

MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

Howard Miller Community Center
Banquet Room
14 S Church St
Zeeland MI 49464

and

Remote Technology via Microsoft Teams
Dial: 1-248-509-0316, Conference ID 387 572 324#

MEETING MINUTES

May 18, 2022

PRESENT:

Charlie Meintz, Chair, Michigan Commission of Agriculture and Rural Development
Andy Chae, Vice Chair, Michigan Commission of Agriculture and Rural Development
Patricia Bergdahl, Secretary, Michigan Commission of Agriculture and Rural Development
Juliette King-McAvoy, Michigan Commission of Agriculture and Rural Development
Monica Wyant, Michigan Commission of Agriculture and Rural Development
Ken McFarlane, Chief Deputy Director, Michigan Department of Agriculture and Rural Development

CALL TO ORDER AND ROLL CALL

Chair Meintz called the meeting of the Commission of Agriculture and Rural Development to order at 9:13 a.m. on May 18, 2022. Vice Chair Chae called the roll with Commissioners Bergdahl, Chae, King-McAvoy, Meintz, Wyant, and Chief Deputy Director McFarlane present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER BERGDAHL MOVED TO APPROVE THE MEETING AGENDA FOR MAY 18, 2022. SECONDED BY COMMISSIONER CHAE. MOTION CARRIED.

APPROVAL OF MARCH 16, 2022, MEETING MINUTES

MOTION: COMMISSIONER WYANT MOVED TO APPROVE THE MARCH 18, 2022, MEETING MINUTES. SECONDED BY COMMISSIONER KING-MCAVOY. MOTION CARRIED.

NEXT SCHEDULED MEETING

The next scheduled meeting is July 20, 2022.

COMMISSIONER COMMENTS AND TRAVEL

Commissioners shared information relative to their farm operations, as well as agriculture in their respective areas.

Commissioner Meintz expressed concerns regarding fertilizer prices, lower purchases, and how that will affect yields. He also noted commodity prices have been increasing to cover costs.

Commissioner Bergdahl shared recent industry meetings attended.

Commissioners Bergdahl, Chae, King-McAvoy, Meintz, and Wyant, traveled to attend today's meeting. There was no other travel submitted for approval.

MOTION: COMMISSIONER BERGDAL MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER CHAE. MOTION CARRIED.

COMMISSIONER ISSUES

Commissioner Wyant shared retirement resolutions before the Commission recognizing Sean Dunleavy and Scott Kay.

When asked about the biggest change in agriculture in the last 23, Sean noted the shortage in the labor force, as well as retention of workers.

The Commissioners acknowledged and thanked Sean and Scott for their career and lifetime investments.

MOTION: COMMISSIONER BERGDAHL MOVED THE RESOLUTIONS FOR SEAN DUNLEAVY AND SCOTT KAY BE ADOPTED WITH BEST WISHES FOR THEIR LONG AND HEALTHY RETIREMENT. COMMISSIONER KING-MCAVOY SECONDED. MOTION CARRIED.

DIRECTOR'S REPORT

Chief Deputy Director McFarlane acknowledged Sean's and Scott's decades worth of knowledge and experience and thanked them for their service to the State of Michigan.

The Chief Deputy Director introduced Sarah Lucas, Deputy Director for the Office of Rural Development for the Michigan Department of Agriculture and Rural Development (MDARD). Mrs. Lucas summarized her more than 20 years of experience in community and economic development in rural areas of Michigan.

The Chief Deputy Director also introduced Jennifer Eyde, Interim Commission Assistant, as well as Interim Executive Assistant to the Chief Deputy Director until a permanent replacement is selected. Deputy Director Joseph Rivet accepted a position outside of MDARD. The search and selection for a new deputy director is currently in process. In addition, Michelle Selzer began on May 2 as MDARD's Western Lake Erie Basin (WLEB) Strategist.

