

**MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT**

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

**MEETING MINUTES  
FEBRUARY 24, 2016**

**PRESENT:**

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

**ABSENT (EXCUSED):**

Bob Kennedy, Secretary, Michigan Commission of Agriculture and Rural Development

**CALL TO ORDER AND ROLL CALL**

Chairperson Walcott called the meeting of the Commission of Agriculture and Rural Development to order at 9:09 a.m. on February 24, 2016. Commissioner Montri called the roll with Commissioners Hanson, Meachum, Montri, and Walcott, and Director Clover Adams present. Commissioner Kennedy was excused from the meeting.

**APPROVAL OF AGENDA**

**MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE MEETING AGENDA FOR FEBRUARY 24, 2016. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED.**

**APPROVAL OF JANUARY 27, 2016, MEETING MINUTES**

**MOTION: COMMISSIONER MONTRI MOVED TO APPROVE THE JANUARY 27, 2016, MEETING MINUTES. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.**

**PROPOSED 2016 MEETING SCHEDULED-REVISED AND NEXT SCHEDULED MEETING**

New dates for the May, July, and November meetings were proposed to accommodate Commissioners' schedules.

**MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE REVISED PROPOSED 2016 MEETING SCHEDULED AS PRESENTED. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED**

The next scheduled meeting will be held on Wed., March 30, 2016, at GreenStone Farm Credit Services, 3515 West Road, East Lansing.

### **COMMISSIONER COMMENTS AND TRAVEL**

**Commissioner Montri** reported she attended the February 10 Michigan Farm Bureau (MFB) Legislative Seminar, as well as the Illinois Farmers Market Association conference on February 16-17. Yesterday, she attended the Small Business Association of Michigan Leadership Council meeting with various leaders from across the state that focused on important issues the state is facing, including Detroit Public Schools and the Flint water crisis. Next week, she will be working with the Michigan Meat Association on their convention scheduled for March 4-5. The following week, she will be attending the Michigan Farmers Market conference, as well as Ag Day at the Capitol on March 16.

It has been a slow month on their farm, which has been good in light of the numerous business meetings. They are growing excited for the spring season.

**Commissioner Hanson** reported she traveled to Lansing with the MFB Upper Peninsula (UP) director, who also had meetings in the Lansing area today. Weather in the UP has been warm and bare spots in the fields are appearing. Because of recent rain, everything is covered with ice.

She also attended the February 10 MFB Legislative Seminar, which was very well attended. The Winter Potato Conference was held February 11-12 in Lansing, for which Director Clover Adams was the keynote speaker. Commissioner Hanson had the opportunity to travel to Arizona recently and toured Shamrock Farms, which is a dairy farm milking 8,000 cows a day. The farm hosted tours featuring all aspects of agriculture that were very educational for young visitors. It would be good for Michigan farmers to offer similar opportunities.

**Commissioner Meachum** advised it has also been slow on their farm this month and they are preparing for spring activities, feeling the season will arrive early this year. They are hopeful for a good snowfall today, as well as ice on the lakes, to buffer any potential spring frosts.

He participated in the National Fruit Tree Association meeting in Grand Rapids early in February, attended by over 400 people from 36 states and 17 different countries. It provided a good opportunity to network with growers and share beneficial growing information. He has also been involved with the Tree Fruit Commission and the Plum Advisory group in efforts to determine where their funds should best be directed for research. Tomorrow, they are meeting at the Southwest Michigan Research and Extension Center to determine how funds allotted to the Research Center can best be utilized.

On behalf of the specialty crop industry, he recognized Nancy Nyquist for her service and dedication to agriculture in Michigan. She will be sorely missed, although not very far away at Michigan State University (MSU). He asked Ms. Ayers to share his comments with Ms. Nyquist.

**Commissioner Walcott** also attended the MFB Legislative Seminar, during which several farmers approached him requesting a review of road policies and trucking issues. They are very concerned about their counties closing off bridge weights and redirecting traffic through different routes. Also emphasized was the fact that a high amount of diesel fuel tax is designated for federal highways, while many of their trucks never travel those highways. Farmers need to be out in the country where the larger fields exist and need trucks large enough to haul the sizeable loads, yet they are unable to cross an eight-ton bridge. In order to provide some answers, he is looking for background on those issues.

The Michigan Pork Producers Association Annual Taste of Elegance was held last evening, which was very well attended. The competition winner was from Hawkshead Restaurant near South Haven.

Commissioners Hanson, Meachum, Walcott, and Montri traveled to attend today's meeting. There was no other travel submitted for approval.

**MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED.**

#### **DIRECTOR'S REPORT**

Director Clover Adams reported she recently attended the National Association of State Departments of Agriculture (NASDA) meeting, celebrating its 100<sup>th</sup> anniversary. It also is the 100<sup>th</sup> anniversary of Farm Credit and over 700 people attended a joint celebratory event. During the NASDA meeting, members received a debrief on High Pathogenic Avian Influenza (HPAI). On a side note, during the Food and Agriculture Border Gateway Summit in Livonia yesterday, veterinarians from Ontario and Animal Plant Health Inspection Services (APHIS) discussed their HPAI experience last year and noted how response approaches are progressing and improving. The other key topic discussed at NASDA was Genetically Modified Organism (GMO) labeling and the importance of that to agriculture and consumers, in particular to prevent a patchwork of laws across the country.

The inaugural Fertilizer Advisory Committee meeting was held at the end of January. This group will be providing advice to the department on how to utilize dollars that have been reserved for fertilizer research. The committee developed the unique idea of hosting a workshop later this year with various types of researchers to consider fertilizer issues, particularly phosphorus. These experts from across the country will report research activities in their areas and from that, the committee will be able to determine where funds can best be focused. In response to inquiry from Commissioner Meachum, the Director advised the funds are approximately \$180,000 per year, and although not large, will help identify where gaps exist. Leveraging other funding is also a potential.

As related to food establishments, the department has been involved with the Flint water crisis and staff have been working with the Genesee County Health Department. As part of its normal responsibilities, the department inspects food processors and food retailers,

including grocery and convenience store food establishments. The counties are typically responsible for restaurants and other food service establishments. To allow Genesee County Health Department to focus on other areas, including Flint schools and day care centers, the Michigan Department of Agriculture and Rural Development (MDARD) has temporarily assumed responsibility for inspection of the water supplies for restaurants. MDARD has completed the first assessment in every facility of the almost 400 total food related businesses in Flint. In October, the department recommended that facilities either filter, flush, or not use any equipment that could not be filtered or flushed. In January, that recommendation became a requirement and the department began pulling first-use samples, along with in-use samples to provide comparison data. Focus was initially on high-risk areas, which has progressed down the scale as ranked. MDARD has put in place an Incident Management Team for this event, which provides organization and also training and experience for future emergencies. Fourteen Food and Dairy Division staff were mobilized to be on the ground in Flint conducting inspections and assessments, with additional staff providing support. Data indicates a nearly 80 percent compliance with the filtering or flushing requirement, or establishments have a non-detect sample – in other cases, businesses have made other arrangements for water and ice. The department is also participating in nutrition discussions with the Departments of Education and Health and Human Services to develop plans for moving forward. Many programs already exist and focus can simply be directed on that infrastructure, for example MASS (Michigan Agricultural Surplus System) and Double-Up Food Bucks. Animals and pets are another aspect of the Flint situation and taking a proactive approach, another Incident Management Team was established in the Animal Industry Division to address that part of the equation. We have recommended treating your pets as you treat yourself – if you are drinking filtered or bottled water, your pets should be as well. MDARD is paying for testing of pets presented at veterinarian clinics where the practitioner believes they are exhibiting signs of potential lead poisoning. The department will continue working with the Genesee County Animal Control and a wide range of other partners in this respect. MDARD has excellent working relationships with the local entities and that has proven to be a definite benefit.

Commissioner Montri mentioned a recent report indicates there are far fewer lead main service pipes than previously thought and many more within actual residential homes; and she inquired if that would be the same scenario for food establishments. The Director advised it might be part of the issue, and authorities are attempting to determine where the responsibility lies for pipes within homes. The federal government has not been forthcoming with what assistance might be available in that regard.

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

There was no public comment relative to agenda items.

#### **BEEF CHECKOFF PROGRAM: George Quackenbush, Executive Director, Michigan Beef Industry**

Mr. Quackenbush thanked the Director and the Commission for the opportunity to illustrate a presentation he has been sharing with cattle producers across the state.

The Michigan Beef Industry Commission (MBIC) was established in 1972 through Public Act 291 and is composed of nine voting Commissioners appointed by the Governor who

represent the various aspects of the cattle industry. The assessment established in the law was 0.1 percent of gross sales. Michigan operated under that law until 1986.

The National Beef Checkoff was passed as part of the 1985 Farm Bill and implemented in October of 1986, setting the national assessment at \$1 per head, which is deducted from the sale of cattle each time they change hands. At that time, MBIC voluntarily discontinued collecting the state assessment. MBIC has been collecting the national checkoff on behalf of the Cattlemen's Beef Board and by law, half of those dollars go to that board for funding of national projects that can be later rolled out at the state level.

The legal documents dictate how national checkoff dollars can be invested and include promotion, research (beef consumer or product related only), consumer information, industry information, foreign marketing, and producer communications. Any activity not within those categories cannot be funded with checkoff dollars. Any research related to beef production is prohibited under the national program.

