
ANNUAL PERFORMANCE REPORT

1994

MINNESOTA DEPARTMENT OF AGRICULTURE

Prepared: September 15, 1994

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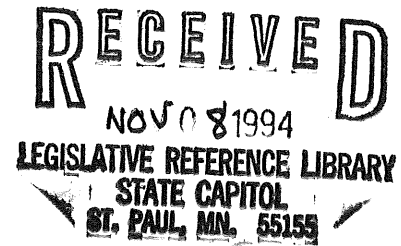
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AGENCY: Agriculture, Department of

MISSION:

The mission of the Minnesota Department of Agriculture (MDA) is to foster and maintain a diverse agricultural industry that is economically profitable and environmentally sustainable; to protect public health and safety; to provide consumer protection and to assure orderly commerce in agricultural and food products.

The customers for department services are producers, processors, retailers, exporters, and consumers of agricultural products; agricultural societies and associations; farm groups and organizations; local, state and federal government agencies; and the public-at-large.

GOALS:

- Encouraging prevention-based regulatory strategies to protect public health and safety.
- Fostering stewardship and environmental protection by encouraging sustainable agriculture production and development.
- Working to diversify agricultural products and markets.
- Supporting farm families, with emphasis on livestock enterprises, and expanding value-added processing.
- Facilitating the competitive and orderly marketing of Minnesota farm products.
- Providing for constituent service and empowerment through greater consultation and involvement.
- Maintaining a productive work force and adequate service levels while streamlining that work force.
- Eliminating discriminatory federal pricing policies, particularly in dairy pricing.

Table 1:

<u>Program</u>	<u>Estimated Expenditures (\$ in Thousands)</u>	<u>Percent of Total</u>	<u>FTE Staff Positions</u>	<u>Percent of Total</u>
Agronomy Services	\$6,951	17.7	96.7	19.7
Plant Protection	3,163	8.1	54.1	11.0
Grain Inspection	4,064	10.4	86.0	17.5
Food Inspection	2,277	5.8	47.3	9.6
Dairy and Livestock	4,613	11.8	46.6	9.5
Laboratory Services	3,218	8.2	48.1	9.8
Grain Licensing and Auditing	568	1.4	11.9	2.4
Promotion and Marketing	6,214	15.9	15.4	3.1
Administration and Financial Assistance	3,898	9.9	55.1	11.2
Agriculture Planning and Development	2,919	7.4	24.6	5.0
Rural Financing	1,320	3.4	5.0	1.0
<u>Totals</u>	\$39,205		490.8	

ORGANIZATION:

The department is organized into 3 program areas: Protection Service, Promotion and Marketing, and Administrative and Financial Assistance.

- The Protection Service Program develops, administers and coordinates regulatory and service programs which support and protect producers, processors, distributors and consumers of agricultural products in Minnesota. This program satisfies health, safety and environmental protection goals required by state, federal or local laws and regulations designed to protect Minnesota's natural resources. The program has seven budget activities: Agronomy Services; Plant Protection; Grain Inspection; Food Inspection; Dairy and Livestock; Laboratory Services; and Grain Licensing and Auditing.
- The Promotion and Marketing Program works to improve, expand or develop markets for the products of Minnesota agriculture. The program also strives to find new commercial or industrial uses for Minnesota agricultural products. It also conducts activities to increase consumer awareness of Minnesota agriculture. The program has three budget activities: Market Development; Minnesota Grown; and Agricultural Promotion.
- The Administration and Financial Assistance Program provides overall policy direction and supervision of departmental programs, administers a variety of agricultural assistance programs, and provides support services for the department. The program has seven budget activities: Financial Administration; Personnel and Office Management; Agricultural Planning and Development; Agriculture Nonpoint Source Pollution; Information Services; Rural Financing; and the Commissioner's Office.

The clientele for department services are producers, processors, retailers, exporters and consumers of agricultural products; agricultural societies and associations; farm groups and organizations; local, state and federal government agencies; and the public-at-large. Services are delivered through a variety of activities that include inspection and sampling; information and educational services; licensing and permitting; and partnerships or agreements with state and local governments, including the University of Minnesota.

