

MICHIGAN COMMISSION OF AGRICULTURE

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

MEETING MINUTES JANUARY 12, 2010

PRESENT:

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

CALL TO ORDER AND ROLL CALL

Vice Chairperson Regis called the meeting of the Commission of Agriculture to order at 9:05 a.m. on January 12, 2010. Commissioner Coe called the roll with Commissioners Coe, Green, Regis, and Director Koivisto present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER COE MOVED TO APPROVE THE MEETING AGENDA FOR JANUARY 12, 2010. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.

APPROVAL OF DECEMBER 14, 2009, MEETING MINUTES

MOTION: COMMISSIONER GREEN MOVED TO APPROVE THE DECEMBER 14, 2009, MEETING MINUTES. SECONDED BY COMMISSIONER REGIS. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on February 10, 2010, at the Geagley Laboratory, East Lansing.

COMMISSIONERS' TRAVEL

Commissioner Coe traveled to attend the Michigan Agri-Business Association, this Commission, and the Culinary Alliance meetings today. He will be traveling to the January 13 Farm Economics Conference in northwest Michigan, the

Regional Economic Forum at which he will speak on January 25, and the January 30 Northern Michigan Small Farm Conference in Grayling.

There was no other travel submitted for approval.

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

COMMISSIONER COMMENTS:

Commissioner Green reported on an article, "Hog Wild," which appeared in a Naples, Florida, newspaper detailing the problems with feral swine in Florida. One approach they have implemented is allowing property owners without a hunting license to consider feral swine as "trespassing livestock," giving them the authority to shoot those animals when on their property. Discussion of the ongoing problem in Michigan ensued, with the Commission recommending the Michigan Department of Agriculture (MDA) discuss with the Michigan Department of Natural Resources (MDNR) the potential of implementing in Michigan a similar designation for the hunting of feral swine on an owner's property.

Commissioner Green attended one of the rural development sessions held in Michigan recently. However, he was disappointed in that the sessions focused on alternative energy and did not address the issue of creating jobs in Michigan in the near future.

Weather in his area is normal for winter and is not creating any particular problems for the farmers. In a sign the economy is beginning to rebound, he reported that the Michigan Milk Producers recently received from Russia a substantial order for butter.

Commissioner Coe complimented MDA staff member, Laurel Sorensen for her outstanding customer service. He attended an indoor farm market last Saturday at which the company Creation Farm displayed a wide range of products. In obtaining their various approvals, they advised the service received from MDA's inspector, Laurel Sorensen, was outstanding. Ms. Sorensen assisted Creation Farm through the entire process, provided many helpful suggestions, and literally worked them into marketing their complex line of products. This exemplifies the kind of service the department is providing to businesses using agriculture-based products, which is helping to grow business and create jobs in Michigan. And, it demonstrates exactly why this is hardly the time to be considering additional cuts to the department.

Northwest Michigan is in the middle of the annual conference period, with all of their farming community attending conferences and shows in one way or

another. The largest of these is the Northwest Orchard and Vineyard Show to be held in Traverse City next week. This reflects how the farming community continues working toward improving and growing their businesses during this difficult economic time.

Commissioner Coe participated in a January 8 meeting with area business representatives who discussed the current economic crisis. The 28 business sectors in the room agreed a recovery of business through jobs and investment is the current critical need. Based on this, one of the suggestions from that business sector was to consider provisional permitting – when an entity requests a permit and can demonstrate both investment and job creation, they could be immediately issued a permit with follow-up inspections within a year's time. The Director advised streamlining the licensing and permitting process is a concept being developed through the Governor's One Stop initiative and he will follow-up relative to the implementation of that new more timely process. Commissioner Coe suggested an Executive Directive by the Governor be issued to establish a system allowing immediate provisional permits in areas in which the health and safety of Michigan's citizens is not at risk. The Director advised this concept would be shared with the Governor's office.