Various promotion activity is conducted by MBIC – working with retailers to help them merchandise beef in ways that appeals to today's consumers. Some examples include a new cutting demonstration at the Spartan Store meeting, demonstrating heart-healthy beef recipes at D&W Stores, beef sampling and a steak grilling contest at Sam's Club, sharing beef grilling tips and nutrition information on radio, and sampling demonstrations of flat iron steak at Kroger stores. Research conducted through checkoff investment lead to the discovery of flat iron steak, the second most tender cut and one of several value cuts from the beef chuck. Checkoff dollars were used to conduct hundreds of demonstrations at Kroger stores, where over 50,000 samples were shared. Beef value cuts from chuck alone have added \$50-70 per head to the value of every animal that is processed in the U.S. The Great Lakes Region of Kroger now sells more flat iron steak than any other area of the country.

MBIC also shares information with consumers about the nutritional benefits of beef, how beef is raised, and how beef fits into active, healthy lifestyles. Venues include Breakfast on the Farm events, the Michigan Academy of Nutrition and Dietetics, tours for chefs and dietitians, educational clinics for children, CRIM Health and Fitness Expo, and the Michigan State Medical Society website.

He shared a recent YouTube video which is part of the digital campaign that has proven engaging and informative for millennial parents. There is a vast consumer demand for video content about cooking and how to use different cuts of meats. The end of the video directs users to the consumer website at [www.beefitswhatsfordinner.com](http://www.beefitswhatsfordinner.com). Through this campaign, they will be able to reach 100,000 consumers in their target demographic. The challenge is that it represents a \$25,000 campaign for Michigan.

The 2016 MBIC budget is \$330,200, which includes nearly \$35,000 from savings. Obviously, this is not a sustainable model. The national beef checkoff assessment was \$1 per head when it launched 30 years ago – and it is expected to remain unchanged. Many states have started or restarted their own checkoff programs.

In 2014-15, cattle producers representing Michigan's purebred, cow-calf, feeder, and dairy segments met to determine the best way to enhance MBIC resources. After carefully examining many options over a 12-month period, the task force recommended simply restarting the assessment called for in Michigan's Beef Act. MBIC would collect the state assessment concurrent with the National Beef Checkoff.

Obviously, MBIC wanted to seek producer opinion of this recommendation, and in December, moved forward with a survey campaign. Unlike national dollars, Michigan funds could be used to fund a broader scope of beef industry research. That could include research on animal health challenges unique to Michigan's production systems, or specific marketing opportunities for Michigan's producers, resulting in practical solutions that benefit the beef and dairy industries in Michigan.

Industry input has been and will continue to be sought at various public hearings, producer meetings, and industry events. The survey is also available online at [www.MIBEEF.org](http://www.MIBEEF.org) and MBIC has been encouraging all producers to respond.

Results of the survey will be presented during the April 21 MBIC meeting and ideally, they will be able to make a decision at that point. If supported, assessments could begin as early as October 2, 2016. Individual producers have been overwhelming supportive, and the Michigan Cattlemen's Association, Michigan Milk Producers Association, Dairy Farmers of American, and Michigan Farm Bureau support the recommendation.

In response to question from Commissioners Meachum and Montri, Mr. Quackenbush advised input to this point has been for the most part very positive. MBIC feels the assessment should be capped at \$1 per head and that has relieved most concerns. They estimate that an average \$300,000-400,000 per year would be raised, doubling their current budget. There are approximately 10,000 cattle producers in the state.

The beef industry is facing challenging competition in the marketplace, strong opposition from anti-meat groups, and declining revenue. The beef industry needs to focus on keeping beef on the menu. The state program would allow producers to guide promotion and research that would benefit the beef and dairy industries in Michigan.

**COMMERCIAL AQUACULTURE OVERVIEW: Ed Eisch, Fish Production Program Manager, Michigan Department of Natural Resources; Nancy Frank, Assistant State Veterinarian, Animal Industry Division; Brad Deacon, Director, Office of Legal Affairs; and Matt Blakely, Director, Policy Development and Legislative Affairs**

Dr. Frank advised they would be providing an overview of aquaculture and a review of issues regarding proposals to place net-pens in the Great Lakes. Aquaculture definitely is a collaborative, broad-scoped effort and multiple MDARD divisions participate with several other agencies in this effort. She introduced the Animal Industry Division's new program manager for aquaculture, Dr. Steve Hussey. He joined the division in December and has a background in research and private practice, coming from the University of Wisconsin-Madison. She noted Mr. Eisch, Fish Production Program Manager for the Department of Natural Resources (MDNR), will provide an overview of

the work accomplished relative to proposals for commercial net-pen aquaculture in the Great Lakes and the group here today will answer any questions.