The 1994 Annual Performance Report follows this organizational format, with the exception that each budget activity in the Protection Service is treated as a separate program for this report. In the Administration and Financial Assistance Program, the budget activities whose primary functions are administrative support (Financial Administration, Personnel and Office Management and Information Services) were combined with the Commissioner's Office in Program 09: Administration and Financial Assistance. The three other budget activities, having direct program responsibilities, appear as separate programs.

WAYS TO IMPROVE PROGRAM OUTCOMES:

The department is not proposing changes in current statutes or regulations in the 1994 Annual Performance Report. Staff efforts were concentrated on rewriting the 1993 Draft Report in light of the changes in format and instructions as well as the comments of the Legislative Auditor. Given the time and resources available, the department felt the assessment of statutory or regulatory changes could best be addressed after a year's experience of implementing administrative changes to accomplish the performance measures contained in this report. The department does anticipate including such recommendations in the 1995 Annual Performance Report.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 01 - Agronomy Services

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 6,951	17.7% of department's budget
From State Funds	\$ 6,452	
From Federal Funds	\$ 499	
 Number of FTE Staff:	 96.7	 19.7% of department's staff

PROGRAM GOALS:

- To protect human health and the environment by regulating the distribution, sale, handling and use of agricultural chemicals (M.S. 18B, 18C, 18D, and 103H).
- To minimize environmental and human health risks by removal and remediation of agricultural chemical/site sources of contamination (M.S. 18E, 18B.065, and 18B.135).
- To ensure quality and provide economic protection to users of fertilizer, feed and seed (M.S. 18C, 21 and 25).
- To prevent adverse impacts from noxious weeds on the environment, public roads, crops, livestock and human health (M.S. 18).

DESCRIPTION OF SERVICES:

Agronomy Services protects the public interest, the environment and human health from the improper or fraudulent manufacture, marketing and/or use of pesticides, fertilizers, feeds, seeds. The administration of the noxious weeds statute also contributes to this protection.

Pesticide and fertilizer regulatory authority requires registration of all pesticide and fertilizer products. The laws and regulations provide for the collection of registration fees and surcharges, label interpretation, worker protection programs, testing and certification of private, commercial and non-commercial applicators, training of applicators, permitting and inspection of agricultural chemical storage, licensing pesticide and fertilizer dealers, and initiation of administrative, civil or criminal enforcement actions. In addition, agricultural chemical emergencies are managed, along with long-term agriculture chemical incident site response. Administration of Minnesota Environmental Response and Liability Act (MERLA) and Agricultural Chemical Response & Reimbursement Account (ACRRA) activities are also conducted by this activity.

Voluntary participation programs include: pesticide container recycling, waste pesticide collection and best management practices development and promotion. Pesticide and fertilizer management plans are developed and implemented by this

division in cooperation with other private and public organizations. Other division services relate to seed, noxious weed and feed activities. All hybrid seed is registered and labels are reviewed. The noxious weed program, in conjunction with the seed program, provides for training of county agricultural inspectors, response to complaints, and enforcement. The feed law requires label review, feed mill inspection, sampling and analysis of commercial feed, and enforcement when necessary.

BACKGROUND INFORMATION:

Activity measures represent a selection of major division programs. It should be noted that some activity measures vary slightly from year to year as a result of changes in agriculture. For example, while the total number of pesticide applicators licensed decreased from F.Y. 1993 to F.Y. 1994 due to larger farm operations and more commercial pesticide application, agricultural chemical facility inspections and licensed dealers remain approximately the same. Water quality contacts represent a maturing of the program to a steady level while the number of samples reflect the flood conditions of F.Y. 1993. In F.Y. 1993, a new weed control law resulted in a need for additional training sessions. Also, the wet conditions of F.Y. 1993 resulted in increased weed control problems and complaints in contrast to the good weather and weed control conditions in F.Y. 1994.

Regarding the ACRRA fund, the MDA and the ACRRA Board have developed and stressed cost-containment measures since the program's creation. Corrective actions must be approved by the MDA to be considered by the Board for reimbursement. MDA has found that similar clean-up activities at different sites vary in cost. In response, based on only a few years of operation, the MDA has begun developing a corrective action and related costs data base. The MDA intends to develop specific cost containment objectives for certain types of corrective action during the next biennium.