Commissioner Regis attended the Jobs Economic Summit and various Michigan Agri-Business Association events. He had the opportunity to visit Lansing's new City Market which allows for expansion and better showcasing of Michigan products. He and the Director met with the Governor and her policy staff last month. Agriculture development was one of the topics discussed, including the relationship between MDA and the Michigan Economic Development Corporation (MEDC). Today, MDA's Mike DiBernardo is joining MEDC staff on an agriculture business visit and we look forward to future opportunities to build that positive relationship.

Following the meeting with the Governor and her staff, the commodity groups were advised that a request was made for expediting the filling of vacancies on the various commodity group boards and commissions. Also, the commitment was made by the Governor's staff that there would be continued opportunities for the Commission to communicate and meet with the Governor's office.

Yesterday, he joined the Director in a meeting with the Governor's public policy staff. Specifically discussed was the \$1.6 billion State of Michigan budget deficit for 2011. Departments have been asked to develop 20 percent reduction plans. It was emphasized the only way MDA can achieve that reduction is through affecting critical needs and potentially legislatively-mandated programs.

Next Thursday, Smithfield, Meijer, and the United Food and Commercial Workers organizations are hosting a "Feed the Hungry" project with Chef Paula Deen

participating. In an effort to feed the nation's hungry, 21 cities around the nation have partnered to host various events. Another Michigan event will be held on June 3 in the Detroit area. He emphasized that the agriculture industry has always been one of the strongest providers to the state's food banks and it is a true compliment to the agriculture industry and to the many organizations that work to ensure our food banks have products to meet the needs of Michigan's citizens.

DIRECTOR'S REPORT

Director Koivisto reported the department met recently with Bruce Rasher, the transition officer for the Michigan Departments of Environmental Quality and Natural Resources merger. Mr. Rasher was very complimentary of MDA and held high respect for what agriculture accomplishes.

In the wake of MDA Regional Office closings, the department is developing a Customer Service Call Center to better serve its customers. The center, which will be operational within two months, will prevent callers from being transferred more than once when contacting the department.

On Friday, he and Commissioner Regis will meet with the various commodity group executives. Discussion of their issues statewide will be the focus of the meeting.

With the loss of staff from the department's economic development staff, Mike DiBernardo is teaming with MEDC on agriculture business calls and visits. This relationship is progressing and should benefit our efforts in the future.

This week, he shared the budget development process with MDA employees. He also noted the fact that, unavoidably, rumors about a variety of proposals will most likely circulate. However, we are at a very early stage in the fiscal year 2011 budget process, many potential solutions will be discussed, and details will continue to be determined as development progresses. It will be a very challenging year budget-wise as the state faces an estimated \$1.6 billion short fall. Even still, there are many good things happening in agriculture throughout the state. Agriculture will emerge bigger and better as we move beyond the current economic crisis.

DIRECTOR'S TRAVEL

Director Koivisto requested travel to Washington, D.C., February 4-8, 2010, to attend the National Association of State Departments of Agriculture (NASDA) meeting.

Commissioner Coe requested the Director, while at NASDA, emphasize it is critical that the specialty crop funding provisions in the Farm Bill be moved forward as soon as possible.

The Director will provide the Commission with a full report of the NASDA meeting proceedings when he returns.

MOTION: COMMISSIONER GREEN MOVED APPROVAL OF THE DIRECTOR'S TRAVEL. SECONDED BY COMMISSIONER COE. MOTION CARRIED.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

REPRESENTATIVE MIKE HUCKLEBERRY

Commissioner Regis introduced Representative Mike Huckleberry from Greenville who is Vice Chair of the House Agriculture Committee and expressed the Commission's appreciation for his attendance today.

Representative Huckleberry introduced his Chief of Staff, Ed Wendover, who joined him for the meeting. The equine issue is one of his focus areas and he is hoping to move significant legislation in that area this year. One of their goals as they work with agriculture in the future is to help market Michigan's farm markets and agri-tourism sites. Commissioner Coe confirmed that fresh and local food currently has tremendous public support and offers the opportunity to create jobs for small farmers.

