

MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

Radisson Hotel
511 N Grand Avenue
Michigan II-III Conference Rooms
Lansing, MI 48933

MEETING MINUTES March 21, 2018

PRESENT:

Bob Kennedy, Chair, Michigan Commission of Agriculture and Rural Development
Trevor Meachum, Vice Chair, Michigan Commission of Agriculture and Rural Development
Diane Hanson, Past Chair, Michigan Commission of Agriculture and Rural Development
Dru Montri, Past Chair, Michigan Commission of Agriculture and Rural Development
Gordon Wenk, Director, Michigan Department of Agriculture and Rural Development

ABSENT AND EXCUSED:

Brian Pridgeon, Secretary, Michigan Commission of Agriculture and Rural Development

CALL TO ORDER AND ROLL CALL

Chairperson Kennedy called the meeting of the Commission of Agriculture and Rural Development to order at 9:01 a.m. on March 21, 2018. Commissioner Meachum called the roll with Commissioners Hanson, Kennedy, Meachum, and Montri, and Director Gordon Wenk present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER MONTRI MOVED TO APPROVE THE MEETING AGENDA FOR MARCH 21, 2018. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.

APPROVAL OF JANUARY 24, 2018, MEETING MINUTES

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE TWO SETS OF JANUARY 24, 2018, MEETING MINUTES. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting is Wednesday, May 9, 2018, to be held at AgroLiquid in St. Johns.

COMMISSIONER COMMENTS AND TRAVEL

Commissioner Montri reported she attended the Michigan Farm Bureau Legislative reception at the end of February and the Michigan Ag Gubernatorial Forum, which was a great opportunity to hear candidates discuss their platforms, with industry asking some very pointed questions. On the farm, it feels like spring. They continue to harvest spinach, but will soon transition to direct seeding and transplants. Overall, operations are going well.

Commissioner Hanson advised she also attended the Michigan Farm Bureau Legislative reception. She joined the Michigan State University (MSU) sponsored Ag For Tomorrow event last week held at Bay De Noc Community College, which provided educational sessions for farmers from across the Upper Peninsula (UP). Although weather is cold in the UP, the snow is beginning to leave. Seed potatoes and table stock are moving. Milk prices remain very depressed. There is an over abundance of deer in the UP, with unprecedented numbers – they recently counted 236 deer in a 70-acre field.

Commissioner Meachum reported he attended the National Fruit Tree Association Annual meeting in New Zealand last month and visited apple growers in Tasmania, an island off the Australian coast. His operation potentially has opportunities to try two new apple varieties from that trip. The days of Delicious, Golden Delicious, and Roman apples are fast dwindling, as we now need varieties with catchy names to attract the Millennial market. He continues efforts with MSU Extension and other growers in the Southwest to plan for the Ag Innovation Day that will be held at the Southwest Michigan Research and Extension Center in Benton Harbor on June 28. It has been a welcome cool and slow start for Spring. They plan to plant apple trees next week, then turn the equipment over to soybean and corn operations. With the current grain markets, growers are emptying some bins and moving crops.

Commissioner Kennedy advised there now is dry ground in Saginaw Valley, wheat top dress and early fertilizing are in progress, and an early spring is anticipated. Overall, the mood in the farming community is on middle ground, with grain markets still being challenged. There has been some reaction to the rallies over the last month, especially for pricing new crop forward. With some production issues, fertilizer supply could be somewhat tight this year. Internally, the industry is holding numerous meetings and discussions around Tax Reform Section 199A.

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

COMMISSIONER ISSUES

Commissioner Kennedy advised two retirement resolutions are before the Commission today, recognizing Jasmine Lincicome and Mike Kirvan, who have already begun their retirement endeavors. In addition, Dr. Nancy Frank is with us today and will be retiring from the department the first of next month. He shared that resolution:

The Michigan Commission of Agriculture and Rural Development is pleased to honor Dr. Nancy Frank upon her retirement from the Michigan Department of Agriculture and Rural Development (MDARD) on April 1, 2018.

Dr. Frank was born and raised in Ann Arbor, Michigan. She received her bachelor's degree from Mount Holyoke College, where she majored in Biology. She attended Michigan State University College of Veterinary Medicine and received her Doctor of Veterinary Medicine degree in 1978. Dr. Frank then completed a one-year internship at the University of Illinois and was in private practice for several years. While working at MDARD, Dr. Frank obtained her Masters in Public Health from the University of Michigan.

Dr. Frank started in MDARD's Animal Industry Division at the tail end of 1987. Dr. Frank has worked with every program and administrative function in AID at one time or another. Her first position was as program manager for research, companion animals, and equine. For the next six years she served as Operations Manager. After that, she served as Deputy Division Director and Assistant State Veterinarian for over a dozen years. More recently, responsibilities were divided with a focus shift to Assistant State Veterinarian for policy, legislation, and non-ruminant programs. Dr. Frank has had the pleasure of working with multiple animal industries, public groups, state and federal agencies (especially MDNR, MDHHS, USDA VS, and USDA WS), and institutions and organizations such as Michigan State University and the Michigan Veterinary Medical Association. She has received multiple awards from the Michigan Veterinary Medical Association, including the W. Kenneth McKersie Service Award. She has given countless presentations and conducted numerous radio, television, and newspaper media interviews on topics ranging from animal diseases to emergency management. Throughout her career, Dr. Frank has had a passion for problem solving to help animals and people through collaboration, while always keeping an eye on science for background information.

Nancy and her husband, Don, reside in Haslett. They have a daughter, Michelle. Nancy, Don, and Michelle are all pilots and have enjoyed flying to many places. In retirement, Nancy plans to pursue multiple interests and stay engaged with her community and profession.

