Senator Vickerman from the Committee on Agriculture, Veterans and Gaming, to which was referred

S.F. No. 333: A bill for an act relating to agriculture; exempting certain farm labor housing from regulation as manufactured home park; amending Minnesota Statutes 2004, section 327.23, subdivision 2.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Jobs, Energy and Community Development. Report adopted.

Jim Vickerman..........................
(Committee Chair)

January 24, 2005..............
(Date of Committee recommendation)

Senator Fischbach introduced--

S.F. No. 333: Referred to the Committee on Agriculture, Veterans and Gaming.

A bill for an act

relating to agriculture; exempting certain farm labor housing from regulation as manufactured home park; amending Minnesota Statutes 2004, section 327.23, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2004, section 327.23, subdivision 2, is amended to read:

Subd. 2. [MANUFACTURED HOME PARK.] (a) The term "manufactured home park" shall not be construed to include:

(1) manufactured homes, buildings, tents or other structures temporarily maintained by any individual or company on premises associated with a work project and used exclusively to house labor or other personnel occupied in such work project; or

(2) two or less manufactured homes maintained by an individual or company on premises associated with an agricultural operation and used exclusively to house labor or other personnel engaged in the agricultural operation, provided the homes meet the requirements of section 326.243 and Minnesota Rules, parts 4630.0600, subpart 1, 4630.0700, 4630.1200, 4630.3500, and 4715.0310.

(b) The state Department of Health may by rule prescribe such sanitary facilities as it may deem necessary to provide for the sanitation of such structures and the safety of the occupants thereof.

"Attachment A"

Organic Agriculture in Minnesota – Current Highlights

Prepared by Meg Moynihan, Ag Resources Management and Development Division, Minnesota Department of Agriculture, January 2005.

MN Certified Organic Acreage
103,297 (#6 in nation out of total 2.3 million)

MN Certified Organic Farms
421 (#4 in nation out of a total 6,949)

Top 3 producer of Corn (1), Soybeans (1), Rye (1), Total Beans (1), Buckwheat (2), Total Grain (3), Pasture and Hay (3) (Data source: USDA-ERS)

Ag Resources Management and Development Division Organic Activities

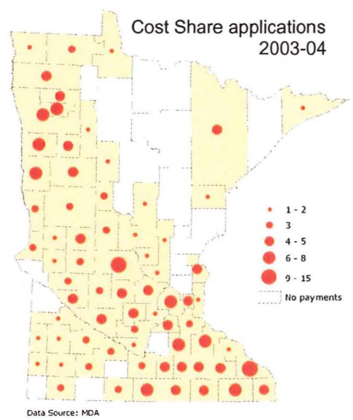
(M.S. 31.92-94)

- Co-sponsor Minnesota Organic Network that facilitates information sharing and promotes collaboration.
- Advise Minnesota Farm Radio Network's "Organic Minute" program.
- Produce directory of accredited certifiers active in MN
- Liaise with Minnesota Organic Advisory Task Force
- Coordinate multiple-agency Memorandum of Understanding on Organic Agriculture
- Coordinate MN Organic and Grazing Conference
- Respond to individual production, certification inquiries
- Prepare biennial legislative report

Federal funds (competitive grants) support two other programs: **Organic outreach** ($85,000); **Professional development training for ag advisors** ($60,000)

Administer **Organic Certification Cost Share Program** (currently using $235,000 in federal funds)

2002-2003 total applications – 261, total disbursed $99,460
2003-2004 total applications – 279

