

# Legislative Report

## Minnesota Certified Pilot Project

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### Introduction

In recent years, continually falling commodity prices accompanied by ever-increasing costs of production have squeezed Minnesota farmers in an ever-tightening vise of unprofitability. In our push-through commodity production system, farmers have worked to lower production costs and increase yields. Increasingly, though, producers have sought to respond to market forces by adding value to their production. They seek to find out what customers are willing to pay extra for and then to supply those attributes, moving from a push through to a pull through system of production.

For some types of production, the added value attributes are verifiable by the buyer and the transaction is easily handled between buyer and seller. Increasingly, however, buyers are concerned about the manner in which their food is produced and the product itself cannot be tested to verify production methods. Organic certification has undergone great effort over the last decades to satisfy a particular market. In the case of non-agricultural production, an international ISO certification program fills the needs of manufacturers and their customers. No comparable program exists for agricultural production where the customer demands production methods other than organic.

Into this vacuum stepped two professors from the University of Minnesota, Doctors Blaha and Shurson, and a Hoffman Minnesota Pork producer, Dave Starner. They formed a pork producers cooperative, Minnesota Certified Pork, MNCEP, and searched for buyers who would be willing to pay more for their production. In their search for a more profitable market for Minnesota pork they found that while some customers were willing to pay more for hogs that had been raised in a certain way, customers needed some kind of assurance from someone other than the producer that the representations were true. No such certification program could be found. They therefore approached the Minnesota Department of Agriculture as the logical entity to safeguard both Minnesota farmers and their customers. The Department agreed.

All involved in the project accepted the need to proceed with caution to assess the viability of the plan and to assure the integrity of the process. Since 2000 was a non-budget year, it was likewise necessary to proceed slowly to conserve state funds. In accord with these basic principles, they approached the legislature.

In Minnesota Laws 2000, chapter 477, section 2, the legislature enacted a new section 17.1025 to Minnesota Statutes, which provided in part for a pilot program to "certify agricultural production methods and agricultural products grown or processed within the state to assure the integrity of claims made by participating businesses...." With this

authorization in hand, the department proceeded as directed, in cooperation with the University of Minnesota, the department of trade and economic development and the board of animal health, to establish a pilot project to evaluate the long-term feasibility of a Minnesota Certification Project (MinnCERT) and to establish procedures upon which a program could be founded.

## The Process

As a preliminary matter, interested parties reached agreement on the basic structure of a certification program:

1.       Application. A producer, producer group or processor would obtain a market for its production where the customer would pay more than commodity prices for a product produced by certain methods. The producer would then apply to MinnCERT for its certification services. The application would contain detailed information about the proposed production process, the market for which it is produced and, most importantly, internal and external auditing procedures by which MinnCERT could verify that the production process and representations by the producer were indeed as promised.
2.       Evaluation. MinnCERT<sup>1</sup> will review the application using factors such as value to Minnesota agriculture, verifiability, and long-term sustainability. Evaluators will include relevant regulators, educators, industry experts, auditors and trade professionals. MinnCERT will approve the application and certify the process, deny certification or return the application with suggested changes.
3.       Compliance Monitoring. Through the use of private and public enforcement resources in conjunction with the internal and external audit procedures set forth in the certification application, measures must be taken to assure the ongoing integrity of the certification. Failure to comply will result in revocation of the certification and possible additional penalties.

The most important player in all three steps of the process is the University of Minnesota. The university must work through extension and otherwise with producers to prepare applications, production plans, producer manuals, audit plans and market development. Separate university representatives and experts must participate in the evaluation of applications. Finally, the university is an indispensable player in the ongoing monitoring of certified processes.

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<sup>1</sup> It remains undecided whether MinnCERT would be part of MDA or a non-profit corporation. In either case, the structure and procedures would be the same.

## **The Pilot Project**

While MinnCERT discussions involved groups other than MNCEP and products other than pork, MNCEP emerged as the sole pilot project. In conjunction with MNCEP producers, Doctors Blaha and Shurson first developed an extensive production manual, providing production scenarios for various market demands. For example, if a customer demanded that antibiotics not be used as growth promotants, record keeping procedures were provided along with guides to therapeutic anti-biotic use. The manual could be adapted for many different production methods, with, depending on the customer's wishes, some provisions being mandatory, some recommended and some forbidden. Each certification application would specify which of the manual's guidelines were involved.

The MNCEP principals, with the assistance of Commissioner Hugoson, DTED and others, pursued market opportunities domestically and abroad. First, a domestic packer developed a list of characteristics it believed its customers demanded. MNCEP adapted its manual to direct production methods to provide those characteristics. MNCEP further developed a procedure and trained a representative in certification auditing to work with MNCEP producers on internal auditing and developed an audit checklist for participating producers. The Minnesota Board of Animal Health provided the services of one of its district veterinarians to externally audit producers. MNCEP finally received an order for certified pork raised according to specified standards from a Japanese customer through a domestic packer. Most importantly, the packer has agreed to provide compensation above commodity pork prices.

## **The Future**

While we are hopeful as to the immense potential benefit of an agricultural certification, it is important to proceed with caution to assure the continuing integrity of the process. We have sought an appropriation to build the systems and obtain the training we need for our certification to be internationally respected and for Minnesota producers to achieve profitability. The implementation of the program will be difficult and will demand the close cooperation of all concerned. We hope, eventually, for the process to be self-sustaining and perhaps, privatized.

In the immediate future, we are seeking, along with the appropriation, legislative authorization for an ongoing program. We, along with the University, will need to initially help producers find markets and establish production regiments to satisfy those demands. Eventually, MDA efforts, at least, will be concentrated in the evaluation and ongoing enforcement of certification requests.

We believe that the internet is a vital tool in most effectively implementing a certification process. We will first work to establish certification language, create a recognizable and effective logo, and leverage Minnesota's reputation for quality products and producers. Once the foundation has been laid, we should be able to establish a system whereby a grocery shopper can pick up a pork chop or a pack of edible soybeans, look at a MinnCERT seal, access our website, and by punching 2 or three links, meet the farmer who produced that product, have access to feed or fertilizer records and to otherwise assure him or herself that what's been bought is just what the consumer wanted.

We believe that through careful implementation of the MinnCERT program, we can give Minnesota's farmers a deserved leg up in the world marketplace, making us truly world-class competitors.