The Michigan Commission of Agriculture and Rural Development thanks Dr. Nancy Frank for her more than 30 years of dedicated and loyal service to the Michigan Department of Agriculture and Rural Development, the food and agriculture industries, and to the people of the State of Michigan. The Commission joins Dr. Frank's family, friends, and colleagues in wishing her a long and happy retirement and great success with future endeavors.

MOTION: COMMISSIONER MONTRI MOVED THE RESOLUTIONS FOR JASMINE LINCICOME, MIKE KIRVAN, AND NANCY FRANK BE ADOPTED WITH BEST WISHES FOR THEIR LONG AND HEALTHY RETIREMENT. COMMISSIONER MEACHUM SECONDED. MOTION CARRIED.

Commissioner Kennedy congratulated Dr. Frank on her over 30 years of service to the department and presented her with the Commission Resolution.

DIRECTOR'S REPORT

Commissioner Kennedy congratulated Mr. Wenk upon his appointment as Director of the Michigan Department of Agriculture and Rural Development (MDARD), adding the Commission is very happy to have him serving in that position.

Director Wenk advised he is pleased to be Director and plans no major changes or new initiatives in the remaining months this year. He is certain MDARD's outstanding team will continue moving the industry forward. Announcement of the new Chief Deputy Director position should be made by Friday. The internal candidates wowed the interview panel, creating a difficult decision for them. It is great to have confirmation from other organizations that we have such strong individuals in the agency.

Today, he will meet with the Canadian Counsel General. He asked Commissioners to let him know if there is anything they would like him to share during that meeting. The conversation is expected to focus on various trade issues.

Earlier this week, he participated in the Foremost groundbreaking event. Culmination of that project represents a great team effort and more about the project will be shared later

in the meeting. He complimented the Agriculture Development Division (AgD) team, including Peter Anastor and Jodi Gruner, for their outstanding efforts on this project.

The department has been integrally involved with efforts around PFAS (Perfluoroalkyl substances), which has been used as a protectant in many products. There are several sites in Michigan where elevated levels of PFAS are found. A level 70 parts/trillion is the standard for drinking water and some areas have levels many times higher. The state implemented a special team, which includes MDARD and the Departments of Health and Human Services, Environmental Quality, and Veterans Affairs. MDARD also has an internal review group conducting research to gauge what our response will be in terms of finding any agricultural production within the circles of impact.

Over 300 companies participated in the Pure Michigan Agriculture Summit held last week in Novi. This buyer-seller event generates numerous opportunities for participants. He thanked AgD's Jodi Gruner for coordinating the exceptional event.

Michigan Ag Day at the Capitol was celebrated yesterday with the unveiling of the *Michigan Agriculture* magazine. Numerous commodity groups attended the event.

CONSUMERS ENERGY 2017 ECONOMIC DEVELOPMENT CHAMPION AWARD: Jeff Mayes, Director of Economic Development, and Scott Corrin, Economic Development Manager, Consumers Energy

Mr. Corrin noted it is Consumers' pleasure today to present an award to the department recognizing its outstanding contributions to economic development.

Mr. Mayes reported Consumers Energy views economic development as a team sport. The top performing regions are the ones that are collaborative – working together with all the various agencies and individuals that can impact and support growth and investment. Energy is a factor in economic development and Consumers is working to better understand all of the various resources and better support business customers and those involved in economic development. Consumers wants to recognize MDARD for setting a new standard for keeping energy issues at the top of economic development discussions as we collectively work to grow Michigan agriculture.

Mr. Corrin reiterated infrastructure is important to any agri-business or food processing entity that comes into the state. Consumers ensures it is part of that team to provide the energy needs to help those businesses site in Michigan. They appreciate working with MDARD and Peter Anastor's team, through which they have identified 23 energy-ready Michigan sites that can be promoted to businesses.

Wanting to recognize those organizations and individuals who are making a difference in economic growth in Michigan, Mr. Mayes advised Consumers created the Economic Development Champion Awards program. He and Mr. Corrin presented Director Wenk and Chair Kennedy with the Consumers Energy 2017 Economic Development Champion Award. Consumers looks forward to continued collaborative efforts in 2018 and beyond.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

Wendell Moore, Burr Oak, Michigan, advised he spoke to the Commission on September 7, 2017, to appeal the Site Suitability Determination for S & T Barns located in Fawn River Township. The barns were built, and they smell. Relative to the appeals process, he noted the change from “persons within one mile” to “persons with property within one-half mile.” I could appeal, but only because of the 30 acres he owns are within one-half mile. Because his home is seven-tenths of a mile away, he would have been excluded. He is the person most affected by the barns. The prevailing winds, the river, the vegetation, and general topography will bring the odor to his back door. This area is a poster child demonstrating the concept “one size fits all” approach does not work in Michigan. It was good to adopt the new odor model. By changing it to one-half mile, there is a chance you exclude those most affected from appealing and he believes it should remain at one-mile. Also being proposed, is to change the time in which an appeal must be submitted from 45 days to 30 days and the time the expert panel must complete their review from 45 to 28 days. These two items and the change in what can be appealed to just those items in the GAAMPs (excluding roads, drainage areas, topography, quality of life issues, adding to existing contamination issues, and potential property value losses), coupled with the goal of a 30-day turnaround for siting requests leads him to think the department wants to get these barns built quickly with minimal possible delays. Sometimes a slower approach will ensure things are right. He believes appellants should be allowed to identify the totality of the project – did the farm meet the objectives of the program. Particulates from S & T Barns could negatively impact the estimated 1,600 people using the river for recreation. The barns should have been moved, designated as Category II, and the producer made to employ the odor technology available. Another problem area is the producer’s CNMP (Comprehensive Nutrient Management Plan), allowing him to inject Cranes 7, 8, and 9 that contain county ditches that are conduits to the river. The producer did decide to remove these fields from his plan, but they should have never been allowed in the first place. He shared maps to depict those areas, showing how those ditches dump into the river.

