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STATE OF MICHIGAN
DEPARTMENT OF AGRICULTURE
AND RURAL DEVELOPMENT

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DIRECTOR

DATE: March 26, 2013

TO: Honorable Mike Green, Chair
Senate Agriculture Appropriations Subcommittee

Honorable Phil Potvin, Chair
House Agriculture Appropriations Subcommittee

FROM: Derek Bajema, Legislative Liaison

SUBJECT: Legislative Boilerplate Reports on Agriculture Development and the Grape and Wine Industry Council

Pursuant to Sections 706 and 709 of Public Act 200 of 2012, attached are the required reports on the Department of Agriculture and Rural Development's agriculture and export market development activities and the Grape and Wine Industry Council Annual Report.

Please contact me at (517) 241-2576 or Maria Tyszkiewicz, Budget Officer, at (517) 373-9765 if you have any questions or would like any additional information.

Attachments (2)

cc: Senate Agriculture Appropriations Subcommittee
House Agriculture Appropriations Subcommittee
Bruce Baker, Senate Fiscal Agency
Susan Frey, House Fiscal Agency
Jacques McNeely, State Budget Office
Jenny Harrison, State Budget Office
Jamie Clover Adams, Michigan Department of Agriculture & Rural Development
Gordon Wenk, Michigan Department of Agriculture & Rural Development
Maria Tyszkiewicz, Michigan Department of Agriculture & Rural Development

**Michigan Department of Agriculture & Rural Development
Agriculture Development
FY 2013 Activities and Accomplishment Report**

Mission Statement: The Office of Agriculture Development (OAD) delivers expertise and leadership to support economic development in Michigan's food and agriculture industries.

The OAD assists in growing the state's food and agriculture industry with developing and expanding domestic and international markets for Michigan's food and agricultural products. OAD serves as a catalyst in developing value-added agriculture initiatives and facilitating economic development for the state's second largest business sector, including farms, food processing firms, and the agriculture industry. Partially attributed to the efforts of OAD, Michigan was able to retain thousands of jobs, create hundreds of new ones, and help grow the state's agri-food industry.

OAD staff serves as a liaison between businesses and state and local authorities to assist with business expansion. OAD staff facilitates discussions between businesses and the appropriate partners and experts at the state and local levels to maintain and expand agriculture businesses. An example includes OAD's involvement with Mastronardi Produce anticipated to result in a \$23 million investment and 102 jobs.

In 2012, the staff of OAD assisted with securing \$1,493,500 in federal funds and \$57,500 of industry support funds. The federal funds were provided back to Michigan producers, processors, and agri-businesses in the form of grants while the industry support funds were used for promotional projects for Michigan's agriculture commodities.

Two new full time staff people have joined OAD as part of MDARD's economic development team (E/D). They will serve as rural development analysts responsible for coordinating with business representatives, community officials, food and agriculture industry representatives, state and federal agencies, and other partners to identify regional needs and implement action steps to meet community growth and development goals. One staff person will focus on the west side of the Lower Peninsula and the other will focus on the east side of the Lower Peninsula.

MDARD and MEDC Partnership

Both MDARD and MEDC have significant resources dedicated to this strategy. The MDARD economic development team has been assigned based on MEDC's regional model. The MDARD E/D team acts as a resource to companies and regional partners concerning issues related to supply-chain, food safety, regulation, and agri-business start up. The team is versed on federal programs and services available to the agri-business industry, such as USDA loan programs. MDARD and MEDC have committed funding for a staff person to work between both agencies; that individual is on board and assisting to grow Michigan's food and agri-business sector.