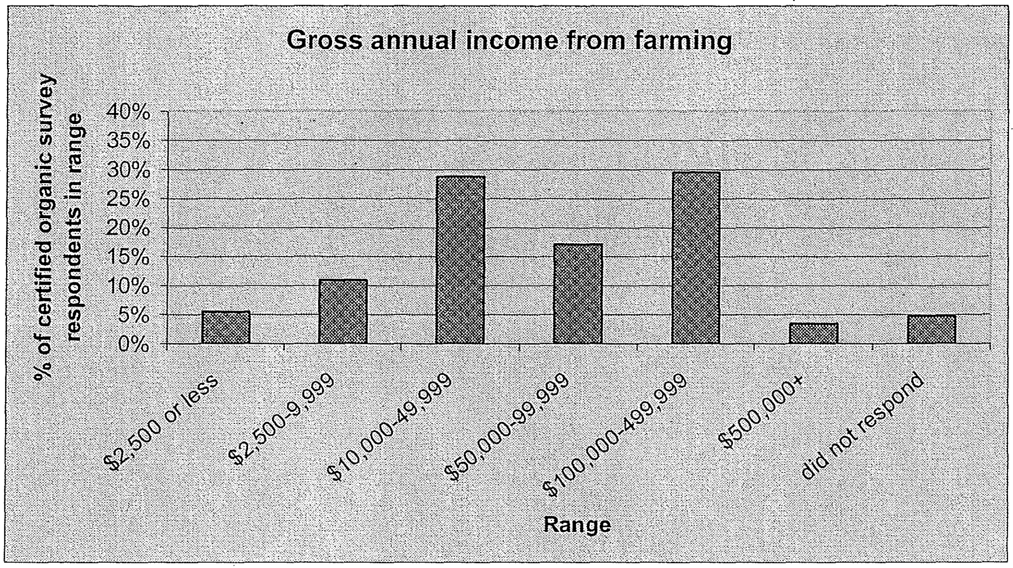


Preliminary Data from 2004 Organic Farmer Survey

146 certified organic respondents - about 30% MDA's estimated number of certified organic operation - farming a 47,726 acres (36,038 certified organic)

Organic farmers in MN appear to be slightly younger than farmers in the state as a whole:
18% are 40 or younger
39% are between 41-50
34% are between 51-60
19% are 61 or older
(According to USDA 2002 Ag Census, average age of all MN farmers in 2002 was 52.9 years)

Most certified farmers have a high opinion of organic farming's profitability
73% think organic farming is more profitable than conventional
23% think it's about as profitable
4% think it is less profitable



All respondents cited multiple reasons for growing certified organic

Buyers/markets	42%
Price premiums	68%
Philosophy	62%

Other reasons respondents cited include environmental, health/safety concerns, input costs

Top 4 production challenges

Weed control, Soybean aphid, Availability of organic seed, GMO contamination

Top 4 research needs

Weed management, Soil fertility, Soil health/biology, Variety selections

They used a variety of MDA services

Organic Certification Cost Share	67%
Greenbook	44%
Field days	37%
Organic & Grazing Conference	34%
Called to request info	23%
Web site	17%
Certifier Directory	9%
Marketing assistance	3%

They supported a number of projects that our program in Ag Resources Management and Development would like to explore: 1) voluntary product/producer directory; 2) state-issued affidavits for growers who are exempt from certification requirements; 3) acreage mapping survey to identify organic land.

The New Farm Organic Price Exchange (www.newfarm.org/opx)
Product Category Notes: Week of January 19, 2005

Minneapolis (grains only): Conventional grain prices are gathered from AMS sources. Organic prices are provided from elevators that trade organic grains throughout the year.

Fargo (grains only): Conventional grain prices are gathered from AMS sources. Organic prices are provided from elevators that trade organic grains throughout the year.

Grain		Minneapolis (grains only)		Fargo (grains only)	
Quality	Qty	**Certified**	**Conv**	**Certified**	**Conv**
Corn, #2 Yellow					
PQ	Bushel	$ 4.75	$ 1.73	$ 4.75	$ 1.67
Oats: Feed Grade					
PQ	Bushel	na	$ 1.94	$ 1.85	$ 1.76
Oats: Food Grade					
PQ	Bushel	na	na	$ 2.85	na
Soybeans: Feed Stock					
PQ	Bushel	$ 12.00	na	$ 15.00	$ 5.09
Soybeans: Tofu Type					
PQ	Bushel	$ 18.50	na	$ 20.00	na
Wheat: Hard Red					
PQ	Bushel	$ 7.00	$ 3.77	$ 7.25	$ 3.44
Barley: Malting					
PQ	Bushel	$ 3.75	$ 2.50	na	na
Barley: Feed					
PQ	Bushel	$ 2.75	$ 1.70	na	na

"Attachment B"

Organic Category Overview

prepared for

Senate Agriculture Committee
State of Minnesota

presented by

Chuck Enderson, President
Country Choice

January 24, 2005

What is Organic?