Chief Deputy Director McFarlane shared the April 5 announcement of a conservation agreement with the U.S. Department of Agriculture's Farm Services Agency, reinstating Michigan's Conservation Reserve Enhancement Program (CREP). CREP is an important program for the water quality of Michigan and will help the State of Michigan reach the 40 percent phosphorous reduction entering the WLEB.

He also shared details of meetings in which he and Director McDowell recently participated, including a roundtable and press event at Michigan State University with U.S. Department of Agriculture Marketing and Research Programs Under Secretary Jenny Moffitt, the U.S. Senate Agriculture Committee Field Hearing, National Association of State Departments of Agriculture members meeting with Environmental Protection Agency Administrator Regan, and an Environmental Stakeholders meeting.

He also shared Director McDowell is currently participating in the Finland Inbound Trade Mission from May 16-18. The Director is also attending food and agriculture business tours this month. MDARD has received significant coverage and positive feedback of the tours from the Governor's Office and stakeholders. Future tours will also be coordinated in conjunction with upcoming Sampling Team Exercises across the state.

After more than two years of working remotely, office-based staff returned to the office on May 2 and will continue with hybrid schedules. All employees have remote work agreements in place which reflect their approved remote/office work schedule.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

MICHIGAN DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT GOALS AND OUTCOMES: Kevin Bambenek, Business Performance Specialist, Office of Organizational Innovation

Mr. Bambenek reported the Office of Organizational Innovation focuses on Performance Management and Information Technology. Mr. Bambenek's role focuses primarily on Performance Management, including employee safety, employee engagement, metrics and performance excellence, and lean process improvement.

Mr. Bambenek shared the process of collecting data from the six MDARD divisions, capturing the information, and reporting on the Governor's Dashboard. The metrics are used to ensure the department is meeting their key goals of economic development; environmental sustainability; food safety, human and animal health; and efficient effective government.

In response to questions from the Commissioners, Mr. Bambenek explained the metrics are captured from databases and information technology systems. The data is analyzed to identify trends and areas in need of process improvements to better serve MDARD's customers.

Commissioners expressed concerns with data driven measures versus the human aspect, emphasizing the importance of serving customers in the field and not getting lost in the data.

Chief Deputy Director explained how the data is reviewed along with the processes to identify if the department is performing effectively and where improvements might be needed. Supervisors have individual bi-weekly conversations with staff to also learn the personal stories behind the metrics.

In response to a question of tracking employee happiness, Mr. Bambenek shared the process of the Employee Engagement Survey that occurs every 18-24 months for all State of Michigan agencies, specifically, the Employee Landscape results. On the most recent survey, MDARD improved 5 percent, resulting in a 72 percent Champions level. The Champion level represents staff signifying a high level of engagement and likelihood of staying with the department.

ANIMAL DISEASE UPDATE: Nora Wineland, State Veterinarian and Animal Division Director and Megan Moriarty, Wildlife Veterinary Specialist, Michigan Department of Natural Resources

Dr. Wineland provided an update on bovine tuberculosis. Only one infected cattle herd was reported this year, in January, on a small dairy farm in Oscoda County. A new Memorandum of Understanding (MOU) for split state status regarding the risk of bovine tuberculosis was signed by MDARD, MDNR, and the U.S. Department of Agriculture. The MOU is effective until April 15, 2025. Dr. Wineland shared some of the updates and details of the MOU.

Dr. Moriarty provided an update on tuberculosis in white-tailed deer and the trends over time. The data provided only includes free-ranging (wild) deer.

In response to questions from Commissioner Meintz, Dr. Wineland indicated privately owned deer are evaluated for tuberculosis; however not included in the current MOU. This is under review and may be included in the next MOU.

Dr. Moriarty shared new wildlife tools under development, including the Force of Infection model that shows the rate of new bTB infections and geographic areas of highest disease transmission over time. A bTB vaccine is currently under development for white-tailed deer, but research is still ongoing to determine the best method of vaccine delivery.

