



## Department Update

Thom Petersen | Commissioner

January 22, 2025

# Minnesota Agriculture: An Economic Cornerstone

## Minnesota's ag industry:

- 65,300 farms
  - Average size of 389 acres
- Generates \$105.6 billion in sales
- \$13.1 billion crop sector
- \$8.91 billion livestock sector
- \$10 billion in exports
- Supports more than 388,000 jobs



# Minnesota Agriculture: An Economic Cornerstone

## Minnesota ranks in the top 10 in more than 20 agricultural products

- #1 in sugar beets, turkeys raised, green peas, sweet corn for processing
- #2 in hogs, wild rice, dry edible beans, spring wheat
- #3 in soybeans, sunflower, canola, dry beans, oats
- #4 in corn
- #5 in ethanol production
- #6 in meat animals, cheese, total ag production, crop production, rye
- #7 in wheat, barley, honey, mink pelts, mohair
- #8 in dairy milk, snap beans, livestock production
- #9 in potatoes

# Minnesota Agriculture: An Economic Cornerstone

- Minnesota Grown
  - 1,395 members
  - 120 CSAs (Community Supported Agriculture)
  - Over 375 farmers' markets
- Organics in Minnesota
  - 916 total organic operations
  - 253 organic processors
  - 663 organic farmers
  - Over 227,000 acres with an average of approximately 350 acres per farm



# Minnesota Department of Agriculture

***"Our mission is to enhance all Minnesotans' quality of life by equitably ensuring the integrity of our food supply, the health of our environment, and the strength and resilience of our agricultural economy."***

# Minnesota Department of Agriculture

**Our 508 employees provide many services that impact Minnesota residents every day:**

- We promote Minnesota farm products in local, state, national, and international markets.
- We respond to diseases and pests that threaten agriculture and natural resources.
- We inspect all grocery stores and convenience stores, as well as all dairy farms and processing plants.
- We regulate feed mills and fertilizer plants.

# Minnesota Department of Agriculture

## **We have two main areas of responsibility:**

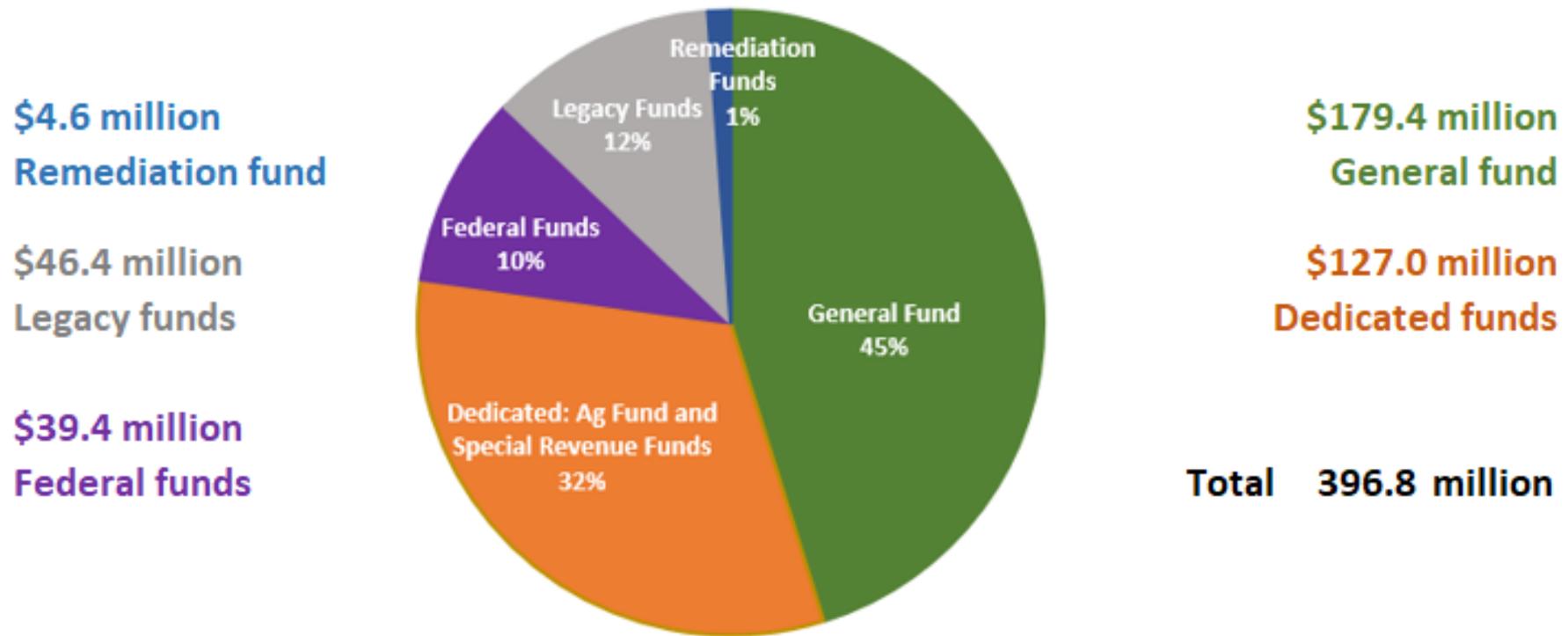
- We are the primary state agency responsible for protecting the state's food supply and a key player in protecting the state's natural resources.
- We are the primary agency responsible for supporting and promoting the state's ag industry and economy.