Mr. Eisch reported Dr. Tammy Newcomb created the presentation, but was unable to join the meeting today. The Quality of Life (QOL) agencies initiated a Commercial Aquaculture Workgroup to bring the regulatory authorities together and to consider the various ecological and environmental issues around proposals for commercial net-pen aquaculture to thoroughly examine the related issues that impact Michigan's waters of the Great Lakes and all three departments. Through their strategic plan, commercial aquaculture industry in Michigan expressed a strong desire to grow and the workgroup has been meeting for the better part of two years to determine how best to facilitate that growth.

Michigan currently has 43 active registered aquaculture facilities – 24 are ponds, 14 are flow-through, and five are recirculating aquaculture systems. There are six licensed net-pen operations in Ontario, one in Parry Sound and five in the North Channel off Manitoulin Island. The net-pen facilities are attractive to the industry because they require low initial investment and operate with relatively low manpower. They are, however, reliant on land-based farms to supply feed and fingerlings.

Net-pen aquaculture proposals presented to the QOL agencies include Coldwater Fisheries, Inc., which currently operates in Ontario waters of Lake Huron, who proposed two sites in Bays De Noc targeting 385,000 pounds of rainbow trout. Project Rainbow, as Aquaculture Research Corporation, is proposing three possible sites in northern Lake Huron targeting 500,000 pounds of rainbow trout.

The Commercial Aquaculture Workgroup's framework for analysis is based on ecosystem management consisting of regulatory authority requirements, economics, social input, and environmental considerations. Regulatory authority requirements encompass various state and federal permits and licenses, including registration of aquaculture facilities with MDARD; a National Pollutant Discharge Elimination System (NPDES) permit issued by MDEQ under delegate authority from EPA; and under NPDES Part 325, a construction permit and bottomland conveyance which is an extensive joint Army Corps of Engineers (ACOE) and MDEQ application that covers many aspects of operation. Once a facility is permitted and in place, an MDNR fish stocking permit is required, and treaties and related agreements in place with the Tribal Nations, as well as other bi-national agreements, must be considered as well. No permit applications have been received to date.

The Aquaculture Development Act of 1996 (PA 199) states that aquaculture facilities may only be registered by MDARD if they are operating in privately controlled waters. The Great Lakes are not privately controlled waters. Therefore, current state law does not allow the state to register a commercial net-pen aquaculture facility in the Great Lakes. MDARD consulted with the Office of the Attorney General in reaching that conclusion.

In considering if the market demand exists to warrant industry expansion, three economic analyses were considered by the workgroup: (1) Small Business Development

Center – *Broad Overview of Aquaculture Industry Globally*; (2) MSU Dr. Steve Miller, et. al. – *Models Developed for Site Specific Examples*; and (3) MSU Dr. Frank Lupi – *Balance of Natural Resource Assets with Critique of Economic Model*.

Currently, the U.S. imports about 75 percent of the seafood it consumes. There are opportunities for growth in domestic fish production. However, Michigan faces growth constraints, including feed costs, insufficient in-state processing capacity, financing, and lack of experienced labor.

Locating two one-million-pound commercial net-pen trout aquaculture facilities in Michigan would bring up to 17 direct jobs, generating annual personal income of \$1.2 million. The volume of production would likely contribute \$4.3 million in annual gross domestic product, provided fish processing is completed in Michigan. The recreational fishing industry on the Great Lakes in Michigan waters alone is valued at about \$1 billion per year, plus all of the other associated tourism benefits, and some of that value could be at risk with commercial net-pen aquaculture.

In considering environmental/ecological aspects, there are several key issues or areas of uncertainty. Those include (1) environmental and ecosystem effects, (2) fish health and disease concerns, (3) effects of fish escapes on wild populations, (4) human health concerns, (5) siting considerations, and (6) gaps in existing body of scientific literature. To address these concerns, a blue-ribbon panel of experts in these different areas was gathered. The overarching scientific management approach recommended was a very active adaptive management that includes (1) learn by doing net-pen aquaculture; (2) sample **before, after, control, impact (BACI)** design; (3) quantify net-pen effects and differentiate from ongoing changes in the Great Lakes; and (4) maintain a goal to increase production and mediate environmental effects. The scientific review panel recommends operations should (1) use sterile/triploid, native, or naturalized fishes; (2) intensely monitor net-pen and cage operations; (3) provide bonds to cover decommissioning costs; and (4) respond to Great Lakes issues, such as ice, zebra mussels, invasive species, etc.

Relative to fish disease and human health, the panel further suggested operations would (1) have no concerns with fish health advisories; (2) use disease-free fish; (3) work to improve disease surveillance, monitoring, and reporting; (4) use licensed and USDA-accredited veterinarians for disease treatments; and (5) develop and adopt stringent biosecurity plans with disease prevention the highest priority. Ecological interactions should include (1) methods to capture/treat effluents – however, that is currently technologically infeasible; (2) minimize ecosystem impacts by siting appropriately; (3) use native or naturalized fishes; (4) follow rigorous precautionary principles to reduce genetic impacts. In the process of siting, they suggested a rigorous data-driven modeling approach to characterize important site-specific metrics and develop a siting tool similar to that developed for siting wind power in the Great Lakes.

