

April 30, 2021

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Dear Conference Committee Conferees:

I want to thank you and your colleagues for the considerable work you put in to drafting your respective chamber's Agriculture Finance bills. Our agency appreciates your commitment not only to Minnesota's agriculture sector, but to community prosperity throughout our state. I look forward to working with all of you on crafting a budget that continues to invest in Minnesota's farmers and their communities.

Governor's Budget Requests

Earlier this year Governor Walz outlined his budget request for the Minnesota Department of Agriculture. Governor Walz invested \$113 million in general funds to respond to the needs of Minnesota's agriculture industry.

The Governor's agriculture funding priorities focused on enhancing the ability of the Department to respond to critical issues facing Minnesota agriculture in a time of extreme uncertainty for our family farmers and agriculture related businesses.

The Governor's agriculture funding priorities include:

- \$4,000,000 in FY22-23 to establish a biofuels infrastructure grant program.
- \$1,500,00 in FY22-23 to help address current and projected shortfalls in the Bioincentive Program.
- \$1,000,000 in FY22-23 to the AGRI fund for grants to support meat, poultry, egg, and milk processors.
- \$2,000,000 in FY22-23 to the Agricultural Best Management Program's (AgBMP) existing revolving loan account to increase its lending capacity.
- \$150,000 in FY22-23 to improve Minnesota FarmLink, an interactive web site that connects aspiring farmers with landowners interested in selling or renting their land and to create Farmland Access Teams.
- \$100,000 in FY22-23 to increase international trade and domestic market opportunities.
- \$220,000 in FY22-23 to provide timely meat inspections for small, local, and specialty meat processors to ensure food safety standards are met and businesses can operate efficiently. This funding would also generate matching federal money.
- \$450,000 in FY22-23 to the Department's Noxious Weeds Program to provide resources to manage and eradicate noxious weeds as well as provide grants to local governments to combat invasive weeds such as Palmer amaranth.
- \$40,000 in FY22-23 to expand the Farm Advocate Program by adding an additional Advocate to assist farm families with lender negotiations and mediations.
- \$50,000 in FY22-23 to complete development of IT infrastructure for licensing and managing data for hemp producers and processors.
- \$132,000 in FY22-23 to the Capital Equipment Replacement Fund to replace fully depreciated equipment in the Department's world-class laboratory to provide critical services that protect public safety, the environment, and the ag economy.

- \$500,000 in FY22-23 to establish the MAWQCP Climate Smart Farms Project to quantify and incentivize climate smart practices in agricultural operations.
- \$100,000 in FY22-23 for farm and agriculture mental health outreach to address the rural mental health crisis and provide farm assistance to our family farms facing financial collapse.
- Dedicates revenues generated from food handler license and vending machine inspection fees to the Agriculture Fund. Dedicated funds will allow the agency to experience the direct influence of changes within the regulated industries through the license and inspection fees received.

We are grateful that both HF1524 and SF958 included funding for critical components of the Governor's recommended budget. However, the Senate version of SF958 does give the Department concerns which I highlight below:

Agricultural Growth, Research, and Innovation Program (AGRI)

The Department has significant concerns with the changes made to the AGRI Fund. This program has created over 4,000 jobs in Minnesota and has leveraged over \$200 million in private investment, which has helped to diversify and strengthen Minnesota's agricultural economy.

In addition, the Department has concerns about earmarking AGRI dollars. Flexibility within this program allows the Department to be responsive to the ever-changing needs of Minnesota's agricultural producers. Fixed earmarks remove flexibility to shift funding from program to program based on quality and/or quantity of applications.

Below is a list of specific concerns we have with the proposed changes to AGRI contained in the Senate's version of SF958:

- Admin is capped at 3.8%. *This would result in layoffs*
- New Markets is capped at \$350k and \$50k of that is earmarked for industrial hemp IT. MDA has never used AGRI program funds for internal IT projects. Any AGRI IT costs have always been taken from AGRI Admin, not program funds.
- Taking the biofuels infrastructure from AGRI (along with the other earmarks) eliminates the ability to do Crop Research, Sustainable Ag, and GAP cost share

- The language on lines 10.8-10.9 is unnecessary because the Livestock Investment Grant statute already caps awards at \$50,000 per grant with a lifetime cap of \$50,000 per farm
- \$500,000 each year is for beginning farmer grants. This would be a new program and there is no guidance as to the substance of the program.
- Pass through grants to SMIF, Greater Mankato and Minnesota Turf Seed Council would be funded out of AGRI.
- The future base amount for AGRI is set at \$750,000 less per year than the Governor's budget.
- The Senate includes 41A.20 (the siding incentive) as an eligible incentive payment category for FY24-25.
- Does not include our proposed one-time funding for Farm Transitions
- Does not include MDA policy proposals for Publicity Representative or Sustainable Ag grants

Agricultural Chemical Response and Reimbursement Program (ACRRA)

The Senate version of the bill has language that would increase the ACRRA cap from \$350,000 to \$600,000. This would be difficult to implement as the language does not clarify the process that would allow costs over the maximum of \$350,000 to become eligible. As written this would require an immediate increase to the current fees to support the program. It is also unclear if the higher cap would apply to future applications or existing projects.

The ACRRA statute requires the Commissioner to maintain a fund balance between \$1 million and \$5 million. With an increase in the cap to \$600,000 per incident, it would be very difficult to maintain a balance to reimburse projects in a timely manner. If the account goes below \$2 million, statute requires the Board to limit the amount reimbursed to maintain a balance.

There has been testimony in Senate hearings that implied once an eligible party reaches the cap on reimbursement, they are no longer eligible for reimbursements but still have to pay fees. The ACRRA statute is set up to reimburse costs incurred by incident. There are several types of incidents that may be reimbursed for, and a given entity could be eligible for multiple incidents at the level of \$350,000. Comparisons have been made to the Wisconsin program that has a cap of \$650,000, however that is a one-time cap for the site of origin, and that site would be ineligible for funding for future incidents.

