

MICHIGAN COMMISSION OF AGRICULTURE
W. K. Kellogg Biological Station
Michigan State University
Education Center, Academic Building, Terrace Room
3700 East Gull Lake Drive
Hickory Corners, Michigan 49060-9516

MEETING MINUTES
AUGUST 19, 2009

PRESENT:

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

CALL TO ORDER AND ROLL CALL

Chairperson Byrum called the meeting of the Commission of Agriculture to order at 1:01 p.m. on August 19, 2009. Commissioner Coe called the roll with Commissioners Byrum, Coe, Green, Regis, and Director Koivisto present. It was noted that one vacancy, that of Commissioner Jousma-Miller, currently remains.

APPROVAL OF AGENDA

MOTION: COMMISSIONER REGIS MOVED TO APPROVE THE MEETING AGENDA FOR AUGUST 19, 2009. SECONDED BY COMMISSIONER COE. MOTION CARRIED.

APPROVAL OF JULY 21, 2009, MEETING MINUTES

MOTION: COMMISSIONER COE MOVED TO APPROVE THE JULY 21, 2009, MEETING MINUTES. SECONDED BY COMMISSIONER GREEN. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting will be held on September 16, 2009, at the Geagley Laboratory, East Lansing.

COMMISSIONERS' TRAVEL

Commissioners Coe, Green, and Regis traveled to attend today's meeting. There was no other travel submitted for approval.

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

COMMISSIONER COMMENTS:

Commissioner Coe reported he attended several meetings recently: August 4, a meeting in Traverse City with Congressman Hoagstra; August 8-15, the Northwest Michigan Fair, which was very well attended; August 10, he presented on Michigan Agriculture at Northwest Michigan Works; August 11, the Old Mission Township Commission, during which they approved selling wine by the glass; August 16, hosted a fund raising event for the League of Conservation Voters; and August 18, U.S. Senator Carl Levin's Health Care Forum in Traverse City and a reception that followed for Harold Chase, who is being transferred to Washington, D.C., to oversee the agriculture portfolio for Senator Levin's office.

On August 21, he will attend Senator Allen's hearing on the northwest Michigan economy and present on the economy in the six-county area around Traverse City. He plans to attend State Senator Prusi's meeting in Traverse City on August 27. He will be conducting an agriculture zoning workshop at the August 31 Northwest Michigan Council of Governments meeting.

The cherry industry has finished a very late harvest. The sweet cherry harvest was extremely disappointing because the sugars in the fruit did not develop. An expected harvest of 300 million pounds for tart cherries was even more problematic because they had a 42% diversion this year. Those diversion rules dictate that only 58% of product can be taken to the processor for marketing. For most of the growers, 20-25% of the fruit remained on the tree. As a result, many of the growers plan to convert to planting wine grapes in the future.

Commissioner Regis welcomed the Commission to his home town of Hickory Corners and noted he is very proud of the wonderful W.K. Kellogg facilities that have allowed Michigan State University (MSU) to make such a significant contribution to the community and Michigan's agriculture.

He recently attended several events: the Ag Expo Sale-abration event in July, which was a successful beginning for this new program; the 32nd Annual Gold Medal Wine Reception for the wine and spirits competition, which is a wonderful growing industry for the state; the Ingham County Fair with Lt. Governor Cherry; and the Michigan Department of Agriculture (MDA) employee night at the Lugnuts baseball game.

He noted two concerns in the agriculture industry: the direction that some groups are trying to take on the animal care issue; and Michigan product labeling relative to compliance issues and imposters currently in the retail market.

Commissioner Green reported he recently experienced first-hand the agriculture problems in Europe, noting their situation is somewhat the same as ours.

Michigan milk prices have shown some improvement recently and wheat prices have fallen. With the price of sugar beets being up, the sugar industry is currently doing very well.

Through the Michigan Milk Producers (MMP), he has been involved with the animal welfare issue. MMP is developing animal care criteria and guidelines for the dairy industry.