Because of the State of Michigan's a consent decree with Tribal Nations relative to fishing rights and management of the Great Lakes, a separate meeting was held to consult with tribal groups. Nine of the twelve federally recognized tribes participated in the workgroup meeting. They expressed concern for negatively affecting the fishery and

water quality, and expressed desire to be included in any future process as this moves forward.

A public meeting was held on November 19 at Tree Tops Resort to provide an opportunity for individuals to express their thoughts on the concept. Those speaking in support were from the industry. Written input was also solicited and nearly 1,700 comments were received, 90 percent of which were an electronically submitted form letter through the Food and Water Watch organization. Most of the others were in opposition to commercial aquaculture net-pens, again expressing the same concerns as previously identified. Eleven letters in support leaned on the economic benefits of the concept.

The QOL Aquaculture Workgroup has been a great cooperative effort, bringing a one-voice approach. Mr. Deacon added this is a tremendous example of how public policy should be made, in that proposals were submitted and the three state agencies with significant regulatory responsibilities came together, approached the experts to address the recognized knowledge gaps, conducted economic analyses, consulted with Tribal Nations, made the information available to the public, and gave the public an opportunity to share their input. This background is now available for the considerable legislative interest that the topic has generated.

In response to inquiries from Commissioner Walcott, Mr. Eisch advised the Canadian net-pen aquaculture facilities have been in existence for some time and his understanding is they were created without Ontario having sought input from any of the other agencies that share management of the Great Lakes. Idaho, the number one producer of rainbow trout, operates primary with flow-through systems based on their artesian flow water, but expansion there is limited, so there definitely is room to expand the aquaculture industry in other parts of the country.

In response to questions from Commissioner Hanson, Mr. Eisch advised the Ontario facilities have been operating for two decades and whether or not there have been effects has been debatable, depending who is asked. Up to this point, their industry has been unsuccessfully attempting to expand. Aquaculture is also seen in many marine environments, which have a very different environmental dynamic than the Great Lakes. There is a large cage culture industry in Europe and currently, there is a major push to move those facilities out of the ocean.

In response to questions from Commissioner Montri, Dr. Frank advised the majority of aquaculture facilities in Michigan raise sport fish for stocking the Great Lakes or private ponds. Much of the rainbow trout seen in our grocery stores comes from Ontario. Mr. Eisch advised antibiotics are delivered to fish through the food and aquaculture producers strive to contain that within the facilities' element. Mr. Deacon advised concerns of the potential economic effects on sports fishing were part of the public comment session and that some speakers said net-pen aquaculture is contrary to the Pure Michigan concept. Mr. Blakely advised sport fishing is a concern expressed during the legislative hearings as well. Mr. Deacon pointed out the current state law does not allow MDARD to register a commercial net-pen facility in the Great Lakes, or any other non-privately controlled waters. Mr. Blakely advised three bills were introduced in each

chamber for the net-pens and one bill in each against net-pen aquaculture; each set of bills are identical. The House held hearings on all four of the bills and decided a workgroup is the best direction for moving forward. There have been no hearings on the Senate side. Mr. Deacon advised one of the bills places a significant amount of responsibility on MDARD, as well as the Commission related to the siting component. Mr. Blakely noted MDARD would be required to create an aquaculture office to coordinate the overall permitting process, which would be a significant burden on the department.

In response to questions from Commissioner Walcott, Mr. Eisch advised net-pen facilities would need to be relatively large scale in order to be profitable. Other systems are available for expansion of the aquaculture industry in Michigan. Mr. Deacon shared that a flow-through system permit is currently facing some legal challenges. Dr. Frank summarized it is a complex issue and the QOL workgroup is attempting to determine how to help that industry grow without creating issues.

Commissioner Meachum asked what the QOL Workgroup recommends going forward. Mr. Deacon advised considerable material has been formulated for informing everyone and at this point the situation is status quo. Mr. Blakely noted ultimately, the agencies will follow the law; and if changed, slow, measured growth has been recommended to provide for close monitoring of the facilities. The bills to allow net-pen aquaculture were industry-driven. The QOL agencies are reviewing for program and fiscal impacts. Mr. Eisch added there is considerable question as to how many, if any, areas in Michigan's waters of the Great Lakes would actually be suitable for net-pen aquaculture.

### **RECESS AND RECONVENE**

Chairperson Walcott recessed the meeting at 10:37 a.m. for a brief break. He reconvened the meeting at 10:45 a.m.

