

March 30, 2022

The Honorable Torrey Westrom
Minnesota Senate Building, Room 3201
95 University Avenue West
Saint Paul, Minnesota 55155

Dear Chair Westrom:

I want to thank you and your colleagues for putting together the proposed agriculture budget contained in SF4019 and the Delete All amendment. Our agency appreciates the commitment of you and the members of the Senate Agriculture and Rural Development Finance & Policy Committee to the supplemental budget process.

First, I want to take a moment to reflect on all that has transpired since we were last together. COVID-19's impact on Minnesota and our nation cannot be overstated. Seemingly overnight our "normal" disappeared and everyone had to pivot and adapt to a new and uncertain reality. Farmers lost markets, processing plants closed, grocery stores struggled to protect their workers' health and the supply chain issues plagued all aspects of life. Each day brought more challenges, more questions, and precious few clear answers.

Yet even during the worst days of the pandemic, the employees of the Minnesota Department of Agriculture continued to serve the people of Minnesota. Our staff worked around the clock to help farmers access new markets, to dispose of thousands of livestock, to continue certifying pesticide applicators, to assist family farmers dealing with foreclosure and mental health struggles. Our staff did all of this and much more while trying to take care of themselves and their loved ones in a pandemic. The employees of the Minnesota Department of Agriculture have been true public servants in a time when public service matters more than ever. It is an honor to be associated with them.

I also want to thank you for the strong budget that you provided for the agency last year. We were able to make some important investments and respond to the changing needs of our agricultural producers.

Governor's Budget Requests

Earlier this year Governor Walz outlined his supplemental budget request for the Minnesota Department of Agriculture. Governor Walz invested over \$50 million in general funds to respond to the needs of Minnesota's agriculture industry. Many of these proposed requests came from the public portal, in which citizens were able to share their priorities and give feedback on how dollars should be invested. This helped the Department better understand the needs and focus efforts where there was broad support.

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:

- \$1,000,000 for noxious weeds and invasive plants
- \$5,000,000 to establish a grain indemnity fund
- \$100,000 to support laboratory testing for the Minnesota meat and poultry inspection program
- \$3,000,000 the second year is for grants to fund the Forever Green Agriculture Initiative at the University of Minnesota
- \$100,000,000 for a soil health financial assistance program
- \$1,500,000 to create and implement a program to support farmers markets and direct marketing producers
- \$150,000 to create and implement a program for specialty crop growers and value-added businesses transition to sustainable packaging solutions to comply with the Food Safety Modernization Act
- \$250,000 to expand the new markets cost-share program
- \$1,500,000 for grants to federally recognized economic development districts to assist small- to medium-sized meat and poultry processors hiring new employees
- \$1,000,000 for grants to facilitate the start-up, modernization or expansion of grocery stores, corner stores, farmers' markets or related food retailers
- \$250,000 to expand co-packing and shared cold storage capacity through grants to provide commercial production space and cold storage facilities
- \$300,000 for farm business management tuition assistance with priority to specialty crop farmers, urban farmers, and farmers facing mediation
- \$500,000 for grants to local governments, regional planning and economic development organizations and Tribal governments for planning and implementation of activities for value-added food and agricultural economic development
- \$2,000,000 to provide culturally appropriate services to emerging farmers and food-system-related businesses
- \$2,000,000 to support IT modernization efforts, including laying the technology foundations needed for improving customer interactions with the department for licensing and payment
- \$1,500,000 the second year is for transfer to the agricultural emergency account established under Minnesota Statutes, section 17.041, for emergency preparedness and response activities, including for the University of Minnesota Veterinary Diagnostic Laboratory

- \$3,000,000 the second year is available to create and implement a hunger relief program with grants to Second Harvest Heartland, on behalf of the Feeding America food banks that serve Minnesota, and to The Food Group
- \$2,000,000 the second year is for transfer to the Board of Trustees of the Minnesota State Colleges and Universities to support livestock processing technical education at Central Lakes College and Ridgewater College
- \$1,000,000 the second year is for a grant to The Good Acre for the Local Emergency Assistance Farmer Fund (LEAFF) program to compensate emerging farmers for crops donated to hunger relief organizations in Minnesota
- \$17,000,000 in fiscal year 2023 is appropriated from the general fund to the Board of Water and Soil Resources to accelerate the adoption of soil health practices

We are grateful that the Senate chose to include funding for a number of these recommendations including IT modernization, meat processing, the Ag Innovation Campus, Forever Green, and Animal Disease Preparedness and Response. The Department looks forward to better serving farmers through improved IT capabilities and providing more services virtually. With numerous cases of the Highly Pathogenic Avian Influenza (HPAI) in both backyard and commercial flocks, funding for Animal Disease Preparedness and Response is especially critical and timely.

However, SF4019 does give the Department concerns, and as it moves to the Senate Finance Committee, I would like to highlight some of these concerns:

Noxious Weeds

Preventing and eliminating noxious weeds is important to farmers and the environment. In particular, Palmer amaranth has demonstrated the need for resources so counties and the State can take action when a significant weed threat emerges. Palmer amaranth has been discovered at 30 sites in Minnesota to date. More funding would help local governments prevent noxious and invasive weeds from getting established in Minnesota.

Agricultural Chemical Response and Reimbursement Program (ACRRA)

The language in the delete all amendment that would lay out an ongoing increase of the maximum reimbursement over five fiscal years is concerning to the Department. This approach has the potential to slow down and possibly stop cleanup until the maximum reimbursement is at its highest point. Although such an incremental increase would seem to reduce the impact on the fund, it is important to remember that the current statute allows for eligible parties to come in for reimbursement for up to three years after they have incurred the cost or a corrective action plan is approved. With this delay it may not lessen the impact to the fund, but rather put it off into the future. Any increase in the maximum reimbursement amount would still require an increase in the surcharges to maintain the fund balance between \$1 million and \$5 million.

This type of incremental increase would also cause significant administrative time and expense to implement as we would need to continually change our reimbursement formulas and education to the eligible parties.

Grain Indemnity Fund

The Department is disappointed not to see this included. With recent elevator failures and more recently Pipeline Foods, farmers are receiving cents on the dollar for grain that they sold in good faith. This loss can be

devastating to a farmer, push them into bankruptcy and potentially lose their farm. The Grain Indemnity Fund would collect fees from all grain sold to licensed buyers and create a safety net in the case of a failure. With a large budget surplus, now is the time to put our farmers first and ensure their financial safety in all grain sales in the state.

Farm Business Management

This program is an effective tool for beginning and emerging farmers as they begin their farming career. Providing this financial assistance supports these farmers in learning how to manage and operate their farm efficiently and effectively.

Administrative Costs

We have frequently seen an underinvestment of implementation assistance for the many important programs the agency administers. The Department takes program delivery seriously and staff are continually going above and beyond to serve the people of Minnesota. When programs are added and are not allowed the adequate funding to implement them, we are unable to provide the high level of service that Minnesotans deserve, and it does a disservice to the state and our agricultural economy. We would welcome a continued conversation on this topic.

Overall, the Governor's budget provides over \$50 million in 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.

Together we have successfully built three previous Department budgets, and I look forward to continuing to craft this supplemental budget with you. I believe that this budget will ensure we continue to invest in Minnesota's agriculture sector, and I thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Thom Petersen".

Thom Petersen
Commissioner

CC:
Senate Finance Committee Chair Julie Rosen