He attended the Clinton County Fair, and although exclusively a 4-H fair, it was very successful again this year. The lack of premiums this year proved to not be the defining factor in its success.

He thanked the Commission for joining the MSU Kellogg Biological Station Pasture Dairy Research and Education Center Grand Opening today and giving him the opportunity to showcase Michigan's dairy industry.

Commissioner Byrum reported the articles regarding food processors that appeared in the Detroit newspapers recently have not been positive for agriculture and were very unbalanced and incomprehensive. This represents an ongoing problem.

Relative to Michigan labeling, he recently made a suggestion to legislators that perhaps some legislation is needed to provide for enforcement.

The new Ag Expo Sale-abration livestock show was very successful, actually better than livestock shows held at some of the previous State Fairs.

The wheat crop north of M-46 and east of I-75 is extremely poor and has created significant issues. The industry is attempting to determine how best to handle the situation. Wheat acreage in that area will plunge in the future, white wheat in particular.

The animal care legislation has posed a very interesting process. Many want to turn these bills into CAFO bills, food safety legislation, or environmental bills – all of which they definitely are not. It will be very interesting to see how it develops

and if there will be a new set of strategies. At this point, the only group that is supportive is commercial agriculture; environmental groups are opposed.

Before the end of the year, he plans to be traveling extensively: to Mexico twice, Cuba, and Europe for a few weeks.

DIRECTOR'S REPORT

Director Koivisto reported the U.P. State Fair is in progress with Governor Granholm's Governor's luncheon on Friday, which he plans to attend. The fair transfers to a privately-owned event next year.

The Michigan Wine and Spirits Competition event held in East Lansing on August 4 was very successful again this year. There is a tremendous amount of interest in this growing industry.

Issues continue with blueberry shock and scorch diseases. The department issued news releases in conjunction with MSU, which were in response to concerns from growers for a need to emphasize the diseases have no effect on humans or on consumption.

Ag Expo held at MSU in July was an excellent event this year, which enjoyed good attendance.

The "2008 Michigan Agriculture Exporter of the Year" is Walters Gardens from Zeeland, Michigan, a third generation company and North America's leading wholesale perennial grower, which employs 240 people. Their primary purchaser and distributor from Canada will be present for the photo opportunity event with the Governor on September 16. They will also be recognized during the Michigan Agri-Business Association (MABA) breakfast meeting that morning.

The food processors issue relative to land application of waste water has been a focus of the Detroit news papers recently. Because this is a critical issue for the industry, the department has been working to develop appropriate responses and to emphasize the positive activities in that sector. Processors have been permitted and operating in compliance within the Department of Environmental Quality (DEQ) regulations. However, those regulations are now changing due to new discoveries of the long-term impact of land application of waste water. The last permits were issued in the 1980s; but, because of market demand, processors have since dramatically increased production. DEQ is working to identify those processors who need to change their operations to meet the new regulations, which is costing a typical processor more than \$5,000,000 for installation of a treatment facility to bring their processing into compliance. The department is being proactive in communicating details surrounding the issue

and is encouraging MSU to continue partnering in the development of accurate scientific guidelines.

Today, the Senate Agriculture Committee approved expansion of the Agriculture Processing Renaissance Zones. The department is attempting to be proactive in arranging for these zones to be readily available when needed to assist with agriculture economic development in Michigan.

Due to a devastating wind storm, the apple industry has also been negatively impacted. Because of heavy wind damage, approximately 10% of the crop will be lost this year, representing a 100% loss for some growers affected.

Statistical information on Concentrated Animal Feeding Operation (CAFO) facilities in Michigan was recently shared with the Commission. This information provides an accurate description of the CAFO industry in Michigan and will be an excellent reference when inquiries or statements regarding CAFOs are encountered.

In response to inquiry from Commissioner Green, Director Koivisto advised department personnel are assisting in the investigation of the recent fish kill situation. As yet, there are no definitive answers as to the cause. Manure application by a nearby small dairy operation is suspected; however, the investigation continues at this point.

