finally received dial-up service and in 2006, the first wireless internet service provider arrived.

Merit Network laid fiber through the center of their community, which encompasses the cities of Beaverton and Gladwin. Even though that fiber is in the ground, they are unable to connect to it in most cases. They are working toward that end.

Because of the county's lack of major highway access, Gladwin will be limited for some time as to attracting big business. Community and educational development are also considerations in economic development and broadband is a key part of that. Young people today are gravitating to the places that have broadband availability and they walk to work and local conveniences. Much of that is technology driven, which will result in many rural areas losing their younger population. Education is limited in the county because homework requiring internet cannot be assigned to those children in rural communities. Unfortunately, those children are not aware of technology-related opportunities in agriculture and broadband is needed to bridge that gap. These are the types of things that attract our younger generation to agricultural related careers.

Two years ago, Connect Michigan contacted him with an offer to become a broadband champion for Gladwin County. A broadband team was developed to help expand broadband capabilities in Gladwin County. Within about 18 months, they became a Connected Certified community and they are taking the right steps to improve the access, adoption, and use of broadband throughout the county. Their broadband team developed a township survey to identify specific needs and those have been plotted on a GIS mapping system to demonstrate the needs to providers and attract them to the community. Much progress has been made thanks to Connect Michigan and the community pulling together to make the improvements.

#### **John Ogren, Founder and CEO, SpeedConnect**

Mr. Ogren advised he started SpeedConnect nearly 15 years ago and its purpose has always been to provide service in rural areas. Their first customers were in Alpena and that area was identified at the time because it had no broadband connections. They now operate in ten states and virtually all of their customers were underserved in some way.

SpeedConnect has been looking at the opportunity in Michigan to expand their current footprint of towers with new wireless LTE technology that meets the new broadband definition of 25Mbps service through installation of 12 new towers in central Michigan this year alone.

Although there are many federal programs available, they don't work that well. There is a great opportunity to solve many of the problems identified by underserved areas by looking to develop another form of state funding through low cost loans to enable companies to build the technology throughout rural communities.

#### **TELECOMMUNICATIONS ASSOCIATION OF MICHIGAN: Scott Stevenson, President**

Mr. Stevenson noted the unsung heroes of rural broadband investments are the traditional rural telephone companies who have been in the state for more than 100

years and who now are all broadband providers accomplishing some very innovative things in their communities.

Telecommunications Association of Michigan was begun in 1935 and represents more than 40 small rural broadband providers across the state. The first company in Michigan was the Ontonagon County Telephone Company in 1877 and this year, they will be investing in a fiber-to-curb project bringing very high speed networks to that community. Their smallest company is in the Ogden area in southeast Michigan and they completed a full fiber-to-home project last year for their very rural customers. Next month, Centac will begin a fiber-to-home project in Allendale, bringing networks capable of delivering 30-100Mbps service. These are just a few examples of what their companies have been able to accomplish over the last several years to bring those higher and higher speeds to Michigan customers.

Every one of their members has made significant investments to bring broadband to their customers and most can provide broadband speed to nearly 100 percent of their customer base.

When you consider the policies around investing in broadband, the question of how to address the issue of communities that simply are not being served arises. There is no single policy, no single answer. As new technologies develop, faster speeds can reach farther out into the networks. However, a good group of customers is needed to make a broadband investment feasible. A study released last year by the Rural Broadband Association found that across the country, two-thirds of rural consumers have access to speeds of 10Mbps service or higher, but only nine percent subscribe to those higher speeds. As the demand for higher speeds increases, it will help with deployment.

The Association looks at policy issues at the state and federal level, and they feel FCC has made it very difficult for companies to invest in rural communities. The most recent order on net neutrality will send a chill through investment for several years as people try to determine what those new regulations on internet providers mean and how much they will cost.

At the state level, the Association is pursuing a series of policy changes they hope will lower the cost of deployment and make it easier for providers to upgrade and expand networks. It focuses on three main issues (1) reduce the cost of forced network relocations by local governments, (2) cap and standardize county road right-of-way fees, and (3) adjust the personal property tax to make new investments more cost effective. Today, there is no compensation for providers forced to move a network and they must additionally pay for a permit to do what the local government is requiring. Counties also often charge significant fees for various road right-of-ways. Their members face personal property taxes on their equipment from day one, even if the fiber will not be used for several years. For small companies, these expenses can be very onerous and quite often impede broadband projects.