This report includes OAD's activities and accomplishments for the following programs:

- Agricultural Business Expansions
- International Market Development Program
- Grape and Wine Program

AGRICULTURE BUSINESS EXPANSIONS

- Welch's Business Improvement - Through an effort in collaboration with the Michigan Department of Agriculture & Rural Development, OAD is championing a project between Welch's, Michigan Manufacturing Technology Center, and the MSU Product Center to institute cultural transformation and efficiencies throughout Welch's organization.
- Aquaculture - During this past year, fish producers along with MDARD, other state agencies, farm organizations, university representatives, and federal department staff came together to form the Aquaculture in Michigan (AIM) Committee to create a blueprint to help those producers that are seeking to build new or expand existing facilities. This group helped create a document titled, "A Roadmap Through Regulations for New and Expanding Aquaculture Enterprises" that will help the industry grow in Michigan. This document has been the catalyst for the framework that includes 14 recommendations and next steps for the development of aquaculture in Michigan. MDARD staff and other AIM committee members have been gathering information, conducting site visits, and working with state agency staff to implement the recommendations.
- Eastern Market - Representatives from the Governor's office and seven different state departments came to gather to support the market's development. More effective partnering across departments and between business, the non-profit, and local, state, and federal agencies is essential for effective governance in tough times. To grow the economy in periods of austerity, we must leverage scarce resources and build new forms of collaboration. As a result of this partnership, we have developed a regional AG sector in Detroit and we have multiple expansion projects in various stages of the process.
- Workforce Development -MDARD and Workforce Development Agency are working together to develop and implement a strategy to increase awareness of the importance of the agriculture industry in Michigan. They have developed the Agriculture Cluster group within their organization, to better serve the needs of our industry. They recently released a report, "The Agriculture Cluster Definition", and concluded that agriculture is a crucial part of our economy. It provides Michigan residents with food and other products necessary for daily life, and the economy with an important source of export income. While the cluster's workforce presents several advantages, it also faces multiple challenges.
- Specialty Crop Block Grant (SCBG) – This grant program is made available through the USDA and the Farm Bill. The department received 39 proposals. Of these proposals the department identified 38 as eligible for funding, requesting a total of \$2,068,035. Grant applications were evaluated, scored, and ranked by a Joint Evaluation Committee composed of MDARD and industry representatives not directly involved in any grant proposals. After evaluation, MDARD recommended 21 proposals to USDA for funding.

The grants are used to enhance the competitiveness of Michigan specialty crops through processors, agri-businesses, producers, local units of government, and legislatively authorized commodity boards in Michigan; including, but not limited to: research, promotion, marketing, nutrition, trade enhancement, food safety, food security, plant health programs, education, increased knowledge and consumption, increased innovation, improved efficiency and reduced costs of distribution systems, environmental concerns and conservation, product development, good agricultural practices, good handling practices, and good manufacturing practices.

- **Value Added and Regional Food System Grant Program** - The department received 63 proposals, requesting \$7.8 million in grant funding for the first year of this grant program. Of these proposals, 24 were categorized as Food System and 39 as Value Added. The request was \$3.25 million and \$4.65 respectively. Grant applications were evaluated, scored, and ranked by a Joint Evaluation Committee composed of MDARD and industry representatives not directly involved in any grant proposals. FY 2013 Grantees were announced on October 31, 2012. The Department has awarded more than \$1.8 million in grants which generated an additional \$6.1 million in match funding.

Grantees will be reporting on their progress quarterly to MDARD, and the first reports were due on February 1, 2013.

INTERNATIONAL MARKET DEVELOPMENT PROGRAM

OAD’s International Market Development Program provides services and implements activities to assist Michigan food and agricultural businesses enter or expand into international markets. Programs and services are open to all Michigan producers, agri-businesses, processors, and packagers of all sizes and experience levels.

Michigan exports about one-third of its agricultural commodities each year. Michigan ranks 5th and 6th respectively for national exports of fresh and processed fruits and vegetables. Michigan’s top export agricultural markets in 2010 included: Canada, Mexico, Japan, South Korea, and China.

The table below identifies the top 5 exported products:

Top 5 Agriculture Exports by Dollar Value, USDA, 2011	Exports Rank Among States	Export Dollars In Millions
Soybeans	12	\$477.7
Corn	11	\$358.7
Other Products ₁	21	\$322.3
Wheat	14	\$247.7
Dairy Products	8	\$214.5
Total Exports	19	\$2,777.3

₁ Other products include live animals, other meats, animal parts, eggs, wine, beer, other beverages, coffee, cocoa, hops, nursery crops, pet food, inedible materials and prepared foods.

