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# Biennial Report

Fiscal Years 2004-2005

Minnesota Department of Agriculture  
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Minnesota Department of Agriculture

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November 2004

# Minnesota Department of Agriculture Biennial Report for Fiscal Years 2004 and 2005

## Table of Contents

Contents.....	1
Overview of the Department of Agriculture.....	2
Agronomy and Plant Protection.....	3
Dairy, Food and Meat Inspection.....	4
Grain and Produce Inspection.....	5
Laboratory Services.....	6
Agricultural Marketing.....	7
Agricultural Development.....	8
Ethanol and Value-Added Activities.....	9
Agricultural Finance.....	10
Administration, Grants and Claims.....	11
Summary of Receipts and Expenditures.....	12
Outlook.....	14

# Overview of the Department of Agriculture

## Mission

The mission of the Minnesota Department of Agriculture (MDA) is to work toward a diverse agricultural industry that is profitable and environmentally sound; to protect public health and safety regarding food and agricultural products; and to ensure orderly commerce in agriculture and food products.

## Activities

Minnesota's agriculture industry is the sixth largest in the nation. From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. The MDA also helps sustain and enhance the economic and environmental conditions of the agricultural sector in a number of ways. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries. The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries. The MDA also strives to bolster Minnesota agriculture's economic and environmental health by providing quality technical resources and economic stimulus activities.

The MDA focuses its activities as follows: Agronomy and Plant Protection; Dairy, Meat and Food Inspection; Grain and Produce Inspection; Laboratory Services; Ag Marketing; Ag Development; Ethanol Promotion; Grants and Claims; and Administration. Sections that follow provide snapshots of the work MDA has been doing in each area during the 2004-2005 biennium.

# Agronomy and Plant Protection

## Responsibilities and Goals

Agronomy and Plant Protection regulates pesticides, fertilizers, seed, commercial feed, noxious weeds, nursery stock, exotic pests, apiaries, and agricultural export certification. This encourages fair competition, quality assurance for consumers, environmental and human health protection, and quality assurances for plant and grain exports. Regulatory strategies in all areas include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 1,484,000	\$ 1,740,000
Agricultural	\$ 8,673,000	\$ 9,683,000
Special Revenue	\$ 8,000	\$ 123,000
Federal	\$ 1,011,000	\$ 1,880,000
Remediation	\$ 901,000	\$ 4,577,000
Gift	\$ 4,000	\$ 5,000
Total	\$ 12,081,000	\$ 18,008,000

Full-Time Equivalent Positions: 106

## Activities and Accomplishments

- ◆ Collected 103,633 pounds of waste pesticides
- ◆ Issued 30,000 pesticide licenses or certificates
- ◆ Permitted over 1,100 chemigation sites
- ◆ Registered 11,000 pesticide products
- ◆ Set 15,500 gypsy moth traps
- ◆ Collected approximately 900 pesticide, water quality samples
- ◆ Provided \$1,679,574 in ag chemical cleanup reimbursement
- ◆ Permitted 600 ag chemical storage sites
- ◆ Certified 41 manure testing laboratories
- ◆ Issued 1,430 export certificates
- ◆ Responded to over 300 agricultural incidents such as chemical spills and anhydrous ammonia releases

# Dairy, Food and Meat Inspection

## Responsibilities and Goals

Dairy, Food and Meat Inspection works to ensure that the food, meat and dairy products Minnesotans consume are safe and wholesome. This is accomplished through regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach. The goal of these food safety programs is to prevent the sale or consumption of adulterated food, meat and dairy products and to heighten awareness of proper biosecurity and food safety practices.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 5,349,000	\$ 5,469,000
Agricultural	\$ 1,361,000	\$ 1,926,000
Special Revenue	\$ 0	\$ 9,000
Federal	\$ 189,000	\$ 755,000
Total	\$ 6,899,000	\$ 8,159,000