MICHIGAN’S AGRICULTURE MAGAZINE: Jen Holton, Director of Communications, and Jeanne Hausler, Communications Specialist

Ms. Holton shared copies of the new *Michigan Agriculture* magazine recently released, noting the theme this year is “growing Michigan agriculture” and paying tribute to women in agriculture. Many innovative Michigan companies were featured, including Mitten Crate, which plans to include the magazine in their crates to help broaden the base for the awareness we are trying to build around Michigan food and agriculture. Also featured were articles about energizing agriculture and how companies, such as Consumers Energy, help provide the energy infrastructure that our producers and processors need to grow.

Ms. Hausler advised 20,000 copies of the magazine were printed and the online version is available at www.myagriculture.com, which contains additional statistics, recipes, and a seasonality calendar. The magazine is distributed to Welcome Centers, Conservation District offices, agricultural events, and featured businesses. This year, it will also be distributed through veterinarian and physician offices and MSU Extension. The advertising revenues were a record \$138,425 this year, which provides the total funding for the publication. A reader survey is available online to help the department identify ways in which to improve future editions.

Ms. Holton noted promotion by the Commission will be appreciated, whether copies or sharing links to organization websites. This is a consumer-facing publication telling the food and agriculture industry story. With a ten-day notice, boxes of the magazine can be drop shipped directly to Commissioners as needed for various events in their area. Work on the 2019 edition has begun with the theme “innovation and technology in Michigan’s food and agriculture sector.”

MICHIGAN POTATO INDUSTRY COMMISSION UPDATE: Mike Wenkel, Executive Director, Michigan Potato Industry Commission

Mr. Wenkel thanked the Commission for the opportunity to talk about the potato industry. Michigan potatoes are grown on over 46,000 acres, with more than 3,200 individuals employed. The Michigan industry represents \$554 million in economic activity and is ranked number one in U.S. chip stock production, sixth in value of crop, and eighth in overall U.S. production.

The industry is organized through the Michigan Potato Industry Commission and Potatoes USA that, through assessment-based referendum mandate, provide for state and national promotion and research efforts. Voluntary membership in Potato Growers of Michigan and the National Potato Council coordinates state and national advocacy.

The industry vision is to grow an economically viable potato industry in Michigan. Its strategic goals are 1) expand talent development and collaboration within the industry, 2) provide research and sustainability direction, 3) lead promotion of farms and potatoes to the public, and 4) foster economic growth initiatives.

The Michigan Potato Industry Commission formed under state law with oversight of MDARD to coordinate research, promote Michigan potatoes, educate consumers and decision makers about potatoes, and conduct marketing activities. They provide approximately \$175,000 directly to MSU research efforts, as well as support one and one-half positions on campus.

Potato Growers of Michigan, Inc., was formed to influence and educate decision makers at local, state, and federal levels. Sponsored activities include Potato Day at the State Capitol, Washington D.C. Fly-in, and elected official farm tours. The National Potato Council advocates for the economic well-being of U.S. potato growers on federal legislative, regulatory, environmental, and trade issues.

Potatoes USA is the marketing organization for the 2,500 commercial potato growers operating in the U.S. This encompasses fresh chipping, table-stock, and seed potatoes, as well as frozen and dehydrated potato products. Because one in five rows of U.S. potatoes are exported, trade issues become a very large part of that effort.

Several industry challenges exist at the state level. Those include managing new and emerging diseases and the Certified Seed Law, food safety and Food Safety Modernization Act (FSMA) compliance, science-based water withdrawals and impact of the Lake Erie Basin, infrastructure (broadband, energy, and roads), and increasing processing capacity. Potato Growers of Michigan completed work with the Legislature to

enact House Bill 5227, which will create a Certified Seed Law requiring all seed planted in the state to be certified. They will be working closely with MDARD to implement that act over the provided three-year timeframe. While potatoes have an exemption under the FSMA Produce Rule, growers are still responsible for that food safety. Access to water is a key issue for Michigan growers and they are focused on science-based withdrawals, and phosphorus issues across the state are being addressed. And lastly, increasing processing capacity is always a key focus.

Challenges at the national level include Dickeya (bacteria spread in the field via seed, water, and equipment), labor (migrant and talent), sustainability, transportation, farm policy (2018 Farm Bill policy and the Nutrition Title), and regulation of labor, water, crop protectants, and FSMA.

Marketing efforts strive to help consumers connect with and identify Michigan potatoes and understand processes from farm to plate, as well as emphasize local aspects and provide Michigan potato recipe videos. Efforts also help consumers with understanding the nutritional value of potatoes and work with retailers to be visible at the point of purchase.

Consumer trends are driving sustainability, food waste reduction, food safety, potato product preference, and health and nutrition. A new line of chips, called "Uglies," tout reducing waste while saving money and use potatoes that would be rejected at a processing facility due to defects. Food companies want to reach the 75 million millennials who truly desire brands that place high value on sustainable practices.

In response to questions from Commissioner Kennedy, Mr. Wenkel advised access to suitable land is the industry's biggest challenge for expansion. Growth in the seed area is anticipated and the UP plays heavily into those opportunities due to isolation requirements. Dickeya is a soft rot disease for which there are no treatments currently available. MSU is part of a national effort to address this emerging disease issue.

RECESS AND RECONVENE

Chairperson Kennedy recessed the meeting at 10:03 a.m. for a brief break. He reconvened the meeting at 10:15 a.m.

INTRODUCTION

Director Wenk introduced his daughter, Erin Wenk, who works with the Michigan Environmental Council.

FOOD AND AGRICULTURE INVESTMENT FUND REQUESTS: Peter Anastor, Director, Agriculture Development Division

Mr. Anastor reported he is seeking Commission approval for eight Food and Agriculture Investment Fund projects, as well as one grant. This demonstrates the intended potential growth and impact of the program are being realized.