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
W	Pesticide applicators licensed	43,042	37,005
W	Pesticide dealers licensed	706	701
W	Agricultural chemical facilities inspected	2,141	2,122
W	Water quality sample contacts	659	529
W	Water quality samples collected	1,233	910
W	Agricultural chemical emergencies	236	213
W	Non-compliance issues at facilities addressed	760	1,169
W	Products registered	35,389	40,582
W	Weed control training session held for local government	84	77
W	Noxious weed control notices served	1,401	870

PROGRAM DRIVERS:

- **Federal Legislation.** Emphasis on non-point source pollution at the federal level may drastically impact fertilizer and pesticide programs. Currently, the Clean Water Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Farm Bill are due for reauthorization.
- **EPA Rules and Policies.** Many pesticide related policies and rules are developed by EPA. Currently, EPA is proposing that states develop management plans to retain the use of five pesticides that may adversely impact water quality.
- **Changing Agriculture Practices and Technology.** Agricultural practices are being affected by the concept of sustainability and corporate farming. Adoption of best management plans (BMPs) is dependent upon adequate education and resources for promotion and demonstration.

- **Commercial Feed Law Revision.** A significant revision of this law is recommended to bring it into better conformance with the model state feed bill and the Food, Drug and Cosmetic Act.

AGENCY: Agriculture, Department of
PROGRAM: Agronomy Services

OBJECTIVE, MEASURE

Objective 1: To continue to investigate or remediate 80% of the identified long-term agriculture chemical incident sites by 2000.

Measure (1): Long-term incident sites identified, under investigation and remediated.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
# Sites Identified Cumulative	100	110	150	--	--	--
Target	NA	NA	NA	185	220	255
# Incident Sites Under Investigation	91	73	97	--	--	--
Target	NA	NA	NA	95	100	100
# Incident Sites Remediated Cumulative	8	16	26	--	--	--
Target	NA	NA	NA	56	86	116
% of Identified Sites Investigated or Remediated	--	--	82%	--	--	--
Target	NA	NA	80%	80%	80%	80%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Long-term agricultural chemical incident sites are comprised of accidental and incidental historical releases as well as voluntary site assessments associated with property transfers. The cumulative number of sites identified excludes emergency and other sudden release sites. The objective of 80% is calculated by dividing the sum of "sites under investigation" and "sites remediated" by the number of "sites identified".

Rationale: These outcomes indicate total numbers of sites identified, under investigation, remediated and targets.

Data Source: The MDA maintains a database of agricultural chemical incident response.

DISCUSSION OF PAST PERFORMANCE:

The MDA is targeting the most environmentally significant incidents recognizing that not every identified site will immediately be investigated. Significant achievements not included as long-term sites are the approximately 200 limited pre-construction clean-ups completed by the program in F.Y. 1991, 1992, and 1993. These clean-ups allowed facilities to remain in business while initiating steps to comply with new bulk storage regulations. In addition, MDA responds to over 200 emergency spill sites reported and remediated in a typical year.

PLAN TO ACHIEVE TARGETS:

Potential new agricultural incident sites are identified by MDA through routine inspections by agency staff, telephone calls

from concerned citizens, reports of agricultural chemical spills, and analysis of drinking water supplies by MDA and other agencies. MDA intends to hire a temporary staff person to identify former bulk pesticide sites which need investigation. Accordingly, site identification targets may be increased over F.Y. 1996 and 1997 projections resulting in a reduced percentage of closure.

OTHER FACTORS AFFECTING PERFORMANCE:

Program start-up and temporary staff shortages have affected performance. Currently, the program is fully staffed. The MDA is targeting the most environmentally significant sites first. These sites are more difficult to close in a short period of time. The Incident Response Program was established in 1989, and was the first of its kind in the nation. Consequently, a significant amount of staff time was needed for program development.

Objective 2: To consistently reduce the amount of waste pesticide stored in Minnesota.

Measure (1): Pounds of waste pesticides; collected and disposed.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Pounds Collected	80,000	100,538	175,735	--	--	--
Target	105,000	105,000	175,000	175,000	175,000	175,000
% Waste Pesticide Collected						
Actual %	2%	3%	5%	--	--	--
Target %	3%	3%	5%	5%	5%	5%
Actual Cumulative %	2%	5%	10%	--	--	--
Target Cumulative %	3%	6%	11%	15%	20%	25%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The actual pounds collected indicates the quantity of waste pesticide collected and destroyed as a result of this program. The percentages are calculated using the results of a 1989 survey which identified 3.5 million pounds of waste pesticides stored in the state.