Full-Time Equivalent Positions: 90

## Activities and Accomplishments

- ◆ Inspected 5,815 dairy farms, 484 bulk milk trucks, 902 haulers, and 74 plants
- ◆ Inspected 1,180 food processing plants, 7,179 retail food stores, and 532 mobile concessions
- ◆ Certified 3,821 dairy samples (average 4.5 tests per sample)
- ◆ Certified 3,026 food and meat samples (average 2.4 tests per sample)
- ◆ Issued 1,032 Certificates of Free Sale for export
- ◆ Inspected 75 meat and poultry plants, 175 custom exempt plants and 25 egg grading facilities

# Grain and Produce Inspection

## Responsibilities and Goals

The Grain and Produce activity has three program areas: grain inspections and sampling analysis; fruit and vegetable inspections services; and certified seed potato inspection services. The inspection services provided are a combination of voluntary and mandatory activities to ensure fair marketing and appropriate end use of the product. This facilitates fair pricing of healthy produce and grain products. It also is used by clients to determine conformance with contract specifications of quantity and quality, which promotes fair trade practices.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 405,000	\$ 409,000
Agricultural	\$ 4,844,000	\$ 4,753,000
Total	\$ 5,249,000	\$ 5,162,000

Full-Time Equivalent Positions: 73

## Activities and Accomplishments

- ◆ Conducted more than 105,000 official inspections of grain in 2004. This does not count grain presented for submitted tests, commercial inspections, or other tests.
- ◆ Provided licensed inspection for 85 different fruits and vegetables
- ◆ Inspected 42 million pounds of produce in 2004
- ◆ Enrolled 10,500 acres in the Minnesota Certified Seed Potato program in 2004, with an estimated value of seed crops up to \$20 million
- ◆ Provided shipping-point inspections for 43 million pounds of certified seed potatoes in 2004

# Laboratory Services

## Responsibilities and Goals

Laboratory Services Division provides analytical support and data critical to the protection of Minnesota's food supply, agricultural industry, and environment. Legally defensible analyses support the departmental regulatory programs and are shared through the National Food Emergency Response Network (FERN).

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 2,313,000	\$ 2,686,000
Agricultural	\$ 1,981,000	\$ 1,974,000
Federal	\$ 652,000	\$ 1,064,000
Agency	\$ 433,000	\$ 0
Total	\$ 5,379,000	\$ 5,724,000

Full-Time Equivalent Positions: 51

## Activities and Accomplishments

- ◆ Provided ongoing support for the inspection and enforcement activities of the MDA's regulatory divisions by performing chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain.
- ◆ Performed tests required to determine product quality and conformance to state and federal laws and regulations and provided evidence for use in legal proceedings against violators
- ◆ Provided forensic analysis to identify unknown agents in suspect products
- ◆ Performed analytical testing to provide rapid and accurate data to manage environmental and food-borne crises, such as E. coli contaminated ground beef and pesticide residues in produce
- ◆ Developed and maintained new analytical capabilities as problems or questions arose within feed, food, and agrochemical industries



# Agricultural Marketing

## Responsibilities and Goals

Agricultural Marketing Services assists in the orderly marketing of Minnesota's agricultural commodities and products; promotes Minnesota agricultural products in domestic and international markets; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers, and others involved in the marketing process; and protects producers through programs related to the licensing, bonding, and certification in the sale and storage of agricultural products.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 1,414,000	\$ 1,499,000
Agricultural	\$ 1,166,000	\$ 1,276,000
Special Revenue	\$ 124,000	\$ 235,000
Federal	\$ 66,000	\$ 175,000
Agency	\$ 50,000	\$ 100,000
Gift	\$ 23,000	\$ 28,000
Total	\$ 2,843,000	\$ 3,313,000