Representative Huckleberry reported the House Agriculture Committee has taken testimony relative to the feral swine concerns, including a Department of Natural Resources person from Texas. The issue will be addressed this year and he hopes that elimination of the game ranches will not be necessary.

He offered to be available for any questions following the meeting.

LEGISLATIVE UPDATE: Nancy Nyquist, Legislative Liaison

Ms. Nyquist reported the Legislature has been in session only a few days since the December Commission meeting and will be returning tomorrow.

She highlighted a few items from the January Legislative Status Report. The Governor signed the state-wide smoking ban legislation which takes affect May 1, 2010, making Michigan the 38th state to enact such legislation.

The State House passed a plan that would place \$40 million on a long-term basis into the Pure Michigan advertising campaign. The legislation is now in the Senate for their consideration.

February 3 is the Governor's State of the State address. Also, she will make her recommended Executive Budget presentation on February 11.

On December 18, we lost a very good friend in agriculture in Representative Simpson when he passed very unexpectedly. She and the Director attended his memorial service and clearly, the agriculture community will miss him.

BUDGET UPDATE: Amy Epkey, Budget Officer

Ms. Epkey reviewed the process and steps involved development of the 2011 budget. The fiscal year 2011 begins October 1, 2010; however, budget development is already in process. The Revenue Estimating Conference occurred yesterday, which projected a \$1.6 billion short fall for 2011. It appears no further cuts will be necessary in 2010, primarily because of reliance on federal stimulus dollars. The Governor provides her State of the State address on February 3, outlining her priorities for the state; and on February 11, she will release her 2011 budget proposal, which will include individual department budgets.

The budget then begins the legislative process, with MDA's budget beginning in the House of Representatives this year. It will be assigned to a House Appropriations Subcommittee to approve or modify the Governor's proposed Executive Budget. Once approved, the budget goes before the Appropriations Committee and finally, before the full House of Representatives. The budget will follow a similar process through the Senate. Also, during that time, in May, there will be an additional Revenue Estimating Conference to provide spending targets for each state department.

Any differences between the House and Senate versions of the budget are reconciled in a Conference Committee, consisting of three Senators and three Representatives. Their report then requires approval by a majority of the Senate and House of Representatives before going to the Governor for her final signature. The Governor can sign the bill or veto portions of the budget.

We are very early in the fiscal year 2011 budget development process and there will be a number of negotiations as it proceeds. Updates at milestone points throughout the process will be provided.

Commissioner Coe advised it is not acceptable for the department to continue to endure cuts. Instead, investment in agriculture needs to be identified to create jobs that would help move the state out of its current economic demise. Perhaps

this Commission needs to reach out to the Legislature, commodity groups, Farm Bureau, other agriculture interests to develop productive recommendations.

Commissioner Regis advised during the commodity groups meeting on Friday, they plan to discuss opportunities for investments and potential revenue sources for the department. He confirmed it is impossible for MDA to absorb a 20 percent cut without touching critical programs and jeopardizing Michigan's businesses and consumers.

Commissioner Green noted the department is one of the smallest agencies in the state and its enduring a 20 percent reduction is proportionately larger than that of most other agencies. Food safety has been a focus of national media and MDA is responsible for safe guarding the food in Michigan. The Commissioners agreed that a 20 percent across the board cut is not productive and does not reflect the economic return of the various agencies; they must be considered separately. Michigan's businesses are what will bring Michigan out of this economic decline and that is where the focus should be.

Commissioner Regis confirmed the Commission is committed to finding opportunities for the continued growth of agriculture without cutting critical programs and needs of the department.

Director Koivisto advised one of the things to note going forward is the potential transferring of programs from MDA to other agencies. Recently, eight auditors shifted from MDA to the Michigan Department of Transportation, with no budgetary savings. Even though those employees will continue to service MDA, they are no longer part of the department. Regardless of where programs might be transferred, the level of service would decline and long-term costs would increase. This is exactly why so many agriculture groups have advocated for MDA to remain in existence as it is, allowing them to continue providing the same high level of service at a reasonable cost. MDA is proud of its solution-based approach, which is relatively unique in state government; and that quality of service could only be achieved by others at an increased cost.