## **We carry out our responsibilities through our main program areas:**

- Agricultural Marketing and Development
- Dairy and Meat Inspection
- Food and Feed Safety
- Laboratory Services
- Pesticide and Fertilizer Management
- Plant Protection
- Rural Finance Authority

# MDA Fund Overview

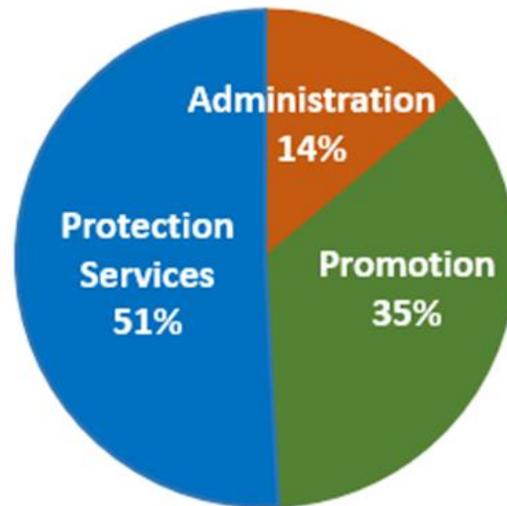
## MDA FY2024-25 Expenditures by Fund



# MDA Funding by Budget Activity

## MDA FY2024-25 Funding Sources by Use and Budget Activity

MDA's mission is to enhance Minnesotans' quality of life by equitably ensuring the integrity of our food supply, the health of our environment, and the strength and resilience of our agricultural economy.



Pesticide and Fertilizer Management	\$ 100.5	million
Plant Protection	\$ 30.0	million
Laboratory Services	\$ 24.7	million
Food and Feed Safety	\$ 29.6	million
Dairy and Meat Inspection	\$ 16.9	million
Agricultural Marketing and Development	\$ 82.9	million
Agricultural Advancement Programs	\$ 44.6	million
Grants and Assistance	\$ 12.6	million
Agency Services	\$ 55.0	million
<b>Total</b>	<b>\$ 396.8</b>	<b>million</b>

# AGRI Farm to School (F2S) and Early Care Grants

## **FY2024 Grants**

- Received requests for \$1.83 million and \$935,000 awarded
- 62 grants for food purchases, including 21 schools and early cares new to F2S
- 17 Equipment grantees (15 schools, 2 early cares)
- First year that early care centers were eligible for funding (14 received awards)

## **FY2025 Grants**

- \$1,051,000 available - currently being awarded
- 73 grant applications received - \$1.585 million requested
- First year that family child care providers (in-home day cares) were eligible for funding
- The Local Tots Cost-Share was developed for family child care providers to purchase up to \$500 of Minnesota-grown and -raised products to serve in their meal and snack programs - 195 Letters of Intent were received

