

April 4, 2017

The Honorable Rod Hamilton
443 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, Minnesota 55155

Dear Chair Hamilton:

I want to thank you and your colleagues for putting together an agriculture budget that includes several of the Department's funding requests. The Department truly appreciates your willingness to work with our agency and others to develop your budget and your commitment to the committee process. The Department does have some concerns with this bill, and we look forward to continuing the conversation with you and your colleagues.

Governor's Budget Requests

Earlier this year Governor Dayton outlined his budget request for the Minnesota Department of Agriculture. Governor Dayton invested \$8.567 million in general funds and \$2.420 million in dedicated funds to respond to the needs of Minnesota's agriculture industry.

The Governor's agriculture funding priorities included enhancing the ability to respond to emerging issues facing agriculture, such as increased plant pathogen and pest risks, eradication of noxious weeds, and pollinator decline. The Governor also included funding for the agency to modernize the interface of our programs through IT infrastructure investments. Additionally, the Governor invested in new market opportunities for Minnesota farmers.

The Governor's agriculture funding priorities include:

- \$2.065 million in FY18-19 for operating adjustments at the Department to maintain current levels of service.
- \$1.5 million for continuous improvement and IT infrastructure to improve internal processes related to customer service.

- \$1 million to expand capabilities to detect, identify, contain and manage high priority plant pathogens and pests.
- \$600,000 to provide staff and programmatic funding to the Department's Noxious Weeds Program.
- \$2 million for research on cropping systems that provide continuous cover and new market opportunities for Minnesota Farmers.
- \$400,000 to maintain the Industrial Hemp Pilot Program.
- \$1 million in general funds and \$500,000 in dedicated funds to establish a Pollinator Protection Account.
- \$1.7 million in dedicated funds to provide fiscal sustainability of the Waste Pesticide Collection program.
- \$220,000 in dedicated funds to establish a dedicated account to support administration of Certificates of Free Sale.

Thank you for your inclusion of some of the agency requests in the House agriculture budget proposal.

Plant Pathogen and Pest Capacity

Your committee's investment of \$500,000 in the plant pathogens and pests proposal would greatly improve the Department's ability to identify, contain and manage high priority plant pathogens in Minnesota, like flag smut of wheat, blackleg of potatoes, or *Xanthomonas* bacteria that could impact several Minnesota crops.

Industrial Hemp

Your committee's investment of \$250,000 in the industrial hemp pilot program will allow the Department to continue serving those piloting industrial hemp as a crop in Minnesota. The Industrial Hemp Pilot Program has received 42 applications with a proposed 2,155 acres in total hemp planting for the 2017 growing season. This increase in participation shows the interest in developing the industrial hemp industry in Minnesota. This funding will ensure that the requirements of the Drug Enforcement Agency (DEA) permit are met.

Food Certificate Fee Account

The inclusion of the proposed adjustments of the food certificate fee account will ensure that the Department has the capacity to issue these certificates to companies that wish to trade food and agricultural products internationally.

Tractor Roll-Over Protection System Grants

Investment in this program last session showed the need for the availability of this type of farm safety equipment. The proposed investment in this bill matched with private investments will allow us to address the 100 farmers on the waitlist, as well as continue to advertise the availability of this program.

Noxious Weeds and Invasive Plant Species Assistance Grants

The Department was pleased to see investment in the Noxious Weed Assistance Account, which has been unfunded since its inception. More funding is certainly warranted at the local level. However, the agency is disappointed that programmatic funding included in the Governor's proposal was not included in this bill. As we have heard in many Committee hearings, Palmer amaranth is a big concern for Minnesota agriculture. New noxious weed threats like Palmer amaranth are difficult to manage absent statewide resources and coordinated planning. Funding for local governments is important, but so is funding for the staff who will support their work at the state level.

The Minnesota Noxious Weed Advisory Committee, which consists of representatives from state agencies, local units of government, private industry and the agricultural community has been supportive of increased funding to the Department's Noxious Weed program for the past seven years.

In order to administer the proposed \$600,000 in grants, the agency will need administrative and staff resources.

Pollinator Habitat Account

The inclusion of an account to promote research for pollinator habitat protection is an important investment that the Department supports. However, habitat is not the only factor causing pollinator decline. We know that pollinators are impacted by disease, environmental factors, proper nutrition, and exposure to chemicals like neonicotinoids. The Department's proposal to establish a Pollinator Protection Account would invest in activities to reduce potential impacts from pesticides to pollinators. These activities would include research to evaluate economic thresholds, education campaigns on pesticide use, and development of stewardship materials.

Farm Advocates

The Farm Advocates program has been a critical program that provides one-on-one assistance to farmers who face financial crises. The current nine contracts held with Farm Advocates across the state are at hourly rates far below the level of expertise of these individuals, and rarely can cover their actual hours. The low commodity prices Minnesota's farmers are experiencing has led to an increase in financial challenges. The additional investment to this program will be very helpful to ensure that Minnesota farmers are accessing the assistance they need.

The Department does have some concerns about the proposed budget bill.

Department of Agriculture Operating Costs

The Department is disappointed an operating costs adjustment for our agency was not included in the House bill. This will reduce our ability to be successful at enforcing the State's laws and providing service to Minnesotans.

Agriculture Growth, Research and Innovation (AGRI) Program

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. At a time when the State has a \$1.65 billion surplus, it is unfortunate that important initiatives funded in this bill had to be repurposed from existing funds.

The proposed increase in administrative funding from 4.5% to 6.5% is something that was included in the Senate bill and is something we would like you to consider. This would assist our staff, who are already at capacity, in managing the large and growing grant portfolios of this program. A common workload for state agency grant-makers is 100 grants per FTE per year. The agency's AGRI grants staff process nearly 300 grants annually and the proposed 2% increase in administrative funding would ensure these dedicated employees continue to serve the public at a high level.

In addition, the Department has concerns about the earmarking of AGRI dollars. Flexibility within this program allows the Department to be responsive to the ever changing needs of Minnesota's agricultural producers. While the initiatives you propose funding within AGRI are important, these earmarks tie our hands and limit funds for other grant categories within AGRI.

The Department works closely with a number of organizations and constituents to help us determine where to invest AGRI resources. This ensures that input from members of the public and the agricultural industry are included in decision-making within this fund.

Ag Emergency Account

The Department is concerned about repurposing funds from the Ag Emergency Account. As we all know, the Highly Pathogenic Avian Influenza outbreak in 2015 presented the Minnesota poultry industry with a \$650 million economic impact. One of the reasons Minnesota was so successful in responding to this outbreak is because a Secure Supply Plan was completed for the egg industry. For other agricultural sectors, these plans have not been completed. The Department wants to ensure that this account maintains the ability to immediately respond to emergency, as well as to coordinate preparedness activities across agricultural sectors.

As you know, Mr. Chairman, agriculture is a cornerstone of Minnesota's economy. I know that you are working to keep the industry strong and competitive, and to help our agency ensure Minnesotans the integrity of our food supply, the health of our environment, and the strength of our agricultural economy. Thank you for your consideration of our budget requests and I look forward to our continued work together on this bill.

Sincerely,



David J. Frederickson
Commissioner

CC:

Governor Mark Dayton

Speaker Kurt Daudt

Representative Jeanne Poppe