Definition

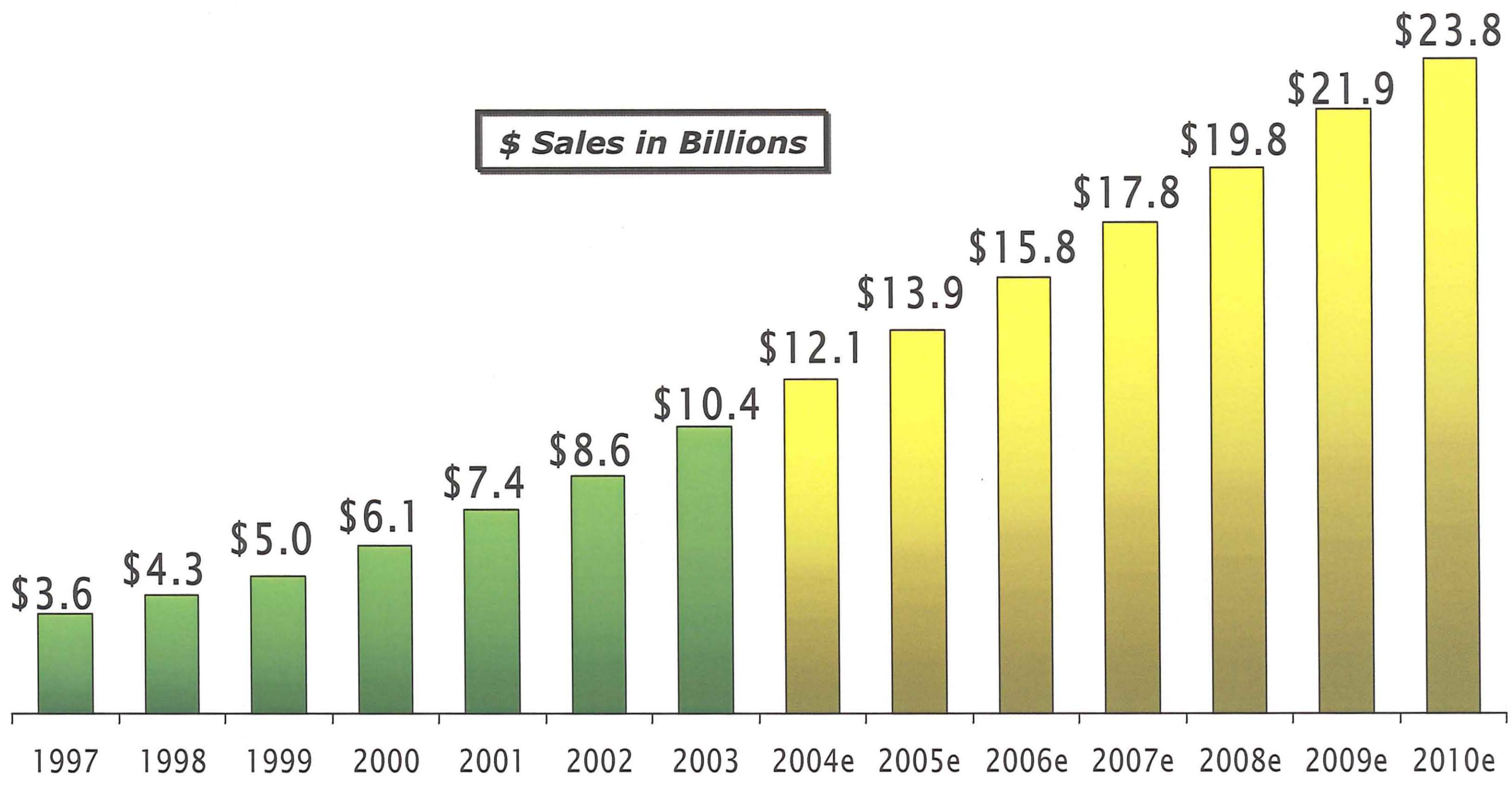
- An agricultural claim referring to a system of production that promotes bio-diversity and uses practices that maintain and enhance ecological harmony.