FINANCIAL OUTLOOK FOR AGRICULTURE: Dave Armstrong, GreenStone Farm Credit Services

Mr. Armstrong advised he was honored this morning to have GreenStone Farm Credit Services recognized by MABA as one of their manufacturer/vendor award recipients for 2010. They were very pleased to have been recognized for their contribution to Michigan's agriculture economy and hope to continue having an impact on the vitality of those businesses for many years to come.

He presented an overview of GreenStone, noting it is a farmer-owned cooperative operation and is part of the government-sponsored farm credit

system that has been in existence for over 93 years. With \$5.1 billion in assets, GreenStone serves a customer base of 19,000 from 37 office locations throughout Michigan and northeast Wisconsin. GreenStone enjoys a high market share of over 60 percent of those in the market for agriculture loans. Having been financially successful, they will have paid member/borrowers \$12 million in patronage this year.

In reviewing GreenStone's history, he noted they have enjoyed an annual growth in loan volume of 12.5 percent per year, while reducing net operating rate and loan costs to their customers. GreenStone market shares increase as gross agriculture sales increase and they hold 95% of those agriculture businesses with over \$1 million in gross sales. To mitigate risk, GreenStone maintains one of the most diverse agriculture portfolios in the country and they are always open to new opportunities. The number of loans and loan volume by market segment were reviewed, noting the number of traditional farm loans has been declining.

If a financial institution tracks their delinquencies, it will foreshadow the economic times over the next horizon; therefore, they monitor this factor very closely. Given that 2 percent is a sound standard below which to maintain delinquencies, they are very pleased that they have been successful in keeping their delinquencies very manageable in every segment.

Credit quality is another factor that is closely monitored, including the quality of assets based on the strength of the balance sheet, management skills of the borrower, and any other conditions that may affect the loan. The quality of GreenStone's portfolio is ideally maintained with an average best quality above 88 percent. He summarized the quality of their portfolio profiles for the different segments of the industry.

Understanding the details and differences of quality indicators is critical for a lending institution. For instance, as of the end of September, the average loss for the dairy industry was \$606 per cow, which is a decrease of \$718 per head from 2008. However, the top 30 percent of dairy operations showed a loss of only \$360 per head, indicating a huge variance in management abilities.

For 2009, GreenStone took about \$38 million in loan loss provisions that had been set aside for the year. This is significantly more than ever taken previously. Ethanol was 18 percent of that provision, nursery operations were 4 percent, hog businesses were 6.5 percent, dairy was 28 percent, timber was 23 percent, and other sectors are about 19 percent. Foreclosures indicated a significantly higher number in the agri-consumer sector as compared to traditional and commercial producers. For the most part, they have been able to work amicably with their customers to bring them through these tougher economic times. With 19,000

customers, GreenStone had only 117 active foreclosures, which is very remarkable when compared to the rest of the economy.

GreenStone's return on investment (ROA) for 2009 was 1.29 percent, down somewhat from the 1.46 percent reported for 2008; however, it is a very positive performance for a financial institution, especially when many commercial banks are reporting a negative ROA for the year. They are maintaining a permanent capital ratio of over 13 percent, which compares very favorably to the regulatory minimum of 7 percent.

Relative to the financial and overall credit outlook for the agriculture industry, he reported that income levels of traditional commodities are currently a mixed bag. Dairy has seen some positive movement recently and hopefully, some profitability will be seen thorough the end of this year; but, it will take time to build working capital to strengthen their balance sheets to create staying power for future downturns. Hogs and timber need to continue cutting costs and slowing their cash drain to preserve their businesses. In 2009, crops should be good; however, 2010 and 2011 could be a challenge. Because we are feeding less livestock and other areas of the world are improving their harvests, we need to implement strong marketing and procurement plans. Non-traditional crops should be generally profitable based on current supply/demand fundamentals.