Between their members and the innovative companies represented here today, considerable work is being accomplished to improve access to broadband in rural areas.

But the bottom line is some of the larger companies do not prioritize rural investments, so we need to look for other ways to make those improvements.

## **AGRICULTURE INDUSTRY AND ROAD TRANSPORTATION**

### **Steve Cooper, COO/General Manager, Continental Dairy Facilities**

Mr. Cooper reported Continental Dairy Facilities, LLC, located in Coopersville, Michigan, is a dairy processing facility owned by Select Milk Producers, Inc., a dairy farmer co-op. The 92 co-op members are located in Michigan, Indiana, Ohio, Texas, and New Mexico. They currently produce approximately six billion pounds of milk per year, which equates to 329 6,000-gallon tankers per day. It is the fifth largest co-op in the U.S. and has 25 producers in the Michigan area. Approximately five million pounds of raw milk is processed each day. In March, they will increase from five to nine receiving bays to facilitate the growth of their company and their sister company located onsite, Fair Life, who is currently processing one million pounds per day and anticipates an increase to three million pounds per day within two years.

Transportation is critical to dairy producers from input to final product shipping. The inputs include grain and feed, as well as the animals themselves. Output includes milk delivered to the processing plant from the farms and the final finished products from the processing plant – non-fat dry milk, cream, and condensed milk.

Since its inception in March 2012, production output has increased significantly. In 2014, they shipped over 1,100 loads of condensed, 2,490 of cream, and 2,196 of non-fat dried milk out of their facility. In 2014, there were 82 trucks in and out of the facility every day, approximately 30,225 in total. Fifty percent of milk coming into the plant is in supertankers. Michigan's road laws allow for 12,000 gallons of milk on one supertanker, which reduces the number of trucks into their facility by 24 each day.

Non-fat dry milk was marketed domestically in 2012 with some exports to Mexico. In 2013, the export market grew at a rapid pace due to various market and production-related conditions. The majority of the non-fat product went to exports. Currently, nearly 64 billion pounds, 70 percent of their sales, is being exported to 14 different nations, including the Middle East, North Africa, Mexico, and Southeast Asia. This year, they are expecting about 30 percent of their product to be exported because the market dynamic has changed considerably.

Michigan road laws are important to these exports because Southeast Asian exports ship from West Coast ports. The majority of U.S. non-fat dry milk is produced on the West Coast because the distance cost of freight from Michigan is often prohibitive. However, when freight to Southeast Asia can be booked as a package that includes drayage, trucking, and shipping, Michigan's weight limits translate into more product on container and equalizes the freight rate on a per-pound basis. This allows Michigan dairy plants to compete with West Coast plants in the Southeast Asian marketplace and that business is growing significantly for them.

Michigan road laws have been a subject of debate lately. The milk haulers in Michigan have invested a considerable amount of money into their supertankers and a substantial amount of milk is transported that way.

In response to questions from Commissioner Walcott, Mr. Cooper advised 93 people are employed at Continental Dairy, with an additional 120 people at Fair Life, and 95 percent of the milk received at their facility is Michigan milk. He confirmed a large portion of milk is hauled in the supertankers and they are seeing increasing investment in that form of transportation, which reduces the number of trucks on the road.

In response to inquiry from the Director, Mr. Cooper advised the export growth has translated to cows being added to dairy operations to meet increased demand for milk. Michigan has enjoyed month after month of growth in milk production for over 40 straight months. In the last five-seven years, they have seen seven-nine percent annual growth in Michigan's milk supply.

Commissioner Montri asked if the heavier supertankers contribute more to the wear and tear on Michigan roads. Mr. Cooper advised that is not a factor because the weight is evenly distributed over the supertankers' axles.

**Brian Geerlings, Certified Crop Adviser/Fertilizer Sales Manager, Herbrucks Poultry Ranch, Inc.**

Mr. Geerlings advised he would be talking about (1) EP (Educational Provider) endorsement for drivers licenses, (2) gross vehicle weight limits on trucks, and (3) seasonal weight limits.

The EP endorsement for drivers licenses is a very helpful way to save money for seasonal and temporary drivers, as well as an opportunity for Herbrucks to observe the employees and the employees to have a chance to determine if they really want to be a truck driver in the future.

The gross vehicle weight limits in Michigan are very helpful to their business. That allows them to haul 50-ton payloads and deliver their fertilizer across in the state in a more efficient manner.

