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April 4, 2022

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

Dear Chair Sundin and members of the committee:

On behalf of Minnesota Farmers Union (MFU), I write to share our strong support for provisions included in your supplemental budget proposal (HF4366) and to highlight items our members ask that you prioritize as you craft a final package. We appreciate you and your teams' work to craft this proposal, your responsiveness, and your attention to our priorities.

First, I want to start by thanking you for successfully advocating for a strong budget target for agriculture. We recognize that this is the start of a process, but we are greatly encouraged by the proposed investment in our state's farmers and agriculture economy. Throughout COVID-19 and last year's 30-year drought, producers demonstrated adaptability and identified opportunities to make our agriculture system more resilient. A strong supplemental ag budget—proportional to the state's historic budget surplus—will help implement lessons learned in the past year to build an agriculture system that is more distributed, resilient, and fair.

With that, I'd like to thank you for including a number of MFU priorities in your proposal, many in line with what was requested by Governor Walz in his supplemental budget request. **We appreciate that your bill includes:**

- **Expanding meat and poultry processing** and helping to implement lessons learned during COVID-19 and address the bottleneck in processing experienced by our members. Thank you for including:
  - **Investment in the AGRI value-added program** (13.3) to help start up, modernize, and expand meat processing facilities. This will build on the funding your committee secured last session, which is necessary given that the interest in this program from processors has outpaced available funds. Applications for the 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.
  - **Support for technical training programs** (23.11) set to start this fall at Central Lakes College in Staples and Ridgewater College in Wilmar. The colleges are working closely with their system office, farm groups, industry partners, workforce development agencies, the Minnesota Department of Agriculture, and others to address this workforce shortage by starting meat processing technical training programs set to begin next fall. These flexible, practical programs will give students

the skills they need to not only join teams at regional processors, but also take over existing plants to ensure these rural businesses continue into the next generation.

- **Grants for K12 schools** (25.5) to purchase the equipment and secure the training needed to introduce students to meat cutting, and complement their existing ag and vocational training. Much like in farming, many processors are approaching retirement and thinking about the generational transition of their businesses. This investment will not only help address a workforce shortage in the industry, but also inspire a next generation of small business owners who will take over existing plants.
- **Meat processor training grants** (24.29) to help small processors upskill and retain current employees. This investment is well-timed, because both colleges with meat processing training programs set to start in the fall are being designed in close partnership with industry and will have flexible options for customized training. Providing support for processors or their employees to attend trainings at these colleges or other institutions could help those businesses up their inspection status, add new species, or execute a generational transition.
- **Investing in MN state inspection program** (4.6) which will help get more processing plants online. Importantly, this will come with a 100 percent match from the federal government.

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. We hope you will consider increasing your investment as this bill moves forward.

- **Soil healthy grant program** (5.26; 34.10) that will help farmers implement voluntary practices that improve profitability and help farmers meet their goals to retain topsoil, hold water, and deliver ecosystem services. Many of our members are interested in these practices, but the initial investment in equipment, seed, or other inputs is prohibitively expensive without proof of concept. Grants proposed to advance soil health practices will create the financial bridge many farmers need to start implementing these practices.

Coming out of a once-in-a-generation drought, we see an 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.

- **Animal Disease Preparedness and Response** (22.29) to help producers and the industry manage the current and potentially devastating outbreak of High Path Avian Influenza and prepare for a potential outbreak of African Swine Flu. We strongly support this proactive investment, including in the University of Minnesota's Veterinary Diagnostic Laboratory (22.33)
- **Cooperative development grants** (28.9) which could 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. Many of our members 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 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.

Going forward, we hope you will consider providing general fund support for this new program.

- **Emerging and Beginning Farmers** support including down payment assistance (24.11, 33.22), services to immigrant and Black, Indigenous, and farmers of color (24.16), Farm Business Management (FBM) scholarships (13.22) and funding to better administer the Beginning Farmer Tax Credit (BFTC) (23.26). Taken together, this over \$6 million investment will help ensure that more young people can build a life in agriculture. We are encouraged by your committee's commitment to lifting up the next generation of farmers and advancing equity across the agriculture economy.