# Local Food for Schools and Child Care

## FY2026

- USDA Agricultural Marketing Service has obligated \$13,271,866 to the MDA for the Local Food for Schools and Child Care Cooperative Agreement Program (LFSCC)
  - \$9,226,348 for food purchases for schools, and
  - \$4,045,518 for food purchases for childcare institutions
- Cooperative agreement signed January 2025
- State Plan due by April 30
- Three-year timeline to spend funds

# Sustainable Aviation Fuel (SAF) Tax Credit

## What is it?

- \$1.50/gallon tax credit for SAF produced or blended in the state between July 1, 2024, and June 30, 2030
- The tax credit stacks on top of federal Inflation Reduction Act tax credits to give Minnesota a competitive advantage
- A total of \$11.6 million appropriated for FY25-27

## Why is it important?

- Wide-scale production and use of low-carbon jet fuel is key to decarbonizing aviation
- MN-made SAF will bolster rural economies and provide additional revenue streams for farmers

# SAF Updates

- In consultation with MN Dept. of Revenue, the MDA developed a tax credit allocation certificate application form and guidance document
- GreaterMSP launched the MN SAF Hub partnership to help create the supply chain to grow feedstocks and produce SAF on a large scale
- SAF made from MN-grown camelina was used in a Delta flight from MSP to NYC for climate week in September 2024
- The U.S. Department of Energy awarded \$10 million to the UMN Forever Green Initiative to advance the production of low-carbon crops that can be made into SAF
- The state's first SAF blending facility is scheduled to come online in late 2025 and will deliver SAF to MSP

# Maintaining MN's Competitive Advantage with SAF

Passage of the SAF Tax Credit in the 2023 session was a historic state investment in a cross-cutting climate solution to produce cleaner aviation fuel that supports Minnesota's rural and agricultural economies. Additional policies and incentives will help accelerate and scale SAF production in the state.

- Supplemental tax credit rate for SAF with carbon intensity reduction beyond 50%
- Increased SAF Tax Credit funding to support this energy transition

# Green Fertilizer Grant Program

- Supports agricultural and rural electric cooperatives registered as 308A or 308B with the State so they can invest in green fertilizer manufacturing
- Green fertilizers have significant climate and sustainability benefits compared to fossil-fuel derived nitrogen-based fertilizers
- Applications open now through March 18 and may award between \$250,000 and \$6,665,000 for business-ready and shovel-ready projects
- \$7 million in funding

# Community Development Financial Institution (CDFI) Technical Assistance Grant

- \$275,000 one-time funding available to support to certified community development financial institutions (CDFIs) to expand financial services to farmers
- The applicant pool for this grant was relatively small as there are only 33 certified CDFIs in Minnesota
- Applications opened in summer 2024 and the MDA received 3 eligible applications
- Proposals requested nearly \$590,000—more than two times the \$270,000 available for awards
- Award contracts are underway

# Beginning Farmer Equipment and Infrastructure Grant

- \$800,000 to support new farmers to access equipment and develop infrastructure that will be crucial to the future of their farm business
- Updated the program language in 2024 to give priority to applicants experiencing limited market access and limited land access
- Up to \$5,000 for a mini grant or up to \$20,000 for a full grant
- Applications opened in fall 2024 and received 1,100 eligible applications for \$16.8 million—more than 20 times the \$800,000 available
- Applications from 85 counties
- Awardee decision and communication underway

# Urban Farm Conservation Mini-Grant

- \$200,000 over two award cycles – funding from USDA Natural Resources Conservation Service – to support commercial urban farmers in Minnesota to implement conservation-focused urban farm improvements.
- Request amount of up to \$5,000
- \$75,000 is available in the first round
- Applications opened November 2024 and are due January 30

# Down Payment Assistance Program

## Overview

- \$15,000 for first-time farm buyers
- 71 awards in first two rounds (January 2023– June 2024)
- First two rounds funded \$1,065,500 in down payment assistance to MN farmers -  
Third round funded for FY25 for \$1 million

