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March 22, 2022

Chair Mike Sundin
House Agriculture Finance and Policy Committee
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Chair Mike Sundin and members of the committee:

On behalf of Minnesota Farmers Union (MFU), I write in strong support for provisions included in Governor Walz's supplemental budget request. We are motivated by the opportunity to build on investments your committee secured last session that will help farmers adapt to challenges, meet new opportunities, and implement lessons learned throughout the pandemic.

MFU is a grassroots general farm organization that has represented family farmers and rural communities since 1918. We believe strongly that foundational investments in agriculture and family farmers will help rural Minnesota's economy rebound from the disruptions brought about by COVID-19. The historic opportunity presented by the surplus and yet unspent federal aid can help build a farm and food system that is more resilient, distributed, and fair for farmers, workers, and consumers.

In the Governor's proposed supplemental budget for agriculture, we strongly support:

- **Meat and poultry processing** – we strongly support the proposed \$8.7 million investment in building out capacity at small and mid-sized processing plants, including:
 - \$3 million to expand and start new processing facilities through the state's AGRI value-added program
 - \$3 million for small processors to attract and retain employees
 - \$2.5 million in grants to Central Lakes and Ridgewater Colleges to support standing up their technical training programs
 - \$200,000 to strengthen the state's meat inspection program. Importantly, this will come with a 1 to 1 match from the federal government.

Last session you helped secure meaningful investments in small and regional meat processors, supported technical training, and made other foundational investments addressing the bottleneck in meat and poultry processing long experienced by producers and heightened by COVID-19. These were meaningful and appreciated by our members. That said, the need still far exceeds current investment—including from federal sources. As clear evidence of this, funding requests submitted to MDA's AGRI Meat, Poultry, Egg, and Milk Processing Grant this fall were well over four times greater than the funding made available by the legislature last session.

At the height of COVID-19, nationwide hotspots for infections were large packing plants. This deeply unfortunate reality caused a bottleneck in processing that resulted in farmers killing and composting or rendering market-ready hogs. This underscores the need to build a system that works better for farmers, workers, and consumers through meaningful state investment. Finally, the added benefit of making needed investments in meat processing next session is that a state match can help bring more federal dollars to Minnesota.

- **Creating an indemnity fund** – we strongly support creating a grain indemnity fund, supported by an initial state investment. This past summer, Pipeline Foods declared bankruptcy and many farmers who had delivered grain were left with massive unpaid bills. One family who belongs to MFU delivered over \$80,000 in grain that they later learned they would not be paid for. For a small, organic operation—and a young family with children—this was hugely challenging.

Over a dozen states, including Wisconsin, Iowa, North Dakota, Illinois, and Michigan, have indemnity funds which protect producers in the event of fraud, elevator collapse, or other events that result in nonpayment to producers. The historic opportunity of a budget surplus would allow Minnesota to invest in an indemnity fund that could ensure producers can weather elevator collapses like Porter in 2015, Ashby in 2018, Karlstad in 2019 and others in the case that bonds do not cover losses. In the case of Ashby, of the \$2.4 million in claims, the elevator's bond only covered \$125,000.

We have no doubt that your work to create a fund this year will save farms 20 years from now. This is an important, forward-looking investment and we look forward to working with you to get it done.

- **Supporting soil health** – we strongly support the proposed investment in helping farmers implement voluntary soil health practices. We believe that this powerful expansion of soil healthy work at MDA and BWSR will help get practices like cover crops, conservation tillage, and other soil health practices on the ground, helping farmers meet their goals to retain topsoil, hold water, and deliver other ecosystem services.

This is a historic opportunity to invest in the ways that Minnesota is already leading in providing farmers with the information, tools, and resources they need to continue pursuing on-farm climate action.

- **Reauthorizing cooperative development grants** – we support reauthorizing cooperative development grants and ask that you consider a foundational investment in this program. In the wake of COVID-19 and in the face of climate change and consolidation among processors, farmers are joining together to jointly market or add value to the products they produce. This opportunity is particularly important for emerging crops like the Forever Green Program's perennial wheat variety, Kernza, or industrial hemp, but it can also help farmers develop processing for meat and poultry and other products with established markets.