### **PESTICIDE AND PLANT PEST MANAGEMENT DIVISION OVERVIEW: Gina Alessandri, Division Director, Pesticide and Plant Pest Management Division**

Ms. Alessandri thanked the Commission for the opportunity to review the Pesticide and Plant Pest Management Division (PPPM) core programs, priority inspection activities, fee increase activity, and other priority activities that highlight great things happening in the division. She introduced Jeff Zimmer, Division Deputy Director for PPPM, who is a significant co-lead for the division, focusing on operational issues.

Protecting the animal feed supply and its link to animal and human health has always been a priority for PPPM. Recent incidences link to the connectedness between animal feed and human health and the goal of that program is safe, nutritious feed that is free of contamination and harmful residues. Staff inspect, review labels, and take samples of commercial feed products to ensure compliance and assure these products (and their storage and manufacturing processes) are safe and provide the guaranteed nutrition.

Food safety is a priority for the division as well. The Fruit and Vegetable Unit conducts Good Agricultural Practice (GAP) inspections at farms and packing houses. Because of their efforts, we are reducing the risk of microbial contamination from farm to fork. Annually, 250-300 of these audits are conducted. In addition to GAP, through Good

Handling Practices (GHP) audits, the unit ensures quality and grade of produce meet USDA standards.

Facilitating trade is a priority and annually staff issue over 3,500 phyto certificates for commodities such as grain, dry beans, fruit, vegetables, logs, lumber, and ornamental plants. These products are shipped to over 85 countries.

Detecting and responding to exotic pests is another core program. Michigan ranks eighth in the U.S. for risk of exotic pest introduction, establishment, and impact. Forty exotic pests have been detected in Michigan since 1998. Having eight ports of entry means we have to be vigilant when it comes to exotic pest detection. This program focuses on proactive, early detection so we can ensure rapid response to discoveries. Survey, outreach, and education are extremely important.

Ensuring the availability and appropriate use of both restricted and general use pesticides is a division priority as pesticides play a very important role in agriculture production. PPPM's pesticide activities and programs are very diverse and all help to ensure protection of human health and the environment. Whether it is certifying applicators, licensing firms, or following-up on complaints, it is all about ensuring general and restricted use pesticides are available for use, are being applied by competent applicators, and are used in a manner consistent with their labels.

Last of the core programs is ensuring bulk agrichemical storage facilities are constructed, installed, and maintained to protect health and the environment. We have seen a 30 percent increase in fertilizer and pesticide bulk agrichemical storage facilities in recent years. This program identifies high priority facilities for inspections that ensure the environment is protected from unintended release of these chemicals.

During an activity in December, the division focused on identifying the priority inspection activities to determine where they could have the greatest impact on the highest risk areas. Feed activities, including medicated feed and elevator sanitation inspections, were identified as a priority activity at a field level. Also identified as priority inspection activities in the division were pesticide use inspection and trade facilitation activities. Results of this activity will help guide future decisions within the division.

After a long road of looking at ways to stabilize programs and ensure an appropriate mix of funds to perform the division's regulatory work, the department worked with the Legislature and the industry to consider some of the fees associated with applicable statutes. Following that process, the department was successful in raising fees in three different areas.

The pesticide product registration fee was increased from \$40 per product to \$100 per product, the private applicator fee sunset was eliminated, and resident agent and auditing language was added. As a result, the program will increase inspections and surveillance and timelier follow-up will be possible. This includes schools, day care centers, and public buildings to prevent misuse and harm to health; marketplace surveillance of products to prevent unregistered, unapproved, and unsafe pesticides from being sold; and pesticide misuse complaint follow-up and timely closure of

investigations. New staff resources are being added, as well as additional lab analysis support.

The program is also able to modernize the process for certifying pesticide applicators. The new process will provide for computer-based testing, exam scheduling improvements, review of laws and regulations, developing online exam preparation tools, and modernizing the recertification by seminar attendance program to create efficiencies.

The Fertilizer Inspection Program serves more than 500 manufacturers and distributors of over 1.45 million tons of fertilizers, soil conditioners, and liming materials for both farm and non-farm use. The last fee increase was in 1976 – 39 years ago. Over the last 15 years, the law was amended at least six times, creating additional departmental responsibilities, with no additional resources provided to support those activities. The fertilizer inspection fees were increased from \$.10 per ton to \$.35 per ton for all products; and there was no change in the current license and registration fees. In addition, the new law added resident agent and auditing language, a Fertilizer Research Fund was established, and a Fertilizer Advisory Committee was created.

The department is in the process of implementing a Memorandum of Understanding with the Department of Treasury for them to audit out-of-state firms. There is a complement of State of Michigan employees located outside the state who conduct audits throughout the country. PPPM will be training that group of staff to assist with out-of-state audits for fertilizer and feed programs.