The International Market Development Program services and activities for the calendar year of 2012 included (unless otherwise indicated):

- **Online Export Directory** – The International Market Development Program maintains an online up-to-date directory of Michigan companies that currently export or have interest in exporting for potential international buyers, www.michigan.gov/agexport
- **Michigan Pavilion at National Restaurant Association (NRA) Show** - The NRA Show, held May 5-8, 2012, in Chicago, IL, attracted domestic and international buyers to the show. The Michigan Pavilion consisted of: Ashby’s Sterling Ice Cream, Shelby Twp.; Cherry Central Cooperative, Traverse City; Dorothy Dawson Food Products, Jackson; Flatout Flatbreads, Saline; McClure’s Pickles, Detroit; Simply Suzanne, Detroit; Valentine Vodka, Ferndale and Zeeland Food Service, Zeeland. Actual export sales of \$100,000 were reported. Future anticipated sales were reported by the companies as \$610,000. Additionally, Cherry Central Cooperative and Ashby

Sterling Ice Cream took the opportunity to meet one-on-one with eight international buyers that Food Export Association of the Midwest brought to the show.

- 2011 Michigan Agriculture Exporter of the Year - The award was given to Graceland Fruit, Inc. of Frankfort, due to their continued expansion into new and diverse markets and their continued growth in export sales in 2012. Graceland Fruit has made exporting a key strategy for their company's growth and utilizes all programs and service available to help them increase exports.
- Export Workshops – The International Marketing Program worked with various industry partners to host three export seminars during 2012. Topics included the basics of exporting, opportunities in the Central American Market, and a wine export seminar. A total of 64 companies attended the three seminars.
- Food Export Association of the Midwest Program – For calendar year 2011, 50 Michigan companies participated in 118 Food Export Association programs and services resulting in an actual increase of export sales of \$44,073,395 and projected increase in export sales of \$52,174,700. The Michigan companies' participation in export activities also resulted in eight new employees being added, 70 new distributorships established, and 13 first export sales in a new market.

GRAPE AND WINE PROGRAM

The Michigan Grape and Wine Industry Council provides a forum for statewide collaboration in research, promotion, and professional development to meet the changing needs of the growing grape industry. A separate Grape and Wine Industry Council report is required by section 709 of Public Act 200 of 2012. That report is being provided as Attachments A & B.

MICHIGAN GRAPE AND WINE INDUSTRY COUNCIL
MICHIGAN DEPARTMENT OF AGRICULTURE & RURAL DEVELOPMENT
ANNUAL REPORT
FISCAL 2012 OCTOBER 2011 – SEPTEMBER 2012

The Michigan Grape and Wine Industry Council continues to provide an important forum for statewide collaboration in research, promotion and professional development to meet the changing needs of this exciting growth industry. The Council has established a goal to increase the size of the industry to 10,000 wine grape acres by the year 2024.

INDUSTRY HIGHLIGHTS

- A report by the U.S. Department of Agriculture confirmed significant growth in wine grape acreage in Michigan – a doubling of acreage in the past decade from 1300 acres in 2002 to 2650 acres in 2011 and expansion of acreage to new regions of the state.
- Seven new wineries were recognized by the Council as “producers of Michigan wine”, bringing the state total to 93. Wineries and vineyards are starting up in new regions of the state, including plantings of super cold-hardy varieties.
- The Department of Licensing and Regulatory Reinvention released a report in June 2012 with recommendations for reforms to Michigan’s liquor control laws.
- While a late spring freeze created significant crop losses for other fruit, including juice grapes, most wine grape varieties were unaffected. The warm summer produced very ripe fruit by harvest and excellent wines are anticipated from the vintage. Drought stress was not serious.