## Eligibility

- Minnesota resident, individual
- Earn less than \$250,000 annually in gross agricultural sales
- Applicant and applicant's spouse first time owning farmland
- Must own and farm the land for at least 5 years

# Soil Health Financial Assistance Program

- A primary obstacle to greater expansion of new crops, regenerative ag, soil health, etc. is access to financial support for the specialized equipment required for those efforts
- This program is unique because existing financial assistance programs (USDA-NRCS, other cost-share) prohibit payments for equipment
- For purchase of new/used soil health equipment & parts to retrofit equipment
- Awards from \$500-\$45,000 (up to 50% cost share)
- Individuals, producer groups, tribal governments & local government units can apply
- \$2.375 million (\$625K General Fund and \$1.75M Clean Water Fund) in FY25 statewide with addition of one-time \$495,000 General Fund in 8 SE MN counties

# Soil Health Financial Assistance Awards

## FY23: Pilot Program

Applications	Awards	\$ Awarded	\$ Requested	Affected Acres (annually)
238	16	\$478,192.68	\$6.5 million	34,998

## FY24

Applications	Awards	\$ Awarded	\$ Requested	Affected Acres (annually)
284	81	\$2,358,861.51	\$8.4 million	141,741

## FY25

Applications	Awards	\$ Awarded	\$ Requested	Affected Acres (annually)
309	90	\$2,796,447.69	\$9.6 million	132,332

# Southeast Minnesota Water Treatment

- The MDA received \$2.8 million starting July 2024 to provide mitigation to private wells contaminated with nitrate in eight southeast counties
- 126 reverse osmosis systems had been installed as of Jan. 16
- 173 residents have turned in their applications for a reverse osmosis systems as of Jan. 16
- The MDA has estimated 500 to 1,000 systems may be installed depending upon identified need/demand

# Meat Education and Training Grant

- Appropriated \$225,000 in AGRI to do another round of grants to secondary schools and technical education programs to start or expand their meat cutting and butchery curriculum
- Anticipate releasing the RFP for these funds in late January/early February
- Applicants will be able to request up to \$75,000 for costs such as equipment, facility renovation, and faculty training
- A prior round of grants was offered in FY23:
  - Received proposals from 16 schools totaling \$710,383 and awarded \$350,000 to nine school districts
  - Those schools have completed projects such as building a mobile meat processing trailer, updating classrooms, and training faculty

# Meat Inspection Program

## Meat and poultry processing growth continues

- COVID demand drove new slaughter and processing capacity
- Grant money to support new plants, expansion of existing
- School meat processing grants – successful starts in multiple schools

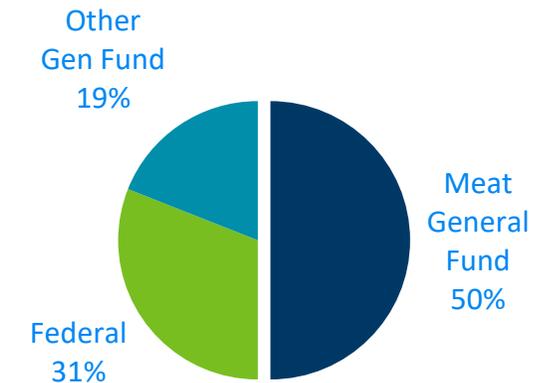
## Inspection program resources

- Meat Processing Liaison outreach position – significant positive impact
- Staffing levels are adequate as of now, but with some gaps (veterinary)
- “Equal To” program funded by USDA “Up to 50%” – normally provides full 50% match
- Funding for staff and laboratory testing is falling behind due to federal match shortfalls
- Starting to reduce staff to ensure within budgets

Normal Funding Sources



Federal FY 2024



# State/USDA Funding

- Continued reductions will have severe impact on program
  - For Federal FY24, USDA provided \$2,000,000 match (**19%** short of full 50%)
  - Other Gen Funds used to supplement, shift staff off meat, hold veterinary and compliance positions open
- USDA projections to provides *less than* \$2 million in FY 2025 - significant impacts would start even earlier
- May have to reduce or eliminate important food safety activities, including *Listeria monocytogenes* testing (cannot support laboratory costs)
- Cannot continue to support mandated inspection frequencies