Importantly, cooperative development grants are different than other programs already offered by the Minnesota Department of Agriculture (MDA). The AGRI Value-Added program, for example, is targeted toward already established businesses to scale their work. The cooperative development grants proposed in Vice Chair Vang's bill would provide critical support for early-stage cooperatives, providing support for feasibility studies,

drafting bylaws, establishing financial systems, and otherwise preparing the cooperative to take investment from member owners.

Cooperative development grants at MDA will help groups of established and emerging farmers develop new and more resilient models for processing and marketing their products in the wake of COVID-19.

- **Emerging Farmers** – we strongly support the \$2 million to help Black, Indigenous, and Farmers of Color connect with department programs and build successful farm businesses in our state. We have a nation-leading array of programs that support farms in our state. This investment will help make sure that their accessible by people who do not speak English and other who we want to be able to build a life in agriculture.
- **Animal Disease Preparedness** – with High Path Avian Influenza on our doorstep and African Swine Flu an imminent threat to large and small pork producers, we believe that a proactive investment is needed.
- **E-Commerce Cost Share** – we support the investment in helping farmers get set up to sell to customers online. This builds on a successful program stood up during COVID-19 and will help more farmers find new markets for their products.
- **Farmers Market support** – we support the \$1.5 million to help farmers markets remain resilient. This builds on incredible work throughout the pandemic to make sure that farmers markets were safe and accessible.
- **Farm Business Management (FBM) Grants** – we support further investment in scholarships for farmers enrolled in FBM. Last session, your committee had good conversations about how to support farmers who find themselves in financial crisis. This is a good tool that can help farmers make difficult decisions, plan succession, and diversify their operations.
- **Noxious weeds** – we strongly support investing in noxious weed detection, control, and management. This is a threat to producers' livelihoods and Minnesota can continue to build on successful work to mitigate it.
- **Forever Green Commercialization** – we support the proposed investment in helping establish new supply chains and markets for perennial crops. We have producers growing these crops and they would benefit from further investment in risk management, processing, distribution, and marketing.
- **Hunger relief** – we support the proposed funding for hunger relief, including \$1.5 million for the Good Acre's Local Emergency Assistance Farmer Fund (LEAFF). This a great example of how investments in food assistance can be leveraged to build new markets for emerging farmers.
- **Farm and rural mental health** – we support broadening eligibility for mental health counseling and fixing the pass-through grant so that it can be administered through Region Five Economic Development Commission. This will help ensure MDA's nation-leading program can continue to serve farmers in Minnesota.

We believe that this is a strong, forward-looking budget. It implements lessons learned throughout the pandemic and would help build an agriculture industry that is more distributed and resilient. That said, we understand that a budget proposal is only the first step in the policy development process, and it will ultimately be up to you and your colleagues to appropriate a surplus and direct unspent federal relief. With that in mind, I want to highlight a couple priorities we would appreciate your committee's support for in a final proposal. In addition to what the Governor proposed, we support:

- **Biofuels** – we strongly support building on your investments in biofuels infrastructure and increasing the state's blend standard from 10 to 15 percent. This strengthens an important market for many family farmers, makes immediate reductions in our use of fossil fuels, and lowers the price consumers pay at the pump.
- **Funding for cooperative development grants** – we ask that you consider providing general fund dollars to support cooperative development grants. Reinstating this program with funding will help farmers develop processing and marketing for new products and keep more money in rural communities.
- **Land access** – we support building on investments made last session to help new farmers find and secure land. Though not in your committee, we still strongly support expanding the Beginning Farmer Tax Credit (BFTC).
- **Meat processing training** – in addition to the investments described above, we appreciate your consideration of supporting K12 meat cutting technical training.
- **Farm to School** – we support additional investment in the state's successful Farm to School program. This program a win-win, providing healthy foods to students and helping develop a reliable market for Minnesota farmers.

We appreciate your partnership and strong support of family farmers. Thank you for your work to date on crafting a supplemental budget. If you have any questions, please contact our Government Relations Director, Stu Lourey, at stu@mfu.org or (320) 232-2047 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink that reads "Gary Wertish". The signature is written in a cursive, slightly slanted style.

Gary Wertish
President, Minnesota Farmers Union

CC: Commissioner Thom Petersen