Full-Time Equivalent Positions: 29

## Activities and Accomplishments

- ◆ Participated in market development with the collaborative efforts of the U. S. Department of Agriculture and other state and regional trading groups
- ◆ Promoted Minnesota certified and identity-preserved products, so producers can maximize their profits by differentiating what they produce
- ◆ Promoted bio-science development by providing assistance to Minnesota stakeholders on bio-processing/bio-manufacturing projects
- ◆ Promoted Minnesota agricultural products in international markets
- ◆ Provided risk management assistance so producers can protect themselves from market swings
- ◆ Provided dairy and livestock development assistance so the state can maintain productivity in animal agriculture and a diverse agricultural economy
- ◆ Promoted renewable fuel production and use, so Minnesota can help reduce air pollution and dependence on imported fossil fuels
- ◆ Promoted farmers' markets and Minnesota-Grown labeled products
- ◆ Protected producers by licensing, bonding, inspecting, and auditing grain buyers and grain storage elevators; livestock dealers, markets and agents; and wholesale produce dealers

# Agricultural Development

## Responsibilities and Goals

Ag Resources Management and Development assists agricultural producers with resource policy and management challenges, conducts on-farm research, develops and transfers information and technology; and provides pest management and diversification options.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 2,011,000	\$ 2,679,000
Special Revenue	\$ 41,000	\$ 45,000
Federal	\$ 382,000	\$ 871,000
Environment & Natural Resources	\$ 58,000	\$ 243,000
Gift	\$ 7,000	\$ 32,000
Total	\$ 2,499,000	\$ 3,870,000

Full-Time Equivalent Positions: 31

## Activities and Accomplishments

- ◆ Provided producers and stakeholders information on environmental policies and regulations, pest incidence and management, organic certification, and other issues
- ◆ Administered \$69.9 million in Ag Best Management Practice Loans for manure and feedlot management, conservation tillage, and septic systems
- ◆ Entered into research partnerships to evaluate feasibility, cost and environmental benefit of practices or technologies
- ◆ Surveyed 750 agricultural fields weekly and provided pest infestation results to 800 producers, crop advisors, and scientists
- ◆ Maintained and harvested with partners 2,500 insectaries for leafy spurge control agents and supported local bio-control efforts in 68 counties
- ◆ Assisted local governments on land use, water planning, and agricultural development

# Ethanol and Value-Added Activities

## Responsibilities and Goals

Minnesota Statute 41A.09 establishes goals for the amount of ethanol that should be produced in the state. The goal was 300 million gallons for 2004. The goal is 360 million gallons each year for 2005 and 2006. In order to help achieve these goals, Chapter 41A provides for cash payments to producers of ethanol located within the state. Currently, 13 plants receive producer payments based on audited quarterly reports submitted to the Department.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 22,339,000	\$ 22,051,000

Full-Time Equivalent Positions: 0

## Activities and Accomplishments

Made producer payments to the following Minnesota ethanol plants:

- ◆ Agra Resources Co-op, Albert Lea
- ◆ Agri-Energy, LLC, Luverne
- ◆ AI-Corn Clean Fuel, Claremont
- ◆ Central Minnesota Ethanol Coop, Little Falls
- ◆ Chippewa Valley Ethanol, LLP, Benson
- ◆ CornPlus, LLP, Winnebago
- ◆ Diversified Energy Company, LLC, Morris
- ◆ Ethanol 2000, Bingham Lake
- ◆ Heartland Corn Products, Winthrop
- ◆ Melrose Dairy Proteins, LLC, Melrose
- ◆ Gopher State Ethanol, St. Paul
- ◆ Minnesota Energy, Buffalo Lake
- ◆ Pro-Corn, LLC, Preston

# Agricultural Finance

## Responsibilities and Goals

The Agricultural Finance division administers programs designed to enhance Minnesota's agricultural production and processing capacity, provide opportunities for renewable energy, and protect the environment. The Rural Finance Authority (RFA), a separate public body created under M.S. Chapter 41B and authorized to utilize state bonds to develop the state's agricultural resources, is included in this activity.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 350,000	\$ 356,000
Agricultural	\$ 759,000	\$ 13,000
Special Revenue	\$ 76,000	\$ 244,000
Public Facilities	\$ 6,699,000	\$ 671,000
Rural Finance Authority	\$ 29,000	\$ 130,000
Agency	\$ 0	\$ 2,000
Total	\$ 7,913,000	\$ 1,416,000