- USDA certified organic products are made with at least 95% organically grown ingredients, plus:
  - No use of synthetic fertilizers or chemical pesticides
  - No artificial preservatives or flavors
  - No GMOs
  - No hydrogenated fats

- Natural and Organic products are often merchandised together, but only Organic products have an accepted identity and are certified by the USDA.

Organic Sales Outlook

- Organic sales continue to grow +20% annually
  - Food industry as a whole expected to grow <3%



Source: 2004 Nutrition Business Journal

Growth Drivers

- Awareness of link between nutrition and health
- Avoidance of Pesticides, Herbicides, GMOs, Trans Fat
  - Media attention on contaminants in conventional foods
- Environmental Concerns
- Culinary Interest/Taste
- Mainstreaming of Organics
  - Improved product quality
  - Increased availability
  - Increased consumer awareness
  - Competitive retail price points
  - USDA Certification standards

Source: 2004 Nutrition Business Journal

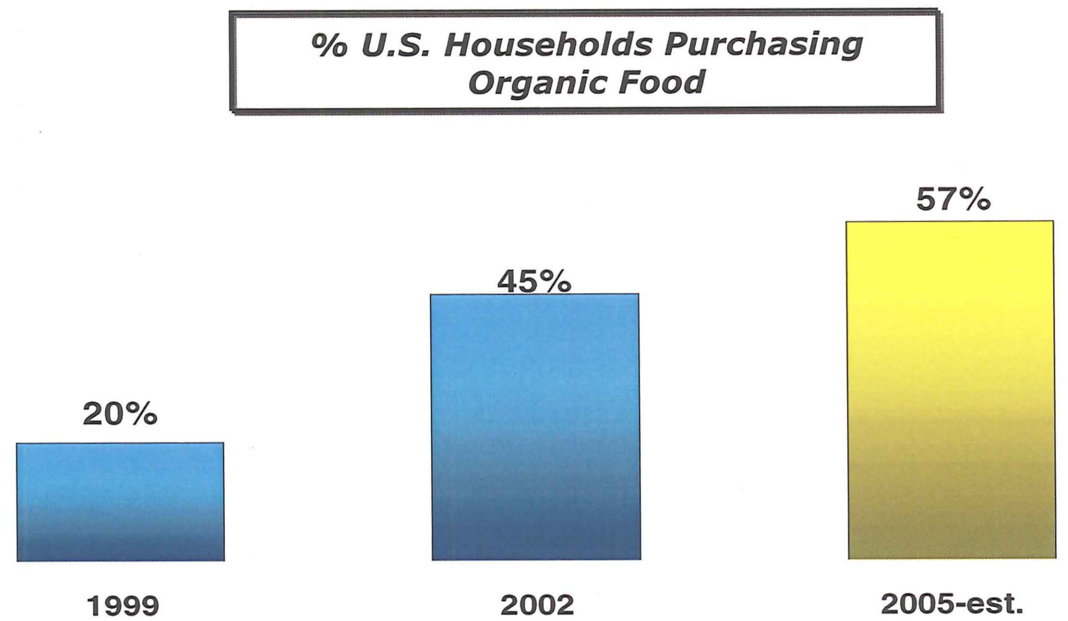
USDA Certification Impact

- USDA organic standards enacted October 2002
- Products with a minimum of 95% organic ingredients are allowed to use the USDA logo.

95 to 100% Organic Ingredients	70 to 95% Organic Ingredients	Less than 70% Organic Ingredients
"Organic" On front of the box	"Made with" On front of the box	"Organic" prohibited On front of the box

- Organic content is important to consumers and drives industry growth
  - Greater confidence
  - Easier identification
- More Education is Needed!