Over the last two years, PPPM worked with a committee of stakeholders to discuss and develop updates of the entire Commercial Feed Law, which was 39-40 years old. Feed tonnage inspection fees were increased from \$.13 per ton to \$.30 per ton. In addition, all Michigan feed manufacturing locations are required to obtain a license, the fee for which was increased from \$25 to \$100 per year. These changes in the Feed Law replace federal grant funding that ended in 2015. Program staff can focus on feed safety inspections, including medicated feed and elevator sanitation inspections, and increase auditing of firms, both in-state and out-of-state. In addition, it provides for new staff resources and lab analysis support.

With both the fertilizer and pesticide fee increases, the water quality fees collected by PPPM through the pesticide fee registration process are appropriated to the Environmental Stewardship Division to support groundwater stewardship activities. A goal of greatly simplifying the calculation of those fees was a goal of the statute review process and flat fees will now be used.

New staff resources made possible through the fee increases were reviewed, which include primarily field staff resources. A new regional staff supervisor will allow the division to progress from a three-region structure to four, reducing the span of control for each supervisor and increasing division efficiencies. Other plans include hiring of a data support person to coordinate and mine data from the division's various systems to help direct programmatic work. This will be an exciting new aspect for PPPM.

Mr. Zimmer reported through the Operation Excellence project initiated in September, various Standard Operating Procedures (SOPs), to couple with the regular established procedures, were created to clearly outline expectations for quality, quantity, and timeliness for each position. As a result, the division has seen improvements in activities in several areas, staff have accomplished more nursery dealer inspections, there is an increase in pesticide case closures, and there are no backlogs in the division. There also is improvement in issuing pesticide case enforcements, particularly penalties, and the type of pesticide inspections has greatly increased. Operation Excellence has brought numerous improvements.

PPPM's Nursery Licensing was part of phase I in the Accela Licensing and Inspection Program. A core team of four people did an excellent job preparing staff for the move into that program. They wrote manuals and trained regional supervisors and regional technology leaders in preparation for rollout of the actual inspection system. Many of the inspectors have provided positive feedback to this completely different system. Phase II is forthcoming and preparation meetings are in process, which will encompass the remainder of the programs rolled out in different phases, called sprints. The division is looking forward to having all program data generated from one system.

Ms. Alessandri noted their division has numerous staff eligible for retirement in the near future and succession planning is an important effort for the division. Whenever possible, new staff are being hired in advance to provide for effective knowledge transfer. Mr. Zimmer reported staff have also created desk manuals with key information for each position to provide basic reference material. The Director added that in fiscal year (FY) 2015, of the 16.2 percent of employees eligible to retire from the State of Michigan (SOM), 20.5 percent were with MDARD and 31.1 percent in PPPM; in FY 2016, SOM 29.5 percent, MDARD 40.8 percent, and PPPM 43.2; and in FY 2017, PPPM 55.4 percent. The department has built succession planning into the budget for FY 2017 to help work through PPPM transition issues.

In response to inquiries from Commissioner Walcott, Ms. Alessandri advised third party audits are subject to specific GAP/GHP requirements based on how produce is handled to prevent microbial contamination. Bulk storage inspection activity is primarily focused on commercial facilities and other on-farm bulk storage inspection is complaint-based.

In response to comment from Commissioner Meachum, Ms. Alessandri advised PPPM is looking forward to bringing their pesticide applicator recertification system up to speed with technology in the future to improve handling of individual answer sheets. Commissioner Hanson advised some individuals in her area report not always receiving their earned recertification credits. Ms. Alessandri noted there is room for improvement in the process, adding there actually is an advantage to taking the exam every three years and they are working with the industry to build better exams and study manuals. Commissioner Meachum suggested receiving feedback on specifically which questions were answered incorrectly would also be helpful.

**BUDGET UPDATE: Maria Tyszkiewicz, Budget Officer**

Ms. Tyszkiewicz advised the Governor's recommendation for the FY 2017 MDARD budget is \$91.6 million, including \$48.0 million in general funds. It increases general fund appropriations by 11.5 percent from the FY 2016 enacted budget.

She reviewed details of the recommended program enhancements, including \$3,100,000 in general fund for the Laboratory Division to support increased staff, equipment replacement, and upgrades to service repair and replacement schedules. At Heffron, there will be an additional consumer inspection staff person to conduct weights and measures work. That laboratory has been surviving on restricted funds and there is about \$900,000 to replace those balances that will be depleted by the end of FY 2016. The Governor is also recommending equine testing for horse racing be moved to Gaming, changing it to a per-sample basis, which will represent a savings to the industry. That money will be used for distribution of Horsemen's Association supplements.

The On-Farm Produce Safety Program is recommended to receive \$1,169,000 in general fund to support implementation of FSMA (Food Safety Modernization Act) requirements by creating a local and state partnership to provide training, education, and technical assistance necessary to ensure Michigan produce farmers are able to comply with the Produce Safety Rule and continue to compete in the marketplace. Two MDARD staff will be added under this proposal, as well as three-four MSU Extension agents to work with farmers and up to six local conservation district staff to work on the farms. MDARD staff will coordinate the program and compile the training materials to ensure standardization.