Dr. Wineland provided an update on Highly Pathogenic Avian Influenza (HPAI). In January, the U.S. Department of Agriculture reported the first case of HPAI in wild birds in South Carolina. Indiana reported their first case in early February. Michigan followed with the first case of backyard HPAI in late February. The first, and only Michigan case so far, in commercial flocks was reported in May from a turkey producer in Muskegon County. More than 35,000 birds were depopulated.

Biosecurity efforts have increased, limiting the transmission of the virus. A stop order was also issued for fairs and swap meets. Communication and outreach with key stakeholders has been critical during the outbreak.

Dr. Moriarty reported on MDNR's role with wild birds and HPAI. The most susceptible birds are waterfowl and shore birds; raptors; and scavengers. Passive surveillance is being conducted based on watershed boundaries and treated on a case-by-case basis.

In response to Commissioner Meintz's question regarding the transmission of the virus, Dr. Moriarty stated birds have a viral shedding period of 10-14 days. Dr. Wineland confirmed the incubation period is 14 days. Some wild birds can be carriers, but not affected by the virus, while others are susceptible to disease and death following

infection. This virus is behaving differently than previous outbreaks. The length of time a wild bird carries the virus and shares it is unknown.

ECONOMICS AND GAP BETWEEN ON-FARM AND CONSUMER PRICING: David Ortega, Associate Professor, Department of Agricultural, Food, and Resource Economics, Michigan State University

Dr. Ortega shared how the farm share of the food dollar is calculated. The food dollar is defined as the U.S. consumer expenditures on domestic food and beverage. The U.S. Department of Agriculture shows \$.16 of every dollar spent on food goes back to the farm with \$.08 going to the farmer and the other \$.08 going to other pre-farm activities, such as fertilizer and seed providers. The bulk of the food dollar goes to the marketing bill, the activities post farmgate that add value to the product. The more processed the food product, the lower the farm share.

Another factor affecting the farm share is the market structure. The processing sector is highly concentrated. Over 2/3 of items at grocery stores are produced by one of four companies within a given category. These companies determine the price consumers pay and how much the producers are compensated. Trends show the association between the degree of consolidation in the industry and the gap between what farmers receive and consumers are paying at the grocery stores.

Dr. Ortega shared an example of increased costs in the beef industry. While the supply of beef has not decreased, the consumers' demand for processed beef has increased, raising the prices at the grocery stores. Other factors affecting the increasing price of food includes consumer behavior, labor shortages, transportation issues, supply chain disruptions, oil/gas price increases, supply effects of the Russia-Ukraine war, and limited fertilizer exported from China.

Commissioners expressed concerns with increased food prices and the consumers' perception of the money going directly to the farmer. Additional concerns included the effects of macroeconomics that are causing farms to expand to stay profitable, attracting more farmers and labor, and whether the government should play a role in diversifying the food systems to create more food security. In response, Dr. Ortega spoke about the importance of increased attention on the food supply. He emphasized the significance of analysis and information for decision making, communicating and educating consumers, and communicating to legislators.

In response to Commissioner Chae's questions on how to attract more farmers and make minimally processed foods more accessible, Dr. Ortega spoke of the farm to table movement and local, urban farm outreach to the younger generations.

**FOOD AND AGRICULTURE INVESTMENT FUND REQUEST: Jamie Zmitko-Somers,
Division Director, Agriculture Development Division**

Ms. Zmitko-Somers advised five Food and Agriculture Investment Program project requests are being presented for Commission consideration today.

The first project is Townline Poultry Farm, established in 1913 as a cow farm. Due to the growing poultry industry in town, it quickly became a chick hatchery. Today, Townline raises their own breeder flocks of 40,000 hens and produces corn on 300 acres as feed for the breeder hens.