	FY 26	FY 27	FY 28	FY 29
<b>General</b>	-323,000	-357,000	-357,000	-357,000
<b>Federal</b>	-489,000	-617,000	-655,000	-655,000
<b>Total</b>	-812,000	-974,000	-1,012,000	-1,012,000
<b>FTE Impact</b>	-5.42	-6.46	-6.71	-6.71

Meat Inspection Financial Projections – Next 4 Years

# Other Federal Funding Concerns

## Food safety

- Planned FDA reductions to state and local program funding due to budgetary constraints
- The MDA has already absorbed federal funding reductions since 2019, resulting in an annual revenue reduction totaling \$965,000.
- When combined with inflation and operational expense increases, the MDA food safety programs are now predicting a funding shortage of approximately \$2.495 million in FY26
- Further reductions in federal funding will result in personnel reductions.

## Invasive species

- The MDA faces a 20% cut for spongy moth management from USDA APHIS as the pest advances into the state
- Additionally, cuts to invasive species monitoring, which has seen flat funding for 20 years, limit the state's ability to detect and manage new threats

# Food Licensing Modernization

## **Need for change to licensing structure and fees**

- Current structure is based in 1970s landscape of singular business types
- Inflationary impact since 2003 is substantial
- Change proposal is informed by diverse group of businesses and users of the system

## **Desired outcomes**

- Simplified licensing structure adaptive to modern food business models
- Correlate system to food safety risk and corresponding assessment needs
- Provide flexibility for licensees allowing for evolution of new / small operations

# Cooperative Financial Reporting

- The 2024 Legislature required the commissioner to convene a cooperative financial reporting workgroup and develop recommendations relating to requirements for cooperatives to report on financial conditions
- The MDA conducted two virtual meetings – one with producers/members and one with cooperative managers and staff
- The MDA does not recommend additional requirements for cooperatives to report on financial conditions, due to existing statutes and the democratic principles of cooperatives

# H5N1/Avian Influenza

- Detections of HPAI in poultry and wildlife continues
- Minnesota is now enrolled in USDA's National Milk Testing Strategy
- The strategy facilitates comprehensive H5N1 surveillance of the nation's milk supply and dairy herds
- There is a five-stage roadmap to demonstrate the elimination of this virus from dairy herds
- Testing to begin in February

# National Milk Testing Strategy Stages

## Stage 1

- Standing up mandatory USDA National Plant Silo Monitoring study
- Silo testing

## Stage 2

- Determining a state's H5N1 dairy cattle status
- Bulk milk tank testing

## Stage 3

- Detecting and responding to the virus in affected states

## Stage 4

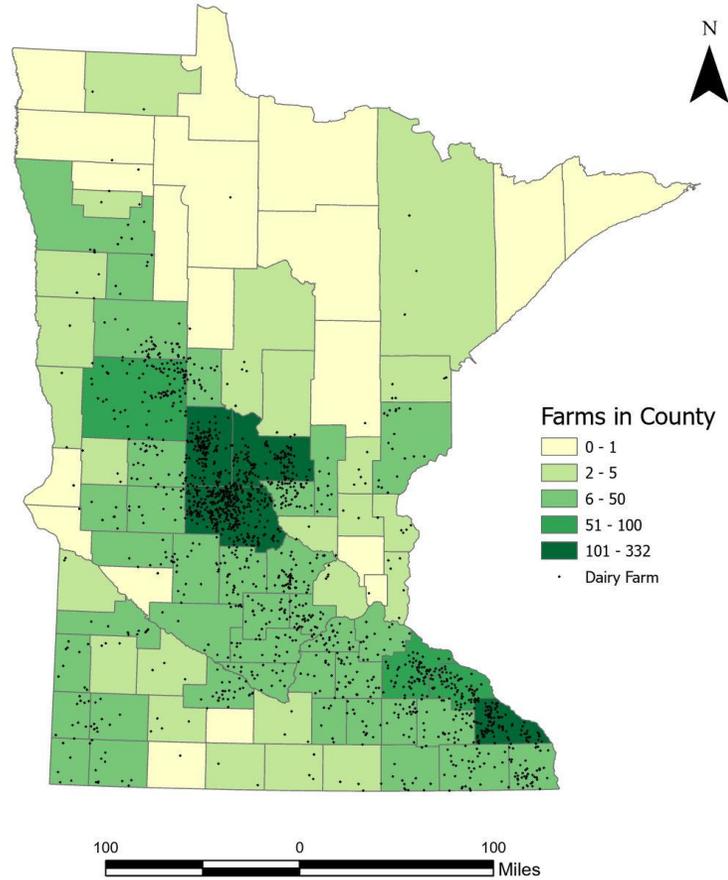
- Demonstrating ongoing absence in unaffected states