DIRECTOR'S TRAVEL

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

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

LEGISLATIVE UPDATE: Gordon Wenk, Chief Deputy Director

Summaries of the federal food safety legislation and federal climate change legislation were provided to the Commission with their meeting materials.

Mr. Wenk reported minimal state legislative activity is anticipated during the month of August and the focus in September will be on the budget. In the Senate Agriculture Committee action today, they are considering: HB-4887, which allows wind and solar activity on P.A. 116 property; and SB-607, which would define maple syrup production as agriculture real property.

The House Agriculture Committee took testimony on HB-4158, which would allow a landowner whose property is subject to a P.A. 116 lien recorded before October 1, 2009, to pay off the lien at 10 percent less than its face value during a specific time period.

BUDGET UPDATE: Gordon Wenk, Chief Deputy Director

Mr. Wenk reported there has been no legislative action on the budget, other than leadership in the House and Senate have been meeting with the State Budget Office to consider big picture details around the budget. The department did meet with both the Senate and House fiscal staff this week, which resulted in a very productive conversation. MDA has a new Senate Fiscal Analyst, Bruce Baker.

Director Koivisto advised the budget report during this week's Cabinet meeting indicated July's revenues continued to be poor; but, there were signs of an increase in sales tax as a result of the President's "Cash for Clunkers" program, which may produce a more stable month in August.

COMMISSION RESOLUTION – AGRICULTURAL PROCESSING RENAISSANCE ZONE FOR CHANGE IN OWNERSHIP: SUPERIOR CORN PRODUCTS, LLC (VERASUN) TO CARBON GREEN BIOENERGY: Mike DiBernardo, Agriculture Business Development Specialist, Agriculture Development Division

Mr. DiBernardo noted that in September of 2005, an Agricultural Processing Renaissance Zone in the Township of Woodland was approved for Superior Corn Products, LLC, also later known as VeraSun. This project is being brought back to the Michigan Commission of Agriculture to amend the development agreement to reflect a change in property ownership to Carbon Green BioEnergy. Carbon Green BioEnergy has agreed to meet all terms and conditions of the original agreement.

MOTION: COMMISSIONER COE MOVED TO SUPPORT A RESOLUTION APPROVING THE AMENDED AGRICULTURAL PROCESSING RENAISSANCE ZONE DESIGNATION IN THE TOWNSHIP OF WOODLAND TO REFLECT A CHANGE IN OWNERSHIP FROM SUPERIOR CORN PRODUCTS, LLC, TO CARBON GREEN BIOENERGY. COMMISSIONER GREEN SECONDED. MOTION CARRIED.

WHEAT HARVEST REPORT: Jeff Haarer, Producer Security Services Section Manager, Fairs, Exhibitions, and Racing Division

Mr. Haarer reported the wheat harvest issues are statewide; however, it is projected that a significant amount of the producer losses are related to the harvest of white wheat in the Saginaw valley and thumb regions of the state.

A combination of factors including a late harvest, low heat units, cool winds from the east, and moisture from rain and fog have increased sprout damage and decreased falling number test results. These factors have led to the rejection of the majority of the white wheat by milling companies, because the falling number

tests are averaging well below the 200 to 225 requirement and above the 35% requirement for sprout damage. To cover their needs, Michigan millers are purchasing white wheat from the pacific-northwest region of the United States.

Michigan elevators have offered various options for the rejected wheat, both a reduced price and pooling arrangements. Currently, alternative markets are being sought for feed stock. There is currently one Michigan ethanol plant looking at the potential cost basis of blending wheat and corn.

The impact on the producer has multiplied because of the varying requirements placed on the producer from crop insurance companies to verify rejection. Even though the crop insurance policy is the same, some of the agencies have required two rejection letters and destruction of the property. Others require the producer to mitigate their losses through the sale of the crop. From the date of the claim, the producers normally have 60 days to settle, which negates the pooling option, unless a value can be established that satisfies the insurance company. However, most critical to the equation is that currently, insurance companies do not accept the falling number test as a basis for rejection.