One project is a large request that will significantly impact Michigan's dairy industry. Greenville Venture Partners (GVP), LLC, is a subsidiary of Foremost Farms USA

Cooperative, a farmer-owned milk processing and marketing entity and the nation's eighth largest cooperative. Plant Manager, Glen Kienitz, will lead the project.

Mr. Kienitz advised this is the largest single venture undertaken by Foremost. Currently, milk in the Greenville area is taken into the Wisconsin cheese plant, and the Greenville plant will better serve local Michigan customers while creating several new jobs in the area. They acquired a 96-acre campus to provide space for other companies. This project will create a home for the surplus milk, save millions of dollars in transportation costs, and an increase in milk premiums that will provide extra cash for herd expansions and farm investments. GVP plans to construct a 60,000 square-foot milk condensing plant that will require a capital investment of \$58 million and will create 33 new jobs. Their goal is to develop and grow the facility to continually meet the value-added needs of their customers.

In response to questions from Commissioner Montri, Mr. Anastor advised there are other investments in the project. Approval is pending from the Michigan Strategic Fund Board for a private-activity bond and the Michigan Economic Development Corporation (MEDC) is providing support through their Business Development Program and has been a significant partner in the project. The regional economic developer, The Right Place, and the City of Greenville have both been great partners in providing a collaborative economic incentive package to move the project forward. Because of the significant positive impact this facility will make on Michigan's dairy industry, this is the largest project to date presented for Commission approval.

In response to inquiry from Commissioner Kennedy, Mr. Kienitz advised the goal of this plant is to discontinue transporting milk into Wisconsin and expand the campus to utilize the locally produced milk. They plan to process one million pounds of milk per day initially, four million by the end of the year, and much higher expectations with future growth plans.

Mr. Anastor thanked his team, including Jodi Gruner, The Right Place, and MDARD's Food and Dairy Division for their involvement in the project. He advised MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$500,000 for Greenville Venture Partners, LLC.

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT PROGRAM PERFORMANCE-BASED GRANT OF \$500,000 FOR GREENVILLE VENTURE PARTNERS, LLC. COMMISSIONER MONTRI SECONDED. MOTION CARRIED.

The second project being presented is Morgan Composting, Inc. (MCI), and Mr. Anastor introduced President and CEO Brad Morgan. They are conducting some amazing and innovative work around sustainability in fertilizers in Michigan.

Mr. Morgan advised he has been recycling Michigan livestock waste streams for over 20 years through one of their premiere trademarked products called Dairy Doo, which is being used by large and small growers alike. MCI is also creating custom-blended fertilizer for large-scale potato growers and solving manure management issues for our

dairy and poultry operations at six locations statewide. They touch over 200,000 acres of ground and service over 100 retail outlets in Michigan, which has doubled in the past two years. They have also helped fund MSU research and from a soil health perspective, they found compost becomes a very viable option. This project will invest in equipment to bring production of a land-applied fertilizer in-house to Michigan. They will give producers access to sustainable, Michigan-made fertilizers with an improved delivery system, while solving manure management issues within the Michigan livestock sector. The project is expected to create five new jobs in the area around Ewart, a Rising Tide Michigan community. This expansion project also gives MCI the capabilities to produce product for national and international distribution.

In response to question from Commissioners Kennedy and Hanson, Mr. Morgan advised the pelletizing equipment can produce various types of products. They do service numerous commercial farming operations.

Mr. Anasator advised the project will require a capital investment of \$421,000 for a pelletizer, blender, elevators, scales, and new bays for feed stock to process this innovative product in Michigan instead of Kentucky. MDARD recommends the Commission approve a Food and Agriculture Investment Program performance-based grant of \$50,000 for Morgan Composting, Inc.

MOTION: COMMISSIONER HANSON MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT PROGRAM PERFORMANCE-BASED GRANT OF \$50,000 FOR MORGAN COMPOSTING, INC. COMMISSIONER MONTRI SECONDED. MOTION CARRIED.

Mr. Anastor advised the next project is Hausbeck Pickle Company, which is a family-owned and operated business dedicated to providing the best quality products for its customers since 1923. It is an international supplier of pickles and peppers, processing 40 million pounds of pickles and 42 million pounds of peppers annually. Hausbeck Pickles, located in Saginaw, Michigan, employs 110 people, and is looking to bring 15 new jobs with investment in new equipment. Hausbeck is purchasing a standup pouch machine, an investment of \$475,300, to replace the current packaging process and eliminate the restraints of the rigid plastic containers. Potential customers for this new product will be Meijer, Kroger, Sam's, Walmart, Gordon's, and others. The standup pouch machine will increase production by 10 million pounds of pickles and 5 million pounds of peppers within two years, increasing sales by \$5 million annually. The increase in production will result in Michigan farmers currently supplying Hausbeck to increase their own sales, as well as a potential for additional farmers to enter Hausbeck's supply chain. MDARD staff recommends the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$50,000 for Hausbeck Pickle Company.

The next project is Big O' Smoke House, which is a family-owned business with over 20 years of experience and three generations working with Michigan producers to create value-added products and expand business. Because they are currently at capacity, they are unable to meet requests from current suppliers for increased quantities of finished products. This project will be an expansion of their current facility in Caledonia,

Michigan, and the purchase of new equipment to accommodate growth. The project will require a capital investment of \$356,822 and the creation of seven full-time positions that will lead to a 2,100 square-foot addition. It also includes the addition of new smoker, chiller, cooler, and freezer capacity to allow for efficiencies in flow of production, as well as the ability to grow capacity and facilitate improved food safety procedures. Once the expansion is in place, Big O' Smoke House will have the ability to increase sales to local vendors and suppliers of Michigan-grown fish, meats, and spices by 15 percent, as well as continue to increase custom smoking and private label operations and develop new products. With the increase of productivity and product outputs, they will be consuming more products from current Michigan suppliers who will benefit from increased demand. MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$50,000 for Big O' Smoke House.