## Stage 5

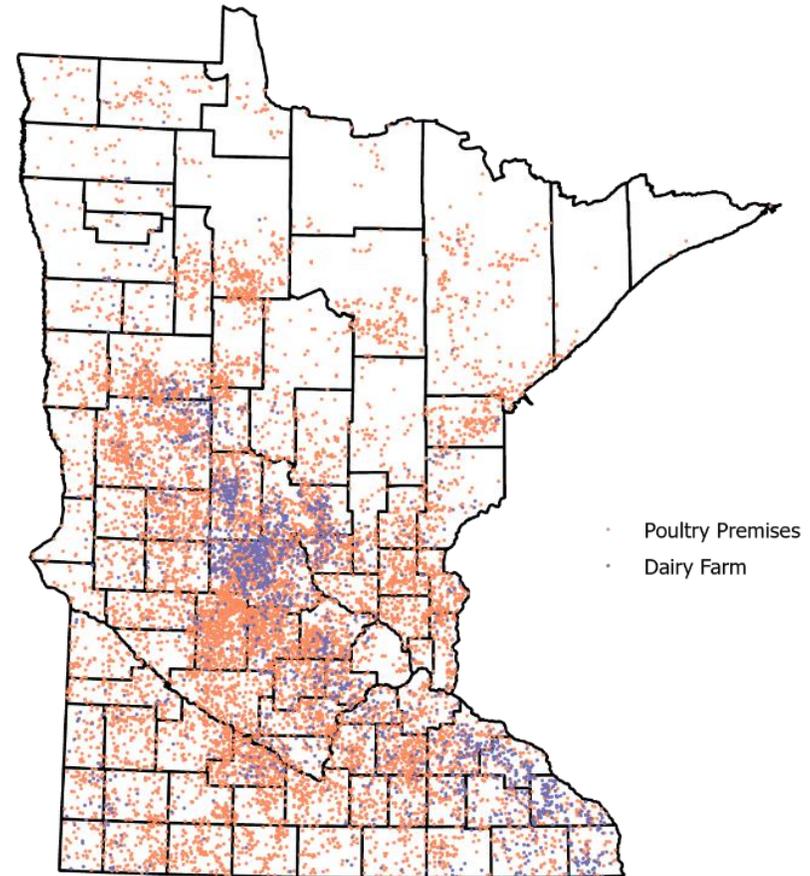
- Demonstrating freedom from H5 in U.S. dairy cattle

# Dairy and Poultry Farm Locations

## Dairy Farms (2024)



## Poultry + Dairy Farms (2024)



# Ag Emergency Account

Item	Expenditure
Salaries (FT + PT)	58,408
Overtime*	706
HPAI Response Contractors*	281,343
Communications	3,408
Travel*	142
MNIT Services	2,119
Supplies*	213,721
Personnel Fit-Testing	423
Other	15,133
<b>TOTAL</b>	<b>516,288</b>
<b>Fund Balance as of Jan. 21</b>	<b>1,686,230</b>

- Account Balance July 1, 2024: \$2,202,518
  - HPAI response is the largest share of expenses
  - Milk surveillance testing
  - Annual maintenance of state emergency response assets
  - Preparedness events (exercises, trainings) for industry and IMT
- \* = Portion reimbursed by USDA

# Thank you!

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