Noxious Weeds Program Funding Cut

Not maintaining the \$450k per year in noxious weed funding will eliminate three temporary positions who work directly with local governments and landowners to support local weed control efforts. These individuals have played a critical role in facilitating the noxious weed grant program by providing expertise and coordination for local efforts. Providing this State engagement to support local weed programs has been described by representatives for local governments as just as important as providing funding through grants. In particular, Palmer amaranth has demonstrated the need for the State to take action when a significant weed

threat emerges. Palmer amaranth has been discovered at 30 sites in Minnesota to date, but instead of growing and spreading as it has in neighboring states, due to the Department's work it has been eliminated from all sites but four and is anticipated to be eradicated from those sites as well. One of the critical components of the Department's response has been having staff who can quickly follow up on reports of suspected Palmer, facilitate treatments and monitor sites for Palmer re-emergence. The temporary staff in greater Minnesota who have been supported by these funds are the ones who have done this work and losing these staff will greatly reduce the Department's ability to respond to Palmer amaranth infestations.

In addition to Palmer, these staff have also produced significant results with other eradicate list species through work with local partners. For instance, we have made exponential progress in discovering sites with poison hemlock and knotweeds and getting management initiated. During the last year the weed program completed the "Tactical Invasive Plant Management Plan" which offers guidance for identifying what noxious weed populations should be prioritized for control by considering the economic and environmental costs and benefits of action and inaction. This plan positions the Department to have the biggest impact possible on noxious weed management in Minnesota.

Noxious weed acres receiving treatment have increased dramatically over the last several years and the Department is well-positioned to maintain this trajectory. However, reducing the noxious weed budget by 50% starting in FY22 will result in the loss of three temporary positions and the loss of momentum that the program has built. The immediate impact will be less support for local weed control efforts and little ability to respond to significant noxious weed issues such as Palmer amaranth.

Agricultural Emergency Account

The elimination of funds for the Ag Emergency Account in the Senate version of the bill will terminate the progress made to finance, train, and exercise a dedicated Incident Management Team (IMT) to respond to agricultural emergencies. Since the HPAI outbreak in 2015, the legislature has supported ag emergency preparedness and response, and that investment paid dividends in 2020 with a quick and efficient response to the pork and turkey market disruptions.

Removing this support would eliminate 1.25 FTEs from across the department that give the IMT instant expertise on any number of agricultural issues from dairies to ag chemicals. Removal also means that two full time positions will be slashed to part time. These positions are all critical to establishing a response relationship with the Board of Animal Health in the case of a disease event, the federal government (USDA, FEMA), and the livestock and poultry industry partners who depend on a strong and swift response to minimize the impact of an emergency on the ag economy. Without this infrastructure available in 2020, pork and turkey producers would have been entirely on their own in immediate depopulation and disposal plans and industry recovery time would have increased significantly.

Agricultural emergencies are always threatening the stability of an already uncertain ag economy. For two years, African Swine Fever has continued to spread across Asia and the Pacific, taking millions of pigs out of the food system. Highly Pathogenic Avian Influenza has surged in the United Kingdom last winter.

The Ag Emergency Account was reliable for countless hours of education, training, exercises, and situational awareness for the IMT. Apart from personnel, these funds have allowed the department to engage in outreach for emergency preparedness, to maintain and test poultry and swine depopulation assets, to travel to out-of-state conferences to present our successes and learn from other state and federal colleagues, and to maintain the reputation for excellence that Minnesota has so often brought to the national stage.

Dedicated Food License Fee Account

The Senate's version of the bill does not include language to create a dedicated food license fee account. This proposal will improve food safety program services by increasing both resiliency and responsiveness capabilities within the programs. Funds from this proposal will be prioritized towards professional food inspection staffing to ensure continuity and efficiency of licensing, inspection, investigation, and enforcement services provided to approximately 12,800 food handlers across the state.

Cottage Food Fees and Cap

The Senate's bill cuts cottage food fees in half without expanding the pool of registrants which would result in the MDA losing half the revenue to support the administration of the program. Furthermore, we look forward to continuing the conversation regarding an appropriate cap on income to qualify for the exemption to be a cottage food producer.

Capital Equipment Replacement Fund

The Senate's bill reduces funding for the Capital Equipment Replacement Fund. The Minnesota Department of Agriculture Laboratory is universally recognized as one of the best in the nation if not the world. Funding is needed to replace fully depreciated equipment to maintain the laboratory's ability to provide critical services that protect public safety, the environment, and the agricultural economy.

Pesticide Fee Increases

The Senate bill does not include proposed increases to pesticide fees for agriculture and non-agriculture products. The lack of increased funding for pesticide work will result in an inability for our state laboratory to keep up with pesticide monitoring and investigations. The proposal also included funding to address recommendations from the Office of the Legislative Auditor on MDA's pesticide program. Lack of additional funding will not allow for implementation of those recommendations. Finally, the proposal included positions for urban pesticide use outreach. With concerns about urban pesticide use and its impact on pollinators, these positions would provide technical resources to promote best management practices for pesticide use in urban areas.

Overall, the Governor's budget provides approximately \$5.4 million in new important and targeted investments in Minnesota agriculture. Such investments keep our industry strong and competitive and ensure Minnesotans of the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.

Thank you for your consideration of these items. I look forward to our continued work together on crafting a budget that continues to invest in Minnesota's agriculture sector.

Sincerely,



Commissioner Thom Petersen

CC:
Governor Tim Walz
Speaker Melissa Hortman
Majority Leader Paul Gazelka