Next is Pigeon Hill Brewing Company, which in four years of operation has emerged as one of the fastest growing, most respected breweries. Its innovative brands have received numerous awards at national competitions, and because of this success, Pigeon Hill needs to expand infrastructure, equipment, and cold storage to support its long-term growth projections. This project is structured to provide Pigeon Hill with the foundation necessary to increase production capacity 600 percent, to 542,500 gallons per year. This project will construct a new office and production facility for Pigeon Hill Brewing in Muskegon. A capital investment of \$1.8 million will be made to construct a 15,000 square-foot facility on a vacant parking lot with the ability to expand to 30,000 square feet as needed. The project will create 5-10 full-time manufacturing jobs and support increasing production capacity from 2,500 barrels to 7,000 barrels, with long-range capabilities for increasing production to 17,500 barrels. The expansion will accommodate regional, domestic, and foreign export demands for products. MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$50,000 for Pigeon Hill Brewing Company LLC.

In response to question from Commissioner Montri, Mr. Anastor advised barley production should be able to meet the growth demands. Hops are dependent upon variety and they are working with both industries to ensure production meets industry needs.

The next project is RRR Meat Processing, which is a family-owned and operated business located in Buckley, Michigan. They specialize in custom USDA (U.S. Department of Agriculture) inspected slaughter and processing of steer, swine, goat, and lamb from local sources. They also provide wild game processing during the hunting season. RRR Meats currently employs 14 full-time positions at their Buckley facility with gross sales over \$750,000. The planned expansion to a second location would basically replicate the size and scope business at the Buckley site. The project entails construction of a new 6,000 square-foot facility in the Grayling Industrial Park. In the initial years of operation, the Grayling facility will process approximately 1,500 to 2,600 livestock animals per year, plus wild game. Within three to five years, they project to be at 4,000 livestock animals annually (average of 75 to 100 per week), plus wild game. The project represents a \$354,150 investment in a new USDA inspected slaughter and meat processing facility. The project will create 10 to 14 new jobs in a recently graduated Rising Tide Community. This operation would be one of the core businesses

in the developing Grayling Agriculture and Education Center/Northern Food Hub. This new processing option will fill a supply chain gap by providing meat producers in the Eastern Upper Peninsula and throughout the Northern Lower Peninsula with a value-added option for their products at a lower cost versus their options to move product to more distant USDA processing facilities that have limited capacity. MDARD staff recommend the Commission approve a Food and Agriculture Investment Program performance-based grant of \$50,000 for RRR Meat Processing.

In response to question from Commissioner Kennedy, Mr. Anastor advised the growth in this sector can be attributed to demand for unique local products. Commissioner Montri confirmed one of the interesting things in meat processing is the focus on custom blends and the current direct marketing demand in that area, and these small-scale processors are able to respond to that demand.

Commissioner Kennedy asked if the state is seeing growth in small herd sizes as part of the local movement. Director Wenk advised the National Agriculture Statistics Service (NASS) would have that information available on their website.

The next project is Vander Mill, LLC, which was one of the first Midwest craft cider producers to package cider in aluminum cans beginning in early 2012. Over the past five years, more breweries and cideries are canning product and it is a commonly accepted practice. So much so that consumers, and ultimately, large retailers, are seeking Vander Mill products in a more convenient and affordable package, including 12-ounce cans in a six-pack format. This investment will give Vander Mill the opportunity to offer a far more marketable product, which has the commitments of some of the largest retailers in the Midwest. In addition to serving existing markets, distribution will be expanded to include Kentucky, Missouri, and Minnesota. Vander Mill currently purchases 98 percent of their apples from family farms in Michigan. In 2017, 92,000 bushels of Michigan apples were purchased and, with package changes and expansion into new markets, a 30 percent increase in apple purchases is expected. Cideries have shown significant growth in the volume of product produced in Michigan and that growth is expected to continue. This translates to an increased demand for value-added cider products and diversification for commercial use of Michigan apples. This project would add efficiency and capacity at Vander Mill's existing production facility in Grand Rapids and require a capital investment of \$252,365 for new machinery and equipment, process improvements at the facility, and product design and brand image. Over the past two years, Vander Mill has grown from 20 to nearly 45 employees and this project will lead to 10 additional production and sales representatives. The new equipment will allow for flexibility to meet changing market demands and drive value-added agriculture. MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$50,000 for Vander Mill LLC.

The final project expansion is Prolime Agriculture, which has been servicing the agricultural industry in Michigan since 1987. The company removes spent lime from municipal facilities, which is a byproduct of the water treatment process. The spent lime is then dried and provided to farmers as a treatment for pH balance of the fields, either by direct sale, or through customized application services. Prolime is developing the first plant to process pelletized lime and gypsum for agricultural usage in the entire State of

Michigan. Currently, lime and gypsum production are being done out of state at the nearest facility in Cary, Ohio. Logistics and freight cost from Ohio to Lansing is estimated to be \$23 per ton. By offering a Michigan-based source of pelletized lime and gypsum, Michigan farmers stand to save millions on freight costs alone. Farmers will not only benefit from freight and logistics cost, but by adding pelletized material to their fields, offer efficiencies in fertilizer use and improvement in production. Prolime has a planned investment of \$5.7 million, which includes a new 38,000 square-foot facility in Shiawassee County, new equipment, and the hiring of 15 to 20 new employees. MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund performance-based grant of \$50,000 for Prolime Agriculture, LLC.