COUNCIL HIGHLIGHTS

- Seven members were appointed by the Governor to the Michigan Grape and Wine Industry Council in January 2012.
- The Council participated in a marketing partnership with Travel Michigan for a “Wines of Pure Michigan” spring/ summer radio campaign that was effective in driving web traffic to www.michiganwines.com
- The Council’s Strategic Plan was referenced regularly by the Council’s committees in developing their recommended activities.
- April Wine Month continued to grow in consumer and trade education impact, receiving considerably more media attention than in previous years.
- HOUR Custom Publishing was retained to produce and sell advertising for Michigan Wine Country magazine. 200,000 copies of this popular publication were printed in March 2012 and will be fully distributed by March 2013.
- Council staff provided assistance to USDA in conducting the Fruit Acreage Survey in Fall 2011, to provide updated information on acreage and varieties of wine grapes planted in the state.
- The Council sponsored a 2- day Michigan Grape and Wine Industry Conference in Grand Rapids in February 2012, with attendance of 200 participants.
- The Michigan Wine and Spirits Competition received an increase in entries - 448 entries from 53 wineries. Increased media coverage of the competition helped raise public awareness of the industry. Traffic to michiganwines.com during the first week of August increased 13% over the same week in 2011, which was an 18% increase over 2010.
- Membership in Vintage Michigan, the Council’s loyalty program, increased 20%, to 3,000 members. Participating locations offering discounts to members increased to over 100.
- The Council funded \$178,000 in research projects at Michigan State University to advance knowledge of wine grape growing and winemaking to serve the industry into the future.
- Council staff participated on the Advisory Committee for a USDA Specialty Crop Research Initiative multi-state project to study the potential for new wine grape varieties that are highly suitable for the growing conditions of northern regions of the U.S.

MICHIGAN GRAPE AND WINE INDUSTRY COUNCIL

Category	Fiscal Year 2012 Expenditures
Staff Salaries and Benefits	\$305,455
Travel	\$8,560
Administrative Expenses	\$83,822
Research and Education	\$177,502
Promotional Activity	\$93,880
Industry Services	\$25,638
Assessments	\$38,040
TOTAL	\$732,897
<p>Included in these expenditures are expenditures made with \$8,610 of funds provided by the wine industry and wine consumers for special activities – Wine Competition and Vintage Michigan loyalty program. The remaining expenditures are supported by nonretail liquor fees. No general funds are used for this program.</p>	
Board Expenses	\$6,129

FY2012 RESEARCH PROPOSALS AND FUNDING

Principal Investigator	Title of Proposal	Funding
Thomas Zabadal	Reduction of Cluster Compactness in Wine Grapes	\$9,000
Paolo Sabbatini	Achieving Vine Balance: Influence of Climate, Cultivar and Viticulture Practices on Fruit Quality	\$25,000
Paolo Sabbatini	Early Leaf Removal to Improve Crop Control, Cluster Morphology and Berry Quality in Vinifera Grapes	\$25,000
Rufus Isaacs	Understanding Foliar Pest Interactions for Sustainable Vine Management	\$25,000
Rufus Isaacs	Michigan Vineyard IPM Extension Program	\$19,854
Paul Jenkins	Enology Education Partnership	\$25,000
Christine Lindell	Limiting Bird Damage in Fruit Crops	\$3,000
Jeff Andresen	Enviro-weather Decision-making Tools for the Grape and Wine Industry	\$4,304
Kris Berglund	Determining Pigment Co-factor Content in Commercial Wine Grapes in Michigan	\$4,400
Kris Berglund	Monitoring and Control of Micro-Oxidation in Michigan Wines	\$13,000
Annemiek Schilder	Evaluation of New and Reduced-risk Fungicides for Downy Mildew Control in Michigan	\$0
Annemiek Schilder	An Integrated Approach to Sustainable Management of Grapevine Powdery Mildew in Michigan	\$21,000
Sponsor ASEV/ES Meeting		\$3,000
Total Funding		\$177,588