Because every county interprets the seasonal weight limit rules and the agricultural exemption differently, it is a challenge to their business. Some counties give no permits to agriculture and others ask only for notification, with movement limited to specific roads. Permits range up to \$2,000 for one-half mile of road. This is what Herbrucks paid in order to use one of their facility's entrances. Some counties do not place restrictions on gravel roads, while others consider all roads the same. Because they deliver fertilizer across the state, it is very challenging every spring to deal with multiple counties to determine where and when they can deliver.

In response to question from the Director, Mr. Geerlings advised they definitely need good roads without potholes to prevent their eggs from cracking as they are shipped.

**TRANSPORTATION FUNDING PROPOSAL: Kirk Steudle, Director, Michigan Department of Transportation**

Director Steudle advised when he hears comments about heavy trucks causing all of the problems with Michigan roads, he asks complainants about the condition of roads in

their local sub-division where heavy trucks never travel and most acknowledge those roads are not in good shape and realize trucks are not the prime cause after all. There is a complete misconception and it is purely an emotional discussion.

He hopes today to explain the Transportation Funding Proposal in a way to easily understand the complexity. It is complex because we have had two or three decades of tax policy on motor fuels that has compounded the situation. The problem is we charge a flat 19 cents per gallon that is restricted to transportation use, along with vehicle registration fees. On top of that, there is the six percent sales tax charged on every gallon and, per our constitution that amount is restricted to schools and cities. If sales tax on motor fuels were simply to be eliminated, a real billion dollar cut to schools and cities would be created. This is why the sales tax is proposed to be increased. At the end of the day, if this proposal were to pass, the tax policy becomes very clear – what you pay at the pump in taxes goes to fund transportation and what you pay in sales tax at the retail level, except food, medicine, and motor fuels, goes to schools and cities. This is a tax policy adopted by most other states.

The enacted 2015 Transportation Package would remove the current six percent sales tax from fuel, which provides room for the motor fuels tax to be raised to fund transportation. The objective is for the fuel price to remain approximately the same as consumers see at the pump today. The flat cents per gallon is changing to a percentage on the wholesale rate of motor fuels. This will be based on the average wholesale price for the last twelve months to avoid constant fluctuations. It will be fixed and solid so everyone knows what that cost will be for the ensuing year. It has a window, a ceiling, and a floor to prevent more than five cents per gallon increase, or falling below a reasonable level to meet transportation needs.

There also would be a registration fee increase which would take effect over 3-14 years. No one will see registration fees increase; but, rather the deductions for aging vehicles is removed. Registration fees on trucks would be increased from \$100 for the 26-28,000 pound category, up to \$1,000 for those in the 150,000-160,000 pound category, and it will be pro-rated in between. On average, it would be \$600 for the largest number of trucks on the road.

The impact for transportation agencies involves no change to the current formula, but would equate to \$1.2 billion per year more for the Michigan Transportation Fund (MTF), with 39 percent to country roads, 22 percent to city streets, and 39 percent to MDOT for the interstates and the U.S. and M Routes.

There would be an additional \$300 million per year for the School Aid Fund (approximately \$200 per pupil), \$100 million per year more to cities for revenue sharing, and an additional \$20 million per year for Michigan Department of Natural Resources marinas and off-road vehicle trails. There also would be additional funding for community colleges.

Impacts for individual taxpayers include a sales tax increase from six to seven percent, removal of sales tax from fuel, and an increase in fuel tax to 12 cents per gallon in October 2015, which maintains relatively the same price at the pump. The earned-

income tax credit would be increased from 6 to 20 percent of the federal credit amount and eligibility would be broadened. The registration fee on hybrid-drive cars would increase by \$25 per year and by \$75 per year on electric cars and plug-in hybrids.

The impact for businesses includes the removal of sales tax from diesel fuel, with the total tax on diesel fuel rising 12 cents per gallon in October 2015. There would be no registration fee increase on medium-sized trucks and the fee would rise by \$600 per year on a typical heavy truck. There would also be tax increases on retail purchases. However, there would be enlarged assistance to small business development.

The ballot proposal would provide taxpayer protection and transparency through (1) increased use of pavement warranties by local agencies, where possible; (2) requiring county road agencies to use competitive bidding for projects over \$100,000; (3) townships contributing more than 50 percent to the cost of a county road project would potentially require competitive bid; and (4) performance-driven maintenance contracting by the seven largest road agencies. All proposed changes are tied to the outcome of the sales tax ballot referendum. If it does not pass, the Legislature must start over on the transportation issues.