Land values have softened slightly since the peak of last year, but remain stable today and actually are increasing in a few areas. Working capital for all but crop farmers is very low. Producers will need higher lines of credit and increased leverage in 2010. Energy prices will increase from current levels – significantly if the federal cap and trade legislation is enacted. Interest rates will most likely increase slowly over 2010 and then increase at a faster pace thereafter, dependant on the overall economic recovery. They are urging customers to lock in interest rates when they have the opportunity.

Capital position drives credit availability at the banks; there is adequate money available for bankable operations. Many banks have serious capital issues and may be restrained in the availability of capital. Some are exiting the agriculture lending market; others remain in that market, but controls and conditions of lending will be much more stringent. GreenStone's capital position remains strong and they remain committed to their agriculture roots. The farm credit system has sufficient funds available for those who can repay their loans.

He would encourage businesses to have early discussions with their lender to get a lay of the land before they walk in and expect business as usual this year. Because there will be more volatility, business planning and efficient record keeping are critical and risk mitigation is more important than ever. Loan pricing is expected to lift somewhat and then flatten. Rates should currently be near

their low. Financial institutions have new rules for capital requirements, liquidity requirements, and servicing regulations. And, there are many additional consumer protection regulations currently in Congress. All of these factors will influence a bank's pricing – they tend to increase cost and raise spreads – not only for agriculture, but for their entire portfolio.

At request of the Commission, Mr. Armstrong will forward his presentation to the Commissioners and the Director.

Commissioner Coe expressed a concern he is consistently hearing from his business community relative to the inability to obtain new loans or loans increases, even for a performing business to obtain additional capital to grow their business. Their banks are advising that because federal regulations have increased, they are required to build their reserves, which necessitates the calling in of loans in order to accomplish that. Investment and jobs need to come from somewhere and the money is not getting to businesses. Mr. Armstrong agreed there is a true dichotomy; there are differences in the capital issues of financial institutions dependant upon the extent of their losses.

Mr. Armstrong advised he does not operate in the realm of finance beyond agriculture; but he is very proud of what Michigan agriculture is doing. Michigan agriculture has made GreenStone successful and is a viable industry that can provide the economic diversity Michigan needs.

Commissioner Regis requested the Director share Mr. Armstrong's presentation with the Governor's Policy Staff. He also complimented GreenStone for their efforts as an ambassador for agriculture; their advertisements sharing the positive image of agriculture are outstanding.

BOVINE TUBERCULOSIS (TB) PROGRAM UPDATE: Dr. Steven Halstead, State Veterinarian, and Dr. James Averill, TB Eradication Program Manager, Animal Industry Division

Dr. Halstead advised they are happy to share a positive Bovine Tuberculosis (TB) message this morning. He expressed appreciation to Representative Huckleberry and Mr. Wendover for their interest in the feral swine and equine issues and looks forward to discussing those concerns with them. Ms. Nyquist confirmed she would facilitate the scheduling of a meeting in the near future.

Dr. Averill reported that 2009 was a very successful year in Bovine TB surveillance. All herds were tested in the Modified Accredited Zone (MAZ) and the program met all associated federal requirements. In the risk-based surveillance outside the MAZ, the department exceeded its goal by testing 664 herds. The 46th TB positive herd was identified in October and that facility has requested to be depopulated. The US Department of Agriculture (USDA)

Veterinary Services has approved indemnity for that herd. Investigation as to the source of that infection is underway, with a preliminary report expected soon.

In 2009, the Wildlife Risk Mitigation Program was initiated for producers in the northern part of the Lower Peninsula. The goal for the year was to enroll 300 herds and that was surpassed with 365 herds being enrolled or having requested an assessment. The emphasis for the program in 2010 will be in the five townships in the northeast area of the state in which there is a higher prevalence rate of Bovine TB in the free ranging wildlife. In collaboration with MSU Extension (MSU-E), seven meetings were held across the northern part of the Lower Peninsula discussing the importance of the Wildlife Risk Mitigation Program. The interface with MDNR on this program is relative to use of disease control permits and measures to haze wildlife on their property.