An economic study grant request is last for consideration today. Agriculture is a \$101 billion industry in Michigan and has a significant impact on our economy every year. The impact of our growers, producers, processors, wholesalers, and retailers on the economy should be clearly defined and verified so that policy makers and the public understand the true value of this industry in Michigan. Economic impact studies were completed in 2000, 2006, and 2012, and it is time to continue the process by completing an impact study with the most relevant and timely data available to track the growth of the system over time. This project will estimate the economic impact of the Michigan agri-food system on the state's economy using the most recent data available. Data will be reviewed from numerous sources, including the annual Agriculture Statistical Bulletin, the U.S. Economic Census, the Agriculture Census, the USDA Economic Research Service, and other published sources. Farm estimates and food manufacturing output, along with Consumer Price Index (CPI) and other standard price information will be provided from various sources. IMPLAN, a standard economic impact software package, will be used to estimate the multiplier effects of the different industries that comprise the agri-food system. The project is expected to take three months to complete. MDARD staff recommend the Commission approve a Food and Agriculture Investment Fund grant of \$29,000 for Michigan State University to complete this study.

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT PROGRAM PERFORMANCE-BASED GRANT OF \$50,000 EACH FOR HAUSBECK PICKLE COMPANY, BIG O' SMOKE HOUSE, PIGEON HILL BREWING, VANDER MILL, LLC, AND PROLIME AGRICULTURE, AND A \$29,000 GRANT FOR MICHIGAN STATE UNIVERSITY. COMMISSIONER HANSON SECONDED. COMMISSIONER MONTRI ABSTAINED FROM VOTING DUE TO CONFLICT OF INTEREST ON THREE OF THE PROPOSED PROJECTS. MOTION CARRIED.

Commissioner Montri asked if timing of approval of projects by the Commission is problematic for the economic development process. Mr. Anastor advised they currently are comfortable with the structure of this new process and he will plan to provide the Commissioners with project information ahead of time when deemed helpful. Director Wenk noted a special Commission meeting can always be convened if necessary.

In light of the recommended budget reduction for the program, Commissioner Montri asked what that may mean for the program. Director Wenk advised the reduction would

return the program to the Governor's recommendation in the prior year. Overall, we should be well positioned to have funds available for assisting projects in the future.

Commissioner Meachum advised it would be helpful for information to be provided on other partner investments involved in projects. Mr. Anastor advised he will be glad to include that information in future briefing memos.

COMMISSION POLICY: APPEALS FROM MICHIGAN DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT SITE SUITABILITY DETERMINATIONS: Brad Deacon, Director, Legal Affairs and Emergency Management, and Jim Johnson, Director, Environmental Stewardship Division

Mr. Johnson advised, through numerous discussions with Generally Accepted Agricultural and Management Practices (GAAMP) chairs over the last few years, it was determined the site suitability determination appeal process is actually a departmental policy decision, as opposed to that of a scientific decision by experts on the Site Selection GAAMP Committee. Several site suitability determination appeals have been made over the last few years. The original appeal process was a paragraph in the Site Selection GAAMP that provided only very basic guidelines.

Based on the process utilized during actual appeals, the appeals process has been developed into a detailed outline. In order to meet the desire of the Site Selection GAAMP Committee, it is proposed the language for the appeal process be removed from the GAAMP, a reference be placed in the GAAMP stating there is an appeal process within the Commission Policies, and the detailed appeals document be inserted into the Commission Policies as Policy 12. If further improvements are deemed necessary in the future, those can be made directly by the Commission. The only item not in the original paragraph in the Site Selection GAAMP and which we have to date not exercised, is the potential of a denial of the appeal. This language was added to ensure those who are living within those communities have completed their due diligence around the rationale for the appeal itself, as opposed to simply not wanting livestock in their area.

Mr. Deacon advised this policy places additional work on the Environmental Stewardship Division and the department to be more public facing by maintaining a website that will track the applications and their timelines. This represents a significant effort to improve awareness of the process and establish a much clearer policy for everyone involved, including limitations within the Right to Farm (RTF) Act and the GAAMP in terms of our legal ability to ensure there is the right to an appeal, noting those rights are not without boundaries.

Commissioner Montri noted many of the matters that have been brought forward over the last year during appeals are not within the purview of the department or the GAAMP, such as roads and drains. Commissioner Montri requested efforts be made to provide information via the department's website to clarify those facts for the public and to offer additional educational resources/links to information around those other areas. Mr. Johnson advised the RTF program recently completed Lean Process Improvement processes through which improvements in the public outreach side of RTF will be made, including materials posted on the website that will create that clarity.

In response to Commissioner Montri, Mr. Johnson confirmed the date an appeal is posted on the website is the same date it would be sent to the local unit of government and the farmer.

Commissioner Montri suggested the word "Chair" be removed from the denial paragraph under "contents of a request to appeal" to provide the entire Commission receive notification, and the word "mailed" be changed to "sent" in bullet six under "appeal process" to provide flexibility in communications. Mr. Johnson advised those changes would be incorporated into the final version of the policy.

In response to questions from Commissioner Meachum, Mr. Johnson advised denial of an appeal is an internal departmental decision, which includes Executive Office agreement. Distance references were changed from home to property to indicate that even if your home is not within that distance, if your home is on a piece of property within that distance, you should be notified. It provides for more people being notified and consistency with the appeal process.

Mr. Deacon confirmed within the GAAMP, it stated, "if there is a home within one-half mile;" therefore, people with property within one-half mile were not notified. And in the appeal portion, it stated, "anyone within one mile," creating an instance of many people having not been notified. The proposed change harmonizes the process to say, "everyone with property within one-half mile" shall be notified at the beginning of the process.

Commissioner Meachum inquired about proposed changes in the timeframes involved. Mr. Johnson advised the appeal timeline has not changed. The timeline for the expert review committee to complete its review has decreased in consideration of the construction season.