Full-Time Equivalent Positions: 4

## Activities and Accomplishments

- ◆ 2,334 farmers assisted through RFA
- ◆ \$109.5 million RFA real estate participations closed
- ◆ 419 RFA financial service centers available
- ◆ 3,038 legal entities certified under Corporate Farm Law guidelines

# Administration, Grants and Claims

## Responsibilities and Goals

Administrative Services provides the leadership to the Minnesota Department of Agriculture and its employees, and outreach to the agriculture industry and Minnesota consumers. It also provides department-wide support in the areas of Human Resources, Finance and Budget, and Information Services by assisting divisions in providing efficient and effective programs. M.S. 17 provides the statutory authority for the commissioner of MDA.

## Resources

### Expenditures:

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 4,270,000	\$ 4,520,000
Agricultural	\$ 9,000	\$ 7,000
Special Revenue	\$ 2,502,000	\$ 2,574,000
Federal	\$ 515,000	\$ 551,000
Gift	\$ 30,000	\$ 37,000
Total	\$ 7,326,000	\$ 7,689,000

Full-Time Equivalent Positions: 52

## Activities and Accomplishments

- ◆ The Commissioner's Office provides oversight and direction for the activity of the agency
- ◆ The Human Resources and Diversity Division assists over 500 employees with personnel matters
- ◆ The Finance and Budget Division provides budgeting and accounting services for the agency
- ◆ The Information Services Division provides, maintains and updates MDA's hardware, software and network computer assets
- ◆ The Agricultural Statistics program is a state/federal partnership that collects, correlates, and analyzes agricultural data; annual statistics are published
- ◆ The Farm Advocates Program offers one-on-one assistance to farmers facing adversity due to a natural disaster or financial programs; the program assisted 292 farmers in 2004
- ◆ The Farmers' Market Nutrition Programs promotes farmers' markets and provides locally-grown food to improve the diets of low-income children, pregnant women and seniors; the program had 42,550 WIC recipients and 2,645 senior citizen recipients in 2004
- ◆ The Dairy Development Profitability and Enhancement Program closed 24 business planning grants in 2004

# Summary of Receipts and Expenditures

## Receipts

For the 2004-2005 biennium, the MDA will collect approximately \$46 million each fiscal year. The main sources of revenue are fees for the various licensing, inspecting, certifications, registrations and other regulatory activities performed by the agency. These revenues total approximately \$20 million each year and are deposited in the Agricultural Fund, which is dedicated to be used to pay for the costs of the activities for which the fees are collected. The second largest source of receipts is loan repayments from the various Agricultural Finance loan programs administered by the agency. Most of these programs are administered under the direction of the Rural Finance Authority (RFA) and receipts are deposited into the RFA fund in the state treasury to be used to make new loans.

Approximately \$4 million dollars each year is collected for the state's General Fund. Most of these receipts are fees paid by food manufacturers, processors, and retail handlers. Thus most of the budget of the MDA's Dairy, Meat and Food Division comes from the General Fund.

On average, \$5 million each year is received in federal grants. Grants are received for approximately 40 different activities funded by the U.S. Department of Agriculture, Food and Drug Administration, Environmental Protection Agency, Department of Commerce and other federal agencies.

Approximately \$3 million is collected each year in the state's Special Revenue Fund. Most of this money (approximately \$2.5 million each year) is collected from non-General Fund appropriations for indirect costs: administrative costs that occur on an agency-wide basis.

The following table summarizes receipts by the fund into which they are deposited.