In response to concerns expressed by Commissioner Coe relative to the growing deer population, Dr. Averill reported the department is collaborating with MSU-E to help moderate a special project in the northeast area of the Lower Peninsula where cattle producers, deer ranchers, and hunt clubs are working together to develop a plan from an ecological standpoint to address this issue. That report is due in the near future. Director Koivisto advised the deer population issue has been articulated during the several Bovine TB meetings MDA held with MDNR this year and the department will continue to work with MDNR toward solutions in this area.

The Commission requested the department invite MDNR to speak at a future Commission meeting relative to their efforts toward eradication of Bovine TB. It was suggested this be scheduled for March when they plan to present their annual Bovine TB Surveillance Report.

Dr. Averill reported the USDA Veterinary Services approved shrinking Michigan's Bovine TB MAZ to a small area in northern Lower Michigan. Michigan's zoning order in Public Act 466, as amended, the Animal Industry Act, was updated to parallel the federal changes. The zoning rule changes became effective on January 4, 2010.

This change was the result of months of public hearings, educational meetings, and discussions with federal regulatory officials. It brings Michigan one step closer to concentrating its disease eradication efforts in the zone where we know Bovine TB exists. Federal rule and zoning order changes are based on the national program and will help keep Michigan farmers in business while preventing spread of Bovine TB outside of the zone.

The Wildlife Risk Mitigation Project is an integral part of the new zoning order. Beginning January 4, 2010, breeding cattle sold from farms located in the MAZ

and Subzone 1 of the Modified Accredited Advanced Zone (MAAZ) without a verified Wildlife Risk Mitigation Action Plan in place will be required to have an individual TB test within 60-120 days of the date of purchase if they are selling breeding animals. In 2011, this will also affect those producers selling cattle outside the MAZ, and in 2012, will affect all producers in the northern Lower Peninsula.

MDA, in partnership with MSU-E, launched an outreach and education campaign to communicate the zoning rule changes to producers in the affected areas. Examples of the communication publications were shared with the Commission.

In 2010, another split-state status application will be submitted to bring a majority of the Lower Peninsula into free status. This will require a program review by USDA Veterinary Services, which should be scheduled in August or September. Depending on the direction of the national Bovine TB Program, further constriction of the Bovine TB infected area will be sought.

The National Bovine TB Program is initiating a major revision of its rules and it is anticipated it will sometime in 2011 before we have indications of what that new program will look like. Michigan is working with representatives from the national program and encouraging them to include Michigan's risk based approaches.

At their November meeting, the Bovine TB Advisory Committee selected a new chairperson who is Jeff Kala, a beef producer from Presque Isle County. MDA will be working with Mr. Kala to encourage the industry to more actively influence the Bovine TB Program.

The program budget continues to be a challenge and the division is exploring different avenues for funding. The USDA Agriculture Research Services (ARS) is considering the development of a TB Coordinated Agricultural Project (CAP). A similar protocol has been followed for another cattle disease, Johne's Disease, and it has proven very beneficial. The project would represent funding that ARS would like to develop for academic institutions across the country to enhance understanding of the disease. MSU and the University of Minnesota are drivers of the project and Dr. Halstead will be attending a development meeting on the project next week. The hope is that additional research dollars would be coming into Michigan.

In response to question by Commissioner Coe, Dr. Averill confirmed that USDA recognizes the progressive efforts accomplished by Michigan toward eradication of Bovine TB and its leadership at the national level. Bovine TB Program staff have emphasized that fact when requesting indemnity for Michigan's depopulated herds, and to date, those efforts have been successful. Mr. Halstead reported USDA is also considering the elimination of penalties for

infected herds that decide not to depopulate; therefore, the State would not suffer in status or movement requirements for carrying that herd.

Commissioner Green noted that, for the most part, other states consider Michigan's cattle as safe; but that Wisconsin continues to be a problem. Director Koivisto advised that, in spite of several attempts to negotiate with Wisconsin, they continually refuse to compromise on their current movement restrictions and will not allow Michigan cattle to cross their border.