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE PROPOSED REVISION TO THE SITE SELECTION GENERALLY ACCEPTED AGRICULTURAL AND MANAGEMENT PRACTICES. COMMISSIONER MONTRI SECONDED. MOTION CARRIED.

MOTION: COMMISSIONER MONTRI MOVED TO APPROVE THE PROPOSED COMMISSION POLICY 12, WITH MINOR CHANGES AS DISCUSSED TODAY, COVERING APPEALS FROM THE MICHIGAN DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT SITE SUITABILITY DETERMINATIONS. COMMISSIONER HANSON SECONDED. MOTION CARRIED.

Commissioner Meachum emphasized the Commission may change the policy in the future whenever needed. Commissioner Kennedy confirmed and asked the department to monitor the process going forward for any adjustments necessary.

FOOD SAFETY MODERNIZATION ACT UPDATE: Tim Slawinski, Manager, Food Safety Modernization Unit, Food and Dairy Division

Mr. Slawinski noted the Food Safety Modernization Act (FSMA) was signed into law in 2011 and is now being implemented. He will focus today on three new federal rules impacting the industry, the Produce Safety Rule, Preventive Controls for Human Food, and Preventive Controls for Animal Food.

Michigan is in the process of legislatively adopting those rules. House Bill 4811 (food) and House Bill 4812 (feed) passed the House of Representatives on October 5, 2017, and passed the Senate on March 8, 2018. Having FSMA into state law will help the department lead implementation and continue to assist with contract inspections. It would be the first food safety regulation specific to growing and harvesting. Prior regulations cover adulteration, while this addresses microbiological risks.

Under the Produce Safety Rule, produce typically eaten raw is covered. Not covered is produce not typically eaten raw; however, those farms are still impacted by the rule because buyers are requiring farms to be compliant with FSMA. Also, product destined for commercial processing, on-farm consumption, farms with less than \$25,000 in annual sales, and those with less than \$500,000 and 50 percent of sales local (in-state or within 275 miles) would be exempt. The compliance date for large businesses (over \$500,000 in annual sales) is 2018, small businesses (\$250,000 to \$500,000 in annual sales) 2019, and very small (\$25 to \$250,000 in annual sales) 2020.

There are an estimated 6,000 produce farms in Michigan with 1,300 being directly covered by the FSMA Produce Rule: 277 large (2018 compliance date), 151 small (2019 compliance date), and 873 very small (2020 compliance date). About 4,700 operations are exempt from regulations due to either size, further processing, or the produce is not typically eaten raw. He reviewed a map depicting the location concentration of Michigan produce growing areas.

Implementation of the Produce Safety Rule is a collaborative effort and MDARD is working nationally with the National Association of State Departments of Agriculture (NASDA) and the U.S. Food and Drug Administration (FDA). One product of that is the On-Farm Readiness Review, which is a voluntary, mock inspection so farms can determine how prepared they are for the rule. We also collaborate with Michigan State University Extension for Produce Safety Alliance courses, and Conservation District Food Safety Technicians who conduct on-farm safety assessments. Several focused positions within MDARD include a manager, produce specialist, and inspectors. The FDA Cooperative Agreement includes infrastructure, education, technical assistance, inventory program, and the Inspection, Compliance, and Enforcement Program. In response to question from Commissioner Meachum, Mr. Slawinski advised in those states not participating in the Cooperative Agreement, FDA would take the lead in conducting routine inspections.

Currently, FDA is extending the agriculture water compliance dates to 2022. They also have added eight additional water testing methods to make it easier for laboratories to conduct water tests. They announced a delay in produce farm inspections until 2019, which means the department will be promoting the voluntary reviews this year. Also announced was "enforcement discretion" for certain parts of the rule, with customer assurances being the area that impacts farms.

Compliance dates for the Human Food Preventive Controls (PC) Rule/Good Manufacturing Practices (GMP) were September 19 of 2016 for large businesses and one year later for small businesses. For the very small businesses and Grade "A" dairy operations, it is September 19 of this year. The GMP covered the general hygienic conditions a food facility needs to implement, and the addition of this rule includes the requirement of a Food Safety Plan specific to the food being produced in that operation.

Animal Food operations did not previously have GMPs at the federal level, but because we did have them at the state level, Michigan is ahead of the game. Because GMPs were new at the federal level, there is an extra year for the PC portion. The compliance date for the Animal Food PC for large businesses was September 19, 2017, for small businesses it is September 19 of this year, and for very small businesses it is September 19, 2019.

FDA Human Food inspections include limited-scope PC inspections, with a brief review of PCs and are similar in scope to the current GMP inspections. FDA full-scope PC inspections are significantly longer, more involved, and require additional training requirements for inspectors.

Human PC efforts coordinated by MDARD include FDA handouts at facilities to create awareness, regular industry training lead by MDARD, PC inspector training for select staff, staff becoming FDA credentialed, and contracts for limited-scope FDA inspections. Once the rules are adopted in Michigan, all staff will be qualified to conduct contract inspections, as our authority will equal the FDA's within the state.

The 2017 Pasteurized Milk Ordinance (PMO) was updated with FSMA requirements. Non-Grade "A" dairy comes under regulations of 21 CFR 117. Michigan's plan is to adopt the 2017 PMO and reference 21 CFR 117 in the Manufacturing Milk Law. Basic PC training for Dairy Program staff is nearly complete and dairy-specific inspector training is being developed.

Animal Food Rule efforts include a NASDA framework document and work with the Association of American Feed Control Officials (AAFCO) Training and Education Committee. GMP inspections have been added to the FDA Feed contract. We are training staff, with the largest challenge being to obtain spots in the FDA training. Program realignment within the Pesticide and Plant Pest Management Division will align with FSMA to create more specialized inspectors.