Consumer Penetration



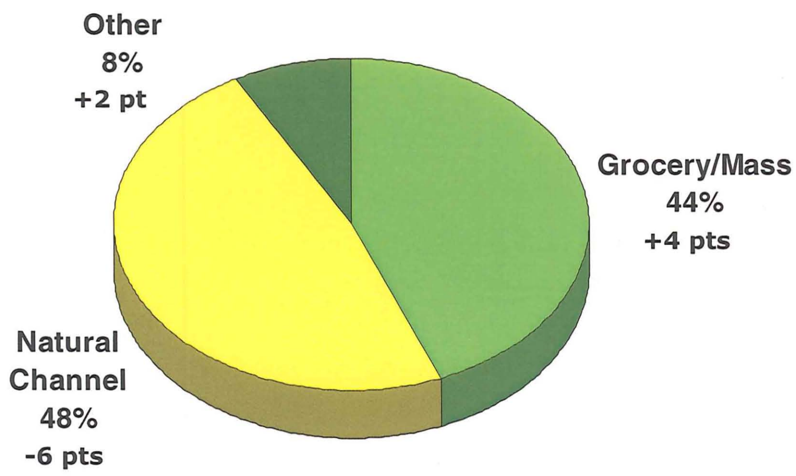
- 45% of consumers have tried organic product
  - 68% of 18-24 year olds purchase organic food or beverages "every time" or "sometimes"

Sources: Roper ASW 2002

Organic Availability

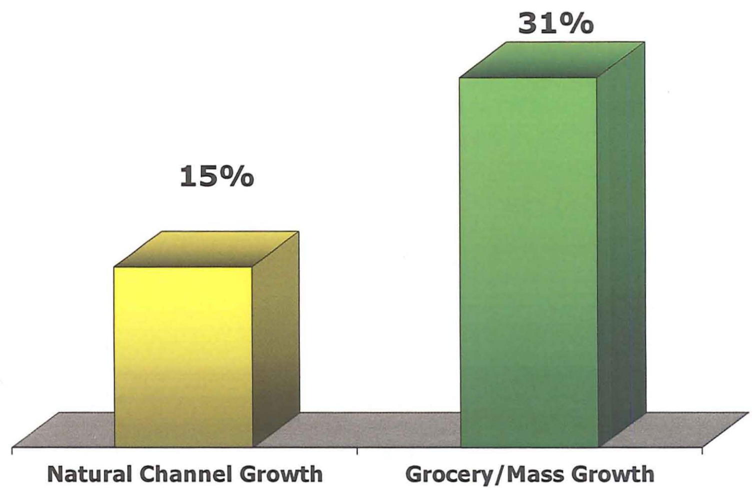
- Grocery channel accounts for 44% of organic sales