DEPARTMENTAL REGULATORY FINES SCHEDULE: Jim Bowes, Enforcement Officer, Michigan Department of Agriculture

In response to the Commission's request during their December meeting, Mr. Bowes reviewed a report relative to MDA's enforcement efforts in relationship to regulatory fines for the 2009 calendar year. He explained the fine schedule, total amount of fines collected, and the number of entities fined by the department in 2009. From various divisions within MDA, the total fines for 2009 amounted to \$645,913 from 456 entities.

He reviewed the specifics of the fine schedule for the various divisions. In the Dairy Division, there also were 2.8 million pounds of milk disposed of as a result of enforcement. This is just one example of the significant impact MDA's regulatory enforcement can impose on the agriculture industry in the state.

All of these regulatory fine funds are kept in a restricted fund, depending upon what the respective section of law designates, and subsequently those allocated to MDA are used to support departmental programs. He emphasized that as the department continues to lose staff, less enforcement will be conducted.

In response to inquiry from Commissioner Coe, Mr. Bowes advised that as a result of the increased penalty provision in Motor Fuels, the level of non-compliance was significantly reduced. An effective regulatory program ensures people comply with the laws. Commissioner Coe encouraged the department to consider increasing fines to maintain effective inspection services.

Commissioner Coe noted there is a sense from this Commission that the department is not adequately able to enforce the grocery item pricing and weights and measures programs. MDA conducts the investigations and incurs the costs; however, receives no monetary amount for that work. To date, the Attorney General has taken no action on violations reported to them. Mr. Bowes advised some sections of law would require revision to ensure MDA has administrative penalty provisions.

Director Koivisto reported that due to budget reductions and the fact that item pricing fines are not allocated back to MDA, the department currently is able to

assign only one person to item pricing inspections statewide. The current key concern is MDA's ability to maintain enough inspectors to efficiently inspect Michigan's 2400 nurseries and vast number of fruit and vegetable growers to allow producer's to move product when needed – when it is ready, it must be moved – producers cannot wait for those inspections. Producers have advised they want MDA's inspectors to certify their products, because they feel the integrity of their inspections would decline with private inspectors. In light of current and future general funding reductions, the only way the department can accomplish the required inspections is to impose fee increases, which presents a real dilemma for the department.

Relative to fines, Mr. Bowes advised the department will be working with the industry to find a balance – where the fines are at a level to avoid driving people out of business. However, where violations exist, a significant impact is required to maintain program effectiveness.

Commissioner Regis inquired relative to how many of the violations included in the report are multiple violations by the same entity. He suggested the department might consider elevating the fine status for those multiple violations. Commissioner Regis mentioned he will discuss the issue with the commodity group executives in their meeting on Friday. Mr. Bowes will amend the report to include multiple violators and forward to the Commission as soon as possible.

COMMISSIONER ISSUES

Commissioner Regis reviewed a retirement resolution before the Commission recognizing Catherine Charlotte Hulin for her 25 years of service.

MOTION: COMMISSIONER GREEN MOVED THE RESOLUTION FOR CATHERINE CHARLOTTE HULIN BE ADOPTED WITH BEST WISHES FOR HER LONG AND HEALTHY RETIREMENT. COMMISSIONER COE SECONDED. MOTION CARRIED.

Commissioner Regis noted that during their January meeting, the Commission discussed the potential of their sending a letter to the federal delegation relative to the availability of capital for Michigan's farming community. Following discussion, the Commission decided to table any action in this regard.

PUBLIC COMMENT

Amy Spray, Michigan United Conservation Clubs (MUCC), advised that MUCC plans to begin reaching out to the other departments with whom they work. MUCC routinely works with the MDNR and MDEQ and Ms. Spray plans to also attend future Michigan Commission of Agriculture meetings.

MUCC has approximately 50,000 members representing sports oriented men and women throughout the state and about 350 affiliated clubs. They currently publish *Michigan Out-of-Doors* magazine and have just launched a new website, michiganoutofdoors.com. This will be MUCC's new venue for reaching out beyond their membership to the general public on hunting and fishing issues, as well as policy information. Last week, the Natural Resources Commission meeting was streamed through a live feed to the website and almost 400 people joined at least part of that meeting. They also produce a bi-weekly online newsletter that focuses on policy issues and legislative updates. Anyone interested may sign up through the website to begin receiving the newsletter.