FDA is providing for enforcement discretion on certain provisions, which means they will delay compliance dates on parts of the rule. There was debate on what is considered farm-related activity. Activities are dependent upon the owner. For example, if an apple packing facility is owned by the farm, it is covered under the Produce Rule. If owned by another entity, it is considered a manufacturing facility and covered by the PC Rule. Because of the debate as to whether this is the right direction to take, they are not yet enforcing that activity. Another area not yet being enforced is customer assurance when an operation needs evidence from its customer they are doing something with the

product. Also, debate about human food by-products is ongoing, which currently causes a food facility to fall under two rules.

Commissioner Meachum asked who could be contacted for an MDARD voluntary review. Mr. Slawinski advised for the more detailed review that mimics an inspection, an official registration process through MSU will be established. In the meantime, Mr. Slawinski is the contact. For the individual Produce Safety Risk Assessment, the respective Conservation District can be contacted, and if outside coverage areas, Mr. Slawinski can be contacted for coordination.

In response to question from Commissioner Hanson, Mr. Slawinski advised although operations under \$25,000 in annual sales are considered exempt as part of the federal rule, certainly, it does not reduce the chance of becoming sick. FDA advises it considers the cost of risk to the public versus the cost to industry. Below the \$25,000 in annual sales point, even though people could still become sick, it would be a much smaller outbreak. This is how they drew the line on who is covered and who is not.

Commissioner Hanson also inquired about animals on airplanes, in grocery stores, and other public places around food. A processor is not allowed to have animals, yet this is happening. Mr. Slawinski advised they are most likely not doing so legally. It does happen, we don't have inspectors everywhere, and some stores are not as diligent about enforcing the practice.

Commissioner Kennedy asked about the economic impact to producers of implementing FSMA. Mr. Slawinski advised he does not have those numbers. Commissioner Meachum advised vegetable producers are already conducting Promise inspections, which is thousands of dollars a year just for the fees, let alone staff to complete all of the documentation. However, it is important to assure consumers of food safety. Mr. Slawinski advised the state inspections will be conducted at no charge to the producer. The initial federal inspections are intended to be educational and only egregious conditions will be documented.

BUDGET UPDATE: Maria Tyszkiewicz, Director, Finance and Office Services

Ms. Tyszkiewicz reported the Governor's Fiscal Year (FY) 2019 recommended budget for MDARD represents a \$102.9 million gross appropriation. Total General Fund/General Purpose (GF/GP) is \$53.7, which is an 18.9 percent total GF/GP decrease and 1.2 percent on-going GF/GP decrease from FY 2018. This represents primarily a continuation of our budget, with a large portion of the recommended reductions coming from one-time funding.

The budget recommendation includes \$1,087,100 in internal transfers, including a \$780,000 GF/GP increase for the Dairy Program. This will provide for five additional staff members to coordinate increased inspection activity due to 33 consecutive months of increased milk production, increased complexity of inspections, and robotic milkers increasing by 89% over the last five years.

The Office of Organizational Innovation (OOI) would receive a \$307,100 GF/GP increase, which would allow for reclassifying two limited-term employees to permanent status, as well as meet data reclassification and information technology support needs.

The Senate voted out our budget yesterday, with additions bringing it to approximately \$5 million more than the Governor's recommendation. Those include a one-time \$2 million increase for the Food and Agriculture Investment fund and an increase of \$600,000 for Fairs and Exhibitions; their boilerplate does require \$100,000 of that be allocated to Tuscola County Fair Grand Stand renovations. MSU would receive on-going funding for the Animal Agriculture Initiative and one-time funding for MDARD's Food Processing Workforce Development Initiative would be included.

The House is considering the budget tomorrow. Following the Legislature's two-week break, we expect additional action on the budget, with targets announced the end of May. The final budget is anticipated by June 1 again this year.

In response to question from Commissioner Meachum, Ms. Tyszkiewicz advised funding last year for the Tree Fruit Commission included a three-year funding plan.

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

Mr. Blakely reported, because lame duck season is approaching, bills that are introduced may move very quickly and he is actively monitoring what is transpiring and listening to individual concerns.

Bills addressing animals include Senate Bill 663, which would make it illegal to misrepresent a service animal. Those animals are very specifically defined under the Americans for Disabilities Act, which currently does not include "comfort animals." Because they are protected animals, institutions have very limited access to challenge whether or not an animal is a service animal. The other is House Bill 5281, which would require MDARD to certify training for service animals. Both are attempts to address the service animal issues.

The FSMA bills were one of the department's priorities this year and are currently on the Governor's desk. Once signed, the department does not have other priority legislation needing completion during this legislative term. There are items forthcoming we may want to encourage, but nothing that will drastically affect the department. Therefore, we may be playing defense on various issues.

In response to inquiry from Commissioner Montri, Mr. Blakely advised the Michigan Department of Environmental Quality (MDEQ) is lead on the Water Use Bills and MDARD is supporting its sister agency. There is discussion whether this is the correct solution, and the department will allow MDEQ decide.

PUBLIC COMMENT

No public comment on non-agenda items was requested.

ADJOURN

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

There being no further business, the meeting adjourned at 12:06 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meetings Minutes January 24, 2018*
- C) *Retirement Resolutions for Jasmine Lincicome, Mike Kirvan, and Nancy Frank*
- D) *Director Gordon Wenk – Issues of Interest Report*
- E) *Public Comment-Wendell Moore-Maps and Pictures*
- F) *Michigan Agriculture Magazine*
- G) *Michigan Potatoes Flyer*
- H) *Overview of Michigan Potato Industry and Opportunities*
- I) *Food and Agriculture Investment Fund Request Memos and Terms Sheets*
- J) *Draft Amendment to Site Selection GAAMP*
- K) *Draft Commission Policy 12*
- L) *Food Safety Modernization Act Presentation*
- M) *FY2019 MDARD Budget March 21, 2018*
- N) *Legislative Status – March 2018*