2003 Organic $ Sales By Channel



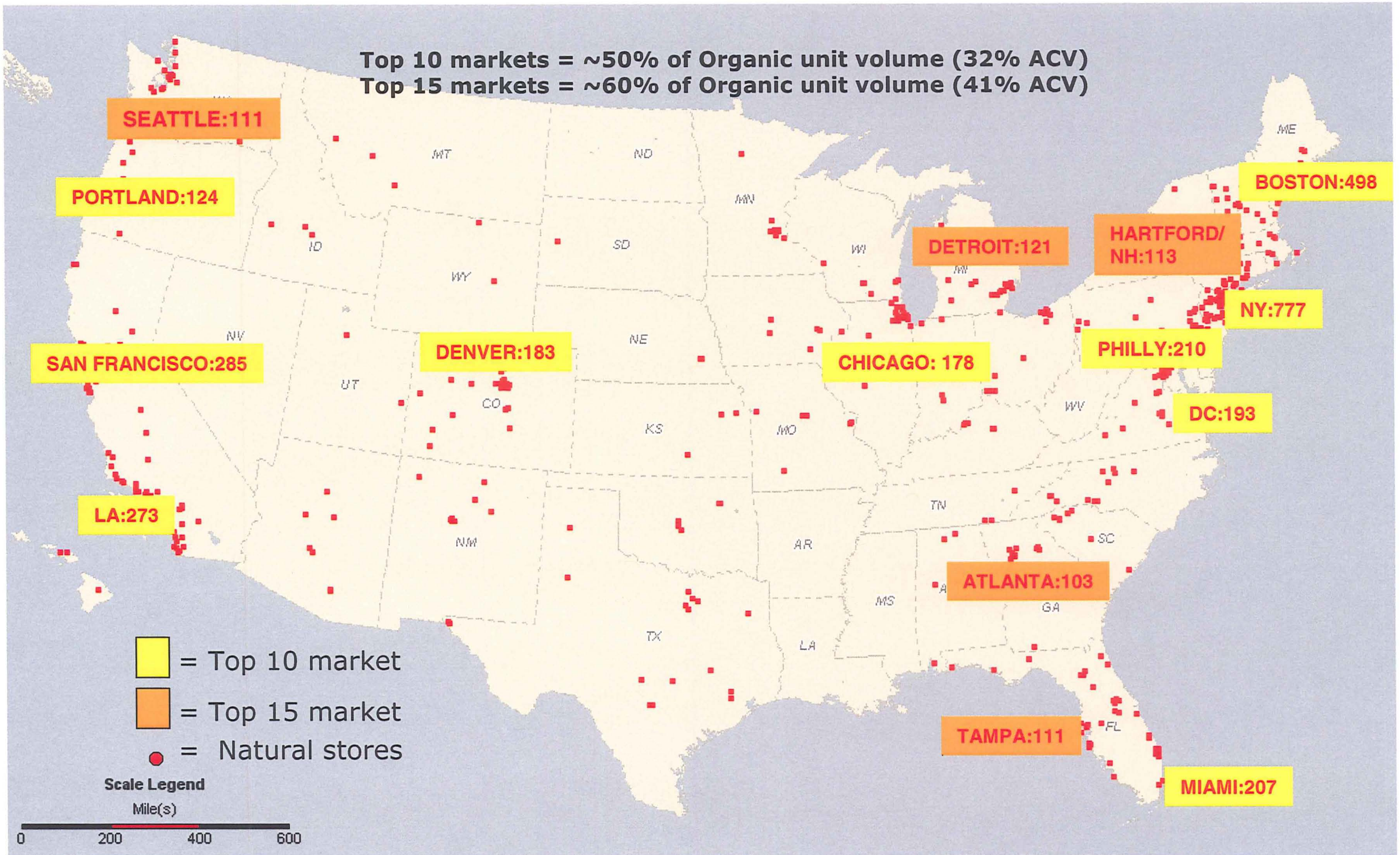
- Grocery organic sales growth outpaces Natural channel

2003 Rate of $ Growth for Organic By Channel



Sources: NBJ Organic Foods Report 2004

Organic Geography



Source: AC Nielsen 52 we 1.24.04
14 Top selling brands included=$900 million is sales of total $8.5 billion
Index=Market Unit Volume of Organic Brands/Market Avg*100

"Attachment C"

COUNTRY CHOICE ORGANIC

Chuck Enderson Comments for
Minnesota Senate Ag Committee Meeting
January 24, 2005

"For the record, my name is Chuck Enderson. I am President of Country Choice Inc. We are headquartered in Eden Prairie MN, and I am a member of the Minnesota Organic Advisory Task Force."

My purpose today is to highlight for you the tremendous growth of the organic industry and the opportunity for Minnesota farmers and retailers to benefit from ongoing consumer interest in organic and sustainable agriculture.

We started Country Choice in earnest in 1997. At the time, organics was growing, but it was still regarded as somewhat of a "fringe movement" in the retail food industry, and outside the reach of most mainstream consumers. The industry could be described as a collection of small independent growers, food manufacturers, natural and specialty food retailers, who marketed products with "interesting" taste profiles (namely, organic food didn't taste very good). We approached the marketplace with the goal of making it easy for consumers to choose to eat organic by making all of our products great tasting. Our goal is to make every product as good, if not better, than the conventional analog. And I am happy to say that the market has rewarded us. This year we mark our eighth year in business and we maintain a strong portfolio of organic products, including organic oatmeal, cookies and hot cocoa. Our annual revenue growth exceeds the organic industry standard of 20% and far surpasses current mainstream food industry growth. Our growth is being driven by:

- Increased consumer interest - as consumers begin to understand the link between the food they eat and personal well-being.
- Increased mainstream retail interest - as retailers look to capitalize on one of the fastest and most sustained growth areas in the U.S. food industry. In fact, even grocery giants like Wal*Mart and Costco now carry organic products.