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 3,810,000	\$ 3,418,000
Agricultural	\$ 19,717,000	\$ 19,171,000
Special Revenue	\$ 3,166,000	\$ 3,106,000
Federal	\$ 3,583,000	\$ 5,630,000
Remediation	\$ 0	\$ 92,000
Public Facilities	\$ 1,005,000	\$ 671,000
Rural Finance Authority	\$ 13,921,000	\$ 13,963,000
Agency	\$ 533,000	\$ 52,000
Gift	\$ 14,000	\$ 61,000
<b>Total</b>	<b>\$ 45,749,000</b>	<b>\$ 46,164,000</b>

### Expenditures

For the 2004-2005 biennium, the MDA will expend approximately \$74 million in each fiscal year. The largest source, approximately \$40 million each year, is from the state's General Fund. The largest part of this appropriation (over \$22 million each year) is sent out in payments to ethanol producers.

The following table lists MDA expenditures by the funds from which they are made.

Fund	Actual FY 2004	Budgeted FY 2005
General	\$ 39,935,000	\$ 41,409,000
Agricultural	\$ 18,793,000	\$ 19,632,000
Special Revenue	\$ 2,751,000	\$ 3,230,000
Federal	\$ 2,815,000	\$ 5,296,000
Remediation	\$ 901,000	\$ 4,577,000
Public Facilities	\$ 6,699,000	\$ 671,000
Rural Finance Authority	\$ 29,000	\$ 130,000
Environment & Natural Resources	\$ 58,000	\$ 243,000
Agency	\$ 483,000	\$ 102,000
Gift	\$ 64,000	\$ 102,000
Total	\$ 72,528,000	\$ 75,392,000

This table summarizes the expenditure tables in the preceding sections, which provide detailed information on the activities funded by these expenditures.

# Outlook

## Critical Challenges

Many challenges face the agricultural industry today. There are complex factors to take into account for a farmer trying to manage a budget and make long-range plans. Federal farm supports are decreasing. The costs of running a farm are increasing, including rising tax burdens caused by climbing property values. At the same time, commodity prices are fluctuating more and more since the markets are global and react instantaneously to changes around the globe. The relative value of the U.S. dollar, low cost of labor overseas, growing conditions and disease outbreaks around the world can affect U.S. agricultural markets profoundly. Biotech crops can save time and money for farmers, but may not be understood or accepted by some consumers. Consumption patterns may be influenced even more seriously by perceptions about diseases in animals, even if the diseases have been kept under control.

Other challenges are more directly caused. Urban growth patterns help create land-use conflicts and increased implications for environmental safety measures. Water quality concerns, air quality concerns, odor concerns and increasing environmental regulations present new challenges to farm operations. The risk of intentional contamination of the nation's food supply by terrorists places even more far-reaching demands on the agricultural industry.

## Implications for MDA

The challenges facing the agricultural industry demand that the MDA adjust the way it does business to meet the current and future needs of its stakeholders. To help Minnesota's farm sector adapt to the 21<sup>st</sup> century global marketplace, the department will need to help producers expand access to international markets and also help producers maintain and enhance their ability to compete with producers in other countries. There will be a need to educate producers about new marketing strategies and risk management tools. It will also be important to continue looking for ways to help farmers sell high-value agricultural products directly to consumers. The department will need to find ways to attract and retain young farmers and processing businesses. There will also be a need to help producers comply with new environmental regulations while minimizing the related economic burden.

Regulatory functions will also have new challenges to address. With the increase in worldwide commerce and shipping of goods, the department will need to help detect and control invasive exotic species that threaten the state's crops and ornamental plants. The department will also have to continue upgrading its laboratory facilities to keep pace with scientific and regulatory developments. In food safety, there is a need for science-based approaches to minimizing food safety problems. Specifically, the Hazard Analysis and Critical Control Points (HACCP) approach must be implemented throughout the food



chain to protect consumers. There will also need to be strong cooperation and partnerships between the MDA, the U.S. Department of Agriculture, the Food and Drug Administration and the Minnesota Department of Health. Protecting the food supply from accidental or intentional contamination will continue to be a top priority.

As MDA's budget is prepared for submission to the legislature, more specific recommendations will be prepared to address these challenges.