Also included is a \$500,000 general fund recommendation for the Farmland Preservation Program to replace declining restricted revenue. This program protects more than 3.2 million acres of farmland and provides an income tax credit to participating farmers. Funds will be used to replace two staff positions and eliminate the current backlog in processing, caused by the declining revenue stream, and to pay for amending legal documents and filing with the county register of deeds.

The proposed budget includes a new restricted fund appropriation for a grant and/or loan program that is supported by the Nonferrous Metallic Mineral Extraction Severance Tax created through statutory changes enacted in 2012. The program will be governed by an appointed board who will establish criteria for the grants and loans to support land-based industries, specifically in rural areas, and to meet the broader goal of addressing energy, transportation, communications, water, and wastewater infrastructure issues in rural communities, as well address labor issues.

There also was a funding shift of \$1,500,000 in general funds to reduce the department's reliance on revenue from the Refined Petroleum Fund. MDARD's motor fuel inspection and testing program has been partially funded with revenue from that fund, which is administered by MDEQ and was originally created to address issues related to underground storage tanks. MDARD would receive a dollar-for-dollar swap and this budget includes the first installment of a phase-out of these funds in the MDARD budget.

The budget recommendation also includes general fund reductions of \$999,100 including elimination of the county fairs capital improvement, and shows and expositions grants; a final payment for the Commercial Forest Audit Program; reduction in Rural Development Value Added Grants; Qualified Forest Program fund shift to restricted funding; administrative reductions in three divisions; and elimination of one-time funding (Rural Development Value Added grants, Tree Fruit Commission, and Laboratory Equipment).

The Director has presented details of the department's budget to both the Senate and House Appropriations Subcommittees. The Legislature is currently inviting people to speak regarding specific issues.

In response to inquiry from Commissioners Meachum and Montri, Ms. Tyszkiewicz advised the Tree Fruit Commission dollars were in the budget as a one-time appropriation and typically, that type of funding is recommended for elimination. The funds for county fairs improvements had only been in existence since 2013.

### **LEGISLATIVE UPDATE: Matt Blakely, Director of Policy Development and Legislative Affairs**

Mr. Blakely advised the majority of current legislative discussions are revolving around the budget. Many of the department's repealer bills are going through easily. The two remaining bills required language changes and those should be moving soon as well.

Senate Bill 774, by Senator Hune, would rearrange inspections on vending machines. MDARD has some concerns and is working with the Senator and the Department of Public Health to alleviate those issues.

The Aquaculture bills in the House, as discussed earlier, are referred to a workgroup at this point to allow for a broader-based process; however, the workgroup has not yet actually been formulated. In response to question from Commissioner Walcott, Mr. Blakely advised the workgroup process will provide for expertise and knowledge to be disseminated between all parties. The major concern of the sports fishermen is unintentional release of fish into the wild population and increased risk of disease. The Senate has not yet acted on their bills.

### **COMMISSIONER ISSUES**

Commissioner Hanson advised as part of the MFB Legislative Seminar February 10, instead of breakout sessions, participants toured various laboratories at MSU, which she found very interesting. She suggested that a similar tour would be beneficial for the Commission in conjunction with a future meeting.

### **DIRECTOR'S COMMENTS**

The Director advised she issued the order for the Corn Marketing Program of Michigan checkoff program increase that includes seed corn. That will be moving forward with a formal notice and referendum voting process to producers in March.

Michigan blueberry producers have submitted signed petitions asking her to appoint a temporary committee to develop a draft marketing and research program for high bush

blueberries in Michigan. The petition signatures were verified and she is considering names to be appointed to the temporary committee. Once the committee develops a draft marketing program, it will be shared with producers via direct mail and public hearings. If enough interest is indicated to move forward, the department will hold a referendum to vote on the proposed program. This is being done under 1965 PA 232, the Agricultural Commodities Marketing Act.

She advised Commissioners if they would like additional copies of the departmental infographics and brochures, simply let her office know.

### **PUBLIC COMMENT**

No public comment was requested.

### **ADJOURN**

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

There being no further business, the meeting was adjourned at 11:56 a.m.

#### Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes January 27, 2016*
- C) *Proposed 2016 Meeting Schedule-Revised*
- D) *Director Jamie Clover Adams – Issues of Interest Report*
- E) *Michigan Beef Industry Commission Presentation*
- F) *The Beef Checkoff and Michigan's Assessment Brochure*
- G) *Commercial Aquaculture Presentation*
- H) *Pesticide and Plant Pest Management Division Overview*
- I) *MDARD FY 2017 Governor's Budget Recommendations*
- J) *Legislative Status – February 2016*