To help educate voters, numerous MDOT communication tools are available via [www.michigan.gov/roadfunding](http://www.michigan.gov/roadfunding). Several explanatory brochures are available on the site, as well as fast facts and detailed white papers. There are many common myths and misconceptions about transportation in Michigan, from why MDOT replaces "perfectly good" signs to why current funding levels aren't enough to keep roads and bridges in good condition. Clarification on those misconceptions has been provided on MDOT's Reality Check site at [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck). He noted that all of this information was created over the past few years to help educate the public on how decisions are made and where funds are allocated.

Commissioner Walcott advised companies with whom he works feel the federal government is taking too much of their transportation money, and asked if this proposal would remedy any of that. Director Steudle advised only certain roads are eligible for federal fund expenditures through the Federal Aid Road System, which at the county level, includes the county primary roads, city major streets, and the state trunk lines – in essence where commerce moves. If you break down that respective mileage, 75 percent is under MDOT and 25 percent under counties and federal funds received are divided exactly that way. A second formula is for the distribution of state funds, which is the previously mentioned 39 percent for MDOT, 39 percent for counties, and 22 percent for cities.

Commissioner Walcott advised some of the farmers in his area who deliver corn are paying the federal highway tax on their diesel fuel, but they claim they are not traveling the federal highway system, but confirmed they travel on county primary roads. Director Steudle advised 25 percent of the federal money is allocated to those county primary roads. Because traffic volumes are considered, funding should be proportional.

Commissioner Montri advised she has received question as to why toll roads are not part of the funding solution. Director Steudle advised they are always part of the funding

solution until we, the people, decide we do not want to pursue that avenue. The interstates in Michigan are still locked, because we chose as a state 50 years ago to use federal funds to build the interstate system with the agreement it would remain toll free. Turnpikes in Indiana and Ohio are wholly owned subsidiaries of those states, just as Mackinac Bridge is for Michigan. In their last reauthorization bill, Congress allowed for five locations in the country to change an existing freeway to a toll road; however that requires an extensive structured plan and voters would need to approve. The toll road discussion needs to stay in play for Michigan and it is our generation's time to decide whether we want to pursue that avenue.

### **MICHIGAN FARM BUREAU AND PROPOSAL 1: Matt Kapp, Government Relations Specialist, Michigan Farm Bureau**

Mr. Kapp advised he appreciated the Commission discussing the Transportation Proposal and advised he agrees with everything the last three speakers related. MFB represents over 48,000 farm families across the state. Members use the roads every day to create a product, whether that is driving a tractor into a field or moving product to processors or markets. Some emphasize they need to take longer routes on a daily basis simply to avoid the very bad roads on their more direct route to prevent damage to their equipment.

MFB members are very concerned about the condition of our roads and that led them as an organization to support the May 2015 Transportation Proposal and is encouraging a "yes" vote. MFB has joined a coalition, called "Safe Roads Yes" that is promoting and encouraging that affirmative vote.

There are statements in the MFB Policy Book that lead to support of the proposal. MFB supports user fees and feels all of the revenue collected at the pump should go to roads, which is not happening today. The proposal would create an additional \$1.2 billion for road funding and MFB is completely on board with that concept. And as mentioned, if you don't somehow replace the redirected revenue, a hole will be created in the budget. Therefore, MFB also has a policy statement that supports a one percent increase in the general sales tax to help offset that loss in revenue. This is exactly what the ballot proposal does.

More information from an agricultural perspective is available through a "Frequently Asked Questions" document on their website at <https://www.michfb.com> and he encouraged use of that information.

### **COMMISSIONER ISSUES**

Commissioner Meachum presented a resolution before the Commission in support of investment in Michigan's transportation infrastructure system, which read:

*WHEREAS, the Michigan Commission of Agriculture and Rural Development recognizes the importance of the state and local transportation network to the food and agriculture sector and our rural communities. The sector is dependent on a sound transportation system to move inputs, raw materials, ingredients, and products along the food and agriculture supply chain and on to consumers; and*

*WHEREAS, improving Michigan's transportation system will create jobs, attract business, and strengthen our overall economy. We believe state and local road agencies should be adequately*