Today, the face of organic is changing in numerous ways.

1. New organic consumers are motivated by personal health. They are upscale, educated, and generally unwilling to settle for any compromises. They expect organic products to taste great, be consistent in quality and readily available in their mainstream markets.
2. A once fragmented industry is changing through consolidation of existing companies and the addition of growth-seeking large multinational food corporations. Companies like General Mills, Kraft, Kellogg's, Coke, Campbell's and others have ongoing organic initiatives.

3. Mainstream retailers are expanding their investment and commitment to the organic industry, even to the extent of creating their own Private Label lines of organic products.

With the organic industry expected to grow 15-20% annually through 2010, eventually reaching nearly $24B (or roughly 4% of total food), opportunities exist for all industry participants involved in supplying organic food to the marketplace. These opportunities include:

1. Increased excitement at the retail level because organic products today are marketed in better and more appealing packaging, they taste good and they are much more available to consumers in a variety of choices on a consistent basis.
2. Premium pricing from the value added nature of organic products. Organic products generally command a premium to their commercial mainstream counterparts because consumers believe in the increased benefits they deliver.
3. Increased demand for raw material. As the demand from our consumer grows, finding sufficient, reliable sources of raw materials to sustain our growth at retail is becoming a challenge. Producers have a great opportunity to participate in further developing and sustaining the raw material pipeline.
4. Producer differentiation versus conventionally grown products. Proposing organic farming as a replacement for conventional farming would be impractical. However, I believe we provide a very sound alternative, to producers of all sizes (especially small to medium sized operations) who choose to raise their crops or livestock in a sustainable environment with a minimum of commercial inputs (commercial fertilizers, chemicals, antibiotics, growth hormones).

Looking ahead, consumer education will play a large role in the sustained growth of organics. While consumer awareness is growing, consumer confusion abounds. The USDA enacted organic standards in October 2002 establishing a uniform definition and put labeling requirements in place. Unfortunately, it fell short in adequately funding consumer education to spread the message. Today, the bulk of consumer education is left to organic food marketers. From a Supply Chain standpoint, education is also needed to help growers and livestock producers understand the organic opportunity as well as the certification requirements necessary for participation. In return, our farmers gain the opportunity to join one of the fastest growing movements in the food industry. Both areas present an opportunity for interested state and local governments to assist with these efforts. Organic can be good for everyone.

We ask for your help and support in meeting these exciting challenges before us.

Thank you for your consideration.

"Attachment D"

MINNESOTA FARMERS UNION

Chairman Vickerman, members of the committee, my name is Donnel Williamson, and I serve as President of the Kandiyohi County Farmers Union and today I am pleased to offer some brief written comments on behalf of the Minnesota Farmers Union concerning organic agriculture in Minnesota.

I farm near Spicer, Minnesota with my wife Christa and our two children. Our farm has been in my family for over 85 years, we currently grow certified organic crops and naturally raised livestock. With a total acreage of 160, 42 acres are dedicated to soybeans, 25 acres to oats, 18 acres to corn, 25 acres to alfalfa, the rest is homestead and pasture. We also raise beef and sheep. We work with Access Marketing to sell our organic crops. The soybeans are sold to Japan. Depending on the year, the corn is either sold organically or fed to our livestock. The oats and alfalfa are fed. We have been certified organic for 10 years.

Minnesota Farmers Union believes that organic farming may not be for every farmer, but for those who choose to farm that way, MFU believes that policies and policy makers should recognize the importance of organic farming and the trends that consumers are asking for more and more organic products, which is opening up new markets for Minnesota farmers.

MFU believes that some of the areas dealing with organics that the state and federal government should continue to play a key role are:

1. Continue organic certification cost sharing programs for producers at their current levels.
2. Continue to maintain the distinct market of organic agriculture by upholding national standards.
3. Support protection for organic producers from chemical drift and/or cross-pollination and provide reasonable redress for damage caused.
4. Continue to adequately fund positions at the MN Dept. of Ag, and the USDA to ensure that the state is competitive in organic agriculture.

Thank you for your consideration, and for taking time today to hear about the state of organic agriculture in Minnesota.

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