Fourth generation owners and cousins, John Geerlings and Katie Geerlings, shared details around their \$3,549,396 investment. Their business has continued to grow for the past ten years, but most significantly during the last two years. The expansion will allow them to meet current customer demand, as well as site improvements including a hatching tray washer room, updated machinery to meet biosecurity requirements, and many energy-efficient upgrades.

Following questions around the project, Ms. Zmitko-Somers advised MDARD is recommending a Food and Agriculture Investment Fund performance-based grant of \$75,000 for Townline Poultry Farm.

MOTION: COMMISSIONER KING-MCAVOY MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT FUND PERFORMANCE-BASED GRANT OF \$75,000 FOR TOWNLINE POULTRY FARM. COMMISSIONER WYANT SECONDED. MOTION CARRIED.

Ms. Zmitko-Somers advised the second request is Wine Chips Inc., a gourmet potato chip company operating out of Huntington Beach, California since 2019. The company is interested in relocating their operation to Paw Paw, Michigan, given its desirable geographic location for production and distribution.

Co-founder Jonathan Strietzel shared details of the \$1,185,000 project, noting the investment will allow them to move the company to Paw Paw, build the company's flagship manufacturing facility, and invest in equipment. The project will create 25 jobs and enable Michigan chip potatoes to be used for chip production. Wine Chips Inc. has secured contracts with local farmers to purchase potatoes.

Ms. Zmitko-Somers advised MDARD is recommending a Food and Agriculture Investment Fund performance-based grant of \$65,000 for Wine Chips Inc.

MOTION: COMMISSIONER CHAE MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT FUND PERFORMANCE-BASED GRANT OF \$65,000 FOR WINE CHIPS INC. COMMISSIONER KING-MCAVOY SECONDED. MOTION CARRIED.

Ms. Zmitko-Somers advised the third request is Great Lakes Malting Company, located in Traverse City, Michigan. The company was founded in 2016 with a mission of connecting Michigan farmers to breweries and distilleries throughout the state. Great Lakes Malting Company currently malts barley, wheat, rye, oats, spelt, triticale, and a variety of other specialty grains.

President and Co-Founder, Jeff Malkiewicz, explained the three-step malting process and shared the cost for brewers to use locally grown grains is less than \$.25 per pint of beer and less per volume for spirits. Demand for malted grain has increased tremendously over the last 18 months. The \$280,630 project will allow Great Lakes Malting Company to purchase two more germinating vessels, doubling their current processing of 150 tons of grain per year, thus also increasing the need for local grain.

Ms. Zmitko-Somers advised MDARD is recommending a Food and Agriculture Investment Fund performance-based grant of \$40,000 for Great Lakes Malting Company.

MOTION: COMMISSIONER BERGDAHL MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT FUND PERFORMANCE-BASED GRANT OF \$40,000 FOR GREAT LAKES MALTING COMPANY. COMMISSIONER WYANT SECONDED. MOTION CARRIED.

Ms. Zmitko-Somers introduced the fourth request from King Milling Company, a family-owned and operated business from Lowell, Michigan. King Milling Company has been producing flour and wheat products since 1890.

President Brian Doyle introduced Executive Vice President Jim Doyle and shared the history and recent growth of the King Milling Company. The \$42.5 M project will include a grinding bin, wheat cleaning capacity, 8 finished flour bins, a quality assurance lab, and 6 new jobs. The proposed addition will increase production capacity by one million pounds per day, creating more opportunities for Michigan wheat growers. The new equipment will be more energy efficient and have automated, state of the art technology.

Ms. Zmitko-Somers advised MDARD is recommending a Food and Agriculture Investment Fund performance-based grant of \$250,000 for King Milling Company.

MOTION: COMMISSIONER BERGDAHL MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT FUND PERFORMANCE-BASED GRANT OF \$250,000 FOR KING MILLING COMPANY. COMMISSIONER KING-MCAVOY SECONDED. MOTION CARRIED.