To assist the producer in future years, there needs to be more consistency from the insurance companies as to rejection requirements and the producer should be informed of these well in advance. All of these factors will play a role in whether the producer will take on the risks associated with planting white wheat in Michigan for the years to come.

In response to question by Commissioner Coe, Commissioner Byrum confirmed there would be no role for the department in this issue. He noted the largest concern in this issue is that we likely will lose a significant portion of the white wheat industry in Michigan beginning next year. This could have a huge impact on the food producers in the state, cereal in particular. MABA has issued guidance to millers recommending they treat white wheat production as a specialty crop. There have been two poor years for white wheat and to maintain that acreage will require substantial investment and risk sharing between the millers, the users, and the growers, as well as having a crop insurance program that functions effectively.

COMMISSIONER ISSUES

Discussion ensued relative to Michigan product labeling. Director Koivisto advised the department is doing as much as possible to educate everyone relative to the problem, including the Governor's office and the Michigan Economic Development Corporation (MEDC). *Select Michigan* labeling requires the party to sign a written statement certifying the content of the product; however, this is not the case with the *Buy Michigan* or the *Pure Michigan* labeling initiative, which is very difficult to monitor. The Commission requested the

department develop potential options for enforcing honest, accurate labeling of Michigan products when using the *Select Michigan, Buy Michigan, or Pure Michigan* labeling. The report should be presented at the September Commission meeting.

Commissioner Byrum requested for the September meeting a report relative to Michigan Agriculture Environmental Assurance Program (MAEAP) certified farms, in particular, how many are not certified and why; and what action the department takes if a previously MAEAP certified farm does not recertify.

In response to discussion on the animal care issue, the Commission asked the department to seek an Attorney General memo of advice to ascertain if MDA has the authority to create and enforce mandatory animal care guidelines within the Department of Agriculture. A report back to the Commission as soon as that advice is obtained was requested.

It was reported that Commissioners Byrum, Green, and Coe are not available for the November 10 Commission meeting as scheduled. Cheri Ayers will facilitate finding a new date for the November meeting that is convenient for all members of the Commission.

Ms. Ayers confirmed a letter of appreciation will be sent to the MSU Kellogg Biological Station for hosting today's meeting.

PUBLIC COMMENT

Mr. Bob Boehm, Michigan Farm Bureau (MFB), reported MFB has collectively completed a considerable amount of work in an attempt to address the white wheat issue. Last year was the first time the risk of the falling number test was pushed down to the grower level. Falling number is a chemical test that is an early indicator toward sprout damage, as opposed to visible sprout count on a percentage basis. Risk management agencies do not recognize the falling number as a discount and it is not included in the federal grain inspection standards for wheat. Risk has pushed down to the grower because of food safety issues and because higher wheat prices have increased risk for the elevator.

He agreed it would be advantageous to consider Michigan white wheat as a specialty crop and perhaps develop contracts that give more guidance about seed type, planting date, fungicide application, fertility, and early harvest – actions that could be implemented in an attempt to minimize the growing problems. MFB is well aware of the situation and is working on solutions, as are the millers. A meeting is scheduled August 20 at MFB to begin identifying the specific issues and to plan a future meeting with the industry to begin addressing those issues.

ADJOURN

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

The meeting was adjourned at 2:15 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture Commission Meeting Minutes July 21, 2009*
- C) *Legislative Status – August 2009*
- D) *August 2009 Legislative Update*
- E) *Update: Federal Food Safety Legislation*
- F) *Federal Climate Change Legislation Update*
- G) *Agricultural Processing Renaissance Zone (APRZ) Memo – Amendment for Woodland Township*
- H) *Resolution for APRZ in Woodland Township*
- I) *2009 Wheat Harvest Update*