*funded so they are able to properly fund routine maintenance and ensure safe and efficient roadways to all motorists, including businesses; and*  
*WHEREAS, a sound and modern infrastructure is vital to attracting and retaining jobs. Michigan put the world on wheels. The state needs to continue to be a transportation leader in order to maintain its competitive edge in today's global economy. A modern transportation system that moves people and goods safely, reliably, and efficiently is critical to our economic competitiveness and to our quality of life; and*  
*WHEREAS, the deteriorating condition of Michigan's roads and bridges is an issue in every part of the state. Years of under-investment, coupled with increased fuel efficiency, has eroded the funding available for transportation and accelerated the decline in pavement and bridge condition; and*  
*WHEREAS, both state and local road agencies have taken steps to improve asset management, increase the effectiveness of existing investment, reduce costs, and employ innovative approaches that make the most of their limited funding; and*  
*WHEREAS, despite these efforts, it is clear that without significant additional investment, our roads and bridges will only continue to worsen, resulting in delays and increased costs to the food and agriculture sector. Michigan's road and highway maintenance budgets have regularly seen funding shortfalls over the last several years, and these funding deficiencies are growing due to the rising maintenance costs coupled with increases in automotive fuel economy.*  
*NOW, THEREFORE BE IT RESOLVED the Commission of Agriculture and Rural Development urges investment in Michigan's transportation infrastructure system, and encourages all residents of the state to become involved in conversations on how to improve Michigan's transportation infrastructure.*

Commissioner Meachum noted, as an apple grower, he spends an entire season trying to produce a perfect apple. As soon as it is picked, placed in a box on the truck, and hits a bad spot in the road, that perfect apple now becomes applesauce – hit a couple more bad areas, and it will now be only good for juice. For a fresh fruit grower, all roads are very important to the success of their business.

**MOTION: COMMISSIONER WALCOTT MOVED THE RESOLUTION IN SUPPORT OF INVESTMENT IN MICHIGAN'S TRANSPORTATION INFRASTRUCTURE SYSTEM BE ADOPTED. COMMISSIONER KENNEDY SECONDED. MOTION CARRIED.**

### **PUBLIC COMMENT**

**Randy Zeilinger, Michigan Small Farm Council, Garden City**, noted Herbrucks and Continental Dairy are facing similar issues that affect the small urban farmers in Michigan as well – inconsistency in local rules. Consistency at a state level should be mandatory in supporting agriculture, rather than each local community deciding what is good or not.

**Belinda Fitzpatrick**, noted a friend still working at the MDARD Laboratory asked her to voice some issues to the Commission. She worked at the Laboratory from 1990 until 2010 and feels the department needs to investigate what is transpiring at the Laboratory. She filed a Workman's Compensation claim and was hoping to see a change in culture and improvement in integrity at the Laboratory.

**Jim Casha, Norwich, Ontario**, reiterated the potential benefits of SPC to the agriculture industry, noting the Mennonite farmers who feed it to their chickens go from ten percent egg breakage to zero and chickens produce three months longer.

Valuable resources in Michigan don't have to be lost; there are better ways to farm. Retention of water on farms and reverse drainage are just some of the means to accomplish that.

The best solutions to problems are simple and he feels the Transportation Proposal is terribly complicated. Actually, even more sales tax is needed, with at least one percent dedicated to free public transportation with a refund for low and moderate income families.

Relative to creating an iconic regional multi-modal transportation hub on the Michigan State Fairgrounds, he again encouraged the Commission to act now to help promote the transportation hub and an agricultural training center to preserve and grow the agriculture industry in Michigan.

## **ADJOURN**

**MOTION: COMMISSIONER HANSON MOVED TO ADJOURN THE MEETING. COMMISSIONER KENNEDY SECONDED. MOTION CARRIED.**

The meeting was adjourned at 12:36 p.m.

### Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes February 18, 2015*
- C) *2014 Michigan Farmers Market Association Annual Report*
- D) *Director Jamie Clover Adams – Issues of Interest Report*
- E) *Soils and Water Quality – MABA*
- F) *Broadband in Michigan-Status, Developments, and the Future – Connect Michigan*
- G) *Ogemaw County Technology Planning Team – Ogemaw County EDC*
- H) *Charter Investments in Broadband – Charter*
- I) *Transportation and the Dairy Industry – Continental Dairy Facilities, LLC*
- J) *Transportation Revenue and Sales tax Ballot Proposal – MDOT*
- K) *Michigan Farm Bureau – Proposal 1: The Facts*
- L) *Resolution in Support of Investment in Michigan's Transportation Infrastructure System*
- M) *Legislative Status – March 2015*