Ms. Zmitko-Somers introduced the fifth request from La Colombe Coffee Roasters, located in Norton Shores of Muskegon County. La Colombe produces cans of coffee and coffee / milk products, which are sold in over 50,000 locations nationwide.

Neil Toensmeier, Senior Director of Production, shared details of the company's leadership philosophy and plans for the new production facility. The \$38 M new production facility will create a new high-speed bottling line for a 42-ounce multi-serve product in Allendale, Michigan and create the largest cold brew production facility in the

U.S. Moving the multi-serve line to the new facility will allow for increased production of the 9-ounce and 16-ounce products. La Colombe expects to increase Michigan milk usage from 3.5 million gallons to more than 7 million gallons of milk annually. The project is expected to create 74 new jobs at the new facility in Allendale.

Ms. Zmitko-Somers advised MDARD is recommending a Food and Agriculture Investment Fund performance-based grant of \$200,000 for La Colombe Coffee Roasters.

MOTION: COMMISSIONER BERGDAHL MOVED TO APPROVE A FOOD AND AGRICULTURE INVESTMENT FUND PERFORMANCE-BASED GRANT OF \$200,000 FOR LA COLOMBE COFFEE ROASTERS. COMMISSIONER KING-MCAVOY SECONDED. MOTION CARRIED.

BUDGET UPDATE: Sylvia Renteria, Director of Finance and Budget

Ms. Renteria provided an update on the Fiscal Year (FY) 2023 budget process. Since February, there have been eight appropriation sub-committee hearings with the Senate and House of Representatives focused on current investment proposals. She reviewed the FY 2022 budget versus the FY 2023 Executive, House, and Senate recommended budgets, noting the differences due to General Fund investment recommendations. Ms. Renteria also reviewed the smaller differences in the federal and technical recommendations.

There are two supplementals before the legislature. Senate Bill 885 would provide \$1.4 billion for MDARD, including allocations for farmers markets, food banks, infrastructure, and housing, among other categories. Discussions regarding FY 2023 base operations are current priority before discussions will move forward on Senate Bill 885. House Bill 5783 reverses a one-time deposit of \$3.2 million from the General Fund into the Agriculture Equine Industry Development, provided in the FY 2022 budget. More discussion is needed to understand the fund and how it operates.

The next step in the FY 2023 budget process is the Estimating Revenue Conference on May 20 to settle on General Fund targets. From there, discussions move to conference committees for the Senate and House to resolve differences. The goal is to get a balanced budget to the Governor by July 1.

LEGISLATIVE UPDATE: Ashley Steffen, Director of Policy Development and Legislative Affairs

Ms. Steffen referred to the MDARD Legislative Update provided to the Commissioners and reviewed status and activity around bills of interest to the department

PUBLIC COMMENT

No public comment on non-agenda items was requested.

ADJOURN

MOTION: COMMISSIONER CHAE MOVED TO ADJOURN THE MEETING. COMMISSIONER KING-MCAVOY SECONDED. MOTION CARRIED.

There being no further business, the meeting adjourned at 12:24.

Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes March 16, 2022*
- C) *Retirement Resolutions for Sean Dunleavy and Scott Kat*
- D) *Director May 18, 2022 – Issues of Interest Report*
- E) *MDARD Goals and Outcomes Presentation*
- F) *Animal Disease Update Presentation*
- G) *Economics and Gap Between On-Farm and Consumer Pricing Presentatino*
- H) *Food and Agriculture Investment Program Project Briefing Memos:*
 - a. *Townline Poultry Farm*
 - b. *Wine Chips, Inc.*
 - c. *Great Lakes Malting Company*
 - d. *King Milling Company*
 - e. *La Colombe Coffee Roasters*
- I) *MDARD Budget Update Presentation – May 18, 2022*
- J) *MDARD Summary of 2021-2022 Michigan Legislature – May 18, 2022*