As MUCC's Resource Policy Manager, Ms. Spray works with the Legislature and the various departments on policy issues. For example, one new initiative on which she has been working on is private non-industrial forest lands – bringing together all of the different parties involved to develop a better working relationship.

In August of 2009, Erin McDonough was appointed as MUCC's new Executive Director. She hopes to also join one of the Commission's meetings this year. MUCC is structured similarly to the Michigan Farm Bureau and MUCC's grass roots policies come from their clubs and their members. She will forward to the Commission and the Director MUCC's collective policies on deer baiting/feeding, captive cervids, feral swine, and other agriculture-related issues. MUCC plans to solicit MDA staff comments on relevant policies as they are proposed in the future.

Commissioner Coe noted that MUCC's members obviously have opinions and views on many of the issues the Commission addresses. The Commission welcomes Ms. Spray and MUCC members to attend and participate in Commission meetings.

Tonia Ritter, Michigan Farm Bureau (MFB), advised that MFB's new policy manual is now available on their website and the printed version is expected later this week. She noted one new policy relates to the State of Michigan budget situation and encouraged the Commission to review that policy, as well as the policy specific to MDA. MFB members recognize that if we don't address the 86 percent of the budget that is consumed by Human Services, Corrections, and Education and consider some very serious regulatory reforms in those areas, they will continue to cannibalize the infrastructure that supports the economic activity in this state. MFB is attempting to collectively work on these issues with other organizations and coalitions. MFB continues to advocate for agriculture; but if that other part is not addressed, we will not succeed at maintaining the infrastructure we need for agriculture.

Commissioner Coe noted Michigan has a key election upcoming this fall and asked what more can be done to educate candidates and clearly ask them for commitments to the agriculture industry. Ms. Ritter noted a portion of MFB's Government Streamlining Taskforce report and the resultant policy focus on elections. MFB has a good system through endorsing candidates and providing Political Action Committee money; and, the county farm bureaus are clearly willing to take additional personal ownership of how they work with political candidates. A group of MFB members are currently meeting to develop implementation of the new policy at the constituent grass roots level and one of those tangible areas is the election portion. Commissioner Regis confirmed that MFB policy actions have always included bipartisan activities and endorsements.

Commissioner Regis advised he believes MFB is supportive of any increases or fines with the understanding that any resultant funds would be allocated to MDA. Ms. Ritter confirmed that as an organization, MFB is willing to carefully consider where revenue is needed to ensure we maintain the programs within agriculture. We may not want to continually go down the path of fees. If we are going to consider additional fees, we should likewise be looking at what fine structures we have in place, because fees alone will not eliminate the challenges we have with those who are bad actors. We need to consider fee and fine structures simultaneously and approach the process very carefully. MFB will be working toward that end.

Commissioner Green emphasized that in the dairy program, an enormous amount of testing is completed by dairy cooperatives, etc., and the state actually completes only a small amount of that testing. The industry itself has invested a considerable amount of money into the dairy program.

ADJOURN

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

The meeting was adjourned at 12:05.

Attachments:

- A) *Agenda*
- B) *Agriculture Commission Meeting Minutes December 14, 2009*
- C) *Legislative Status – January, 2010*
- D) *GreenStone Farm Credit Services "Current Financial Health of Michigan Agriculture from a Lender's Perspective" PowerPoint Presentation*
- E) *Bovine Tuberculosis Split Status and Zoning Rules Booklet, January 2010*
- F) *"Ask Before You Buy – Buy Cattle from Verified Wildlife Risk Mitigated Farms" Publication*
- G) *MDA Fine Information for 2009 Calendar Year*
- H) *Retirement Resolution for Catherine Charlotte Hulin*
- I) *Proposed Letter to Federal Delegates*