We believe strongly that this is an investment in not only those individual farms, but also the future of rural communities across the state.

- **Farmers Market support** (7.3) to help farmers markets remain resilient. This builds on incredible work throughout the pandemic to make sure that farmers markets were safe and accessible.
- **Noxious weeds** grants (3.12) to help with detection, control, and management. This is a threat to producers' livelihoods and Minnesota can continue to build on successful work to mitigate it.
- **Perennial cover commercialization support** (4.26) that will help 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.
- **Farm and rural mental health** fixes to protect farmers data (27.19), change the pass-through grant for counseling services so that it can be administered through Region Five Economic Development Commission (16.9), and add needed funding to the program (16.1). These changes will help ensure MDA's nation-leading program can continue to serve farmers in Minnesota.
- **Hunger relief**, including support for the Good Acre's Local Emergency Assistance Farmer Fund (LEAFF) (23.5). This a great example of how investments in food assistance can be leveraged to build new markets for emerging farmers.

- **Agricultural Utilization Research Institute (AURI)** investments to modernize facilities (26.34), purchase equipment (27.4), and attract and retain qualified staff (27.12). Our members work with the team at AURI often to bring new products to market, develop cooperatives, and otherwise add value to what they produce. AURI's technical experts are central to conversations about many priorities for your committee, including meat processing, advancing perennial cover, and advancing local food systems. Your investment will help ensure they can continue this good work.
- **Farm-to-School expansion** (13.32) to help build on the departments work to improve local markets for farmers and provide kids with healthy, local food. This program has been a success for participating farmers, schools, and the state.
- **Food Safety Analysis** (6.8) will help streamline licensing and regulations, helping new food business succeed. Last session, your committee made needed changes to the state's Cottage Food program. This analysis will build on that important work.
- **Local and regional food system report** (8.9) that will help highlight good work happening at the department and lift up opportunities to strengthen these important markets.

Thank you again for addressing these important issues in your budget proposal. We hope you will retain and these important investments as the bill moves forward.

We recognize that this budget reflects the next step in the process of developing a supplemental budget for agriculture and we appreciate your work. With that in mind, I want to highlight our support for initiatives that are not yet addressed in your proposal. **Going forward, we ask that you include support for:**

- **Creating a grain indemnity fund** supported by an initial state investment. At present, grain producers have some of the lowest protections in the nation. Our fear is that without action this session, more farmers will be harmed by a system that continues to fail farmers when elevators collapse.

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.

Fourteen grain producing 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 thank the Governor for prioritizing this investment in his budget request and ask for your support going forward. Your leadership on this issue matters.

- **Expanding work on meat and poultry processing** to include creative workforce development programs proposed by the department in their supplemental budget request. We believe the proposed grants for small processors to attract and retain employees is a creative idea for addressing a complex and systemic issue in the industry.
- **Increasing the use of biofuels** by building on your investments in biofuels infrastructure and increasing the state's blend rate standard from 10 percent 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.
- **E-Commerce cost share** to help farmers set up to sell to customers online. What is proposed in the department's request would build on a successful program stood up during COVID-19 and will help more farmers find new markets for their products.

I understand that crafting a budget requires difficult decisions. We appreciate to the opportunity to work with all of you to incorporate these priorities into a final package. Additionally, and as we go forward, I want to **thank you for relying on general fund dollars for new investments and not displacing current priorities in the Agricultural Growth Research and Investment (AGRI) program.** The undesignated nature of the fund helps MDA remain flexible, which allowed them to quickly and effectively respond to the unpredictable challenges experienced by producers and others across the food supply chain during COVID-19.

We appreciate your work to craft a supplemental budget and thank you for the opportunity to provide feedback on behalf of our members. If you have any questions, please contact our Government Relations Director, Stu Lourey, at [stu@mfu.org](mailto: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 style with a large, looped "G" and "W".

Gary Wertish  
President, Minnesota Farmers Union

CC: Commissioner Thom Petersen