Rationale: These measures show progress towards the reduction of waste pesticides stored in Minnesota.

Data Source: The MDA maintains records of participants and waste amounts collected. The data is periodically updated with new information as waste pesticide collections occur.

DISCUSSION OF PAST PERFORMANCE:

The actual quantity collected each year has ranged between 2 to 5% of the total estimated amount in storage. This figure is expected to increase as the program continues to operate and becomes more acceptable to persons who in the past have resisted participation in the program. The collection program has provided a reasonable process for disposing of waste pesticides that otherwise would remain in storage for indefinite periods of time.

PLAN TO ACHIEVE TARGETS:

The commissioner will designate a site, at least every other year, for residents of each county to dispose of waste pesticides. The implementation strategy is to make collection sites available to one half of the state each year. This includes the northern half of the state on even numbered calendar years, and the southern half of the state on odd numbered calendar years. The

MDA, along with other state and local government agencies, farm groups, chemical manufacturers and dealers are working together to encourage participation.

OTHER FACTORS AFFECTING PERFORMANCE:

This is a voluntary program and participants must first realize the value in properly managing waste pesticides; not everyone is motivated at the same level or has time to participate. The quantity of waste pesticide held in storage may change. Individuals might choose to discontinue storing waste pesticide and elect to dispose of it in a less environmentally sound manner, or they might become motivated and participate in greater numbers. Also, factors such as new state/federal regulations or actions might increase the amount of waste pesticide (e.g. a pesticide's registration not renewed by EPA).

Objective 3: To increase the monitoring of ground water landscapes and streams of primary watersheds for agricultural chemicals.

Measure (1): Cumulative percent of ground water landscapes and streams of primary watersheds monitored.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Ground Water Landscapes Evaluated	16%	27%	30%	--	--	--
Target	NA	20%	30%	30%	33%	35%
Actual Primary Watersheds Evaluated	1%	2%	2%	--	--	--
Target	NA	3%	3%	7%	7%	10%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: "Ground water landscapes" are hydrogeologically related environments that have similar ground water geology while "primary watersheds" relate to significant surface water watersheds. The measure is the percent of landscapes and primary watersheds which are currently being monitored as an indication of water quality.

Rationale: The cumulative measures indicate the scope of the current monitoring program.

Data Source: The MDA database serves as a primary data source of water quality monitoring results. Also, the MDA utilizes Land Management Information Center's database known as EPPL7 (Environmental Programming and Planning Language).

DISCUSSION OF PAST PERFORMANCE:

Initial groundwater monitoring for pesticides began in 1985. Results of early monitoring projects provided a basis for policy development. Surface water monitoring was initiated in 1991. The floods of 1993 tested the division's ability to capture extreme events.

PLAN TO ACHIEVE TARGETS:

It is necessary to continue focused monitoring on vulnerable areas of the state. In addition, interagency and local government cooperation will aid the accumulation of accurate data. To stretch resources as far as possible, long-term cooperative monitoring agreements are being established with local groups around the state.

OTHER FACTORS AFFECTING PERFORMANCE:

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Extremes in weather. Automatic water samplers can be washed away or rendered inoperative by floods. Floods can also make it far too dangerous for staff to sample streams. Dry weather can cause streams to stop flowing. Staff training, sample scheduling, and turnover all impact monitoring tasks. Land owner cooperation and continued assistance of local units of government is also needed. Government legislation, in particular the federal farm bill.

Objective 4: To increase the number of agricultural chemical facility inspections and the percentage of non-bulk facilities complying with state requirements.

Measure (1): Number of facility inspections.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Number of Inspections						
Non-Bulk Actual	387	307	358	--	--	--
Non-Bulk Target	NA	NA	325	350	375	375
Bulk Pesticide						
Actual	10	18	108	--	--	--
Target	NA	NA	83	85	75	75
Bulk Fertilizer						
Actual	20	25	--	--	--	--
Target	NA	NA	30	35	40	75

Measure (2): Compliance rate of non-bulk facilities.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
% of Non-Bulk Facilities in Compliance						
Non-Bulk - Actual	70%	80%	19%	--	--	--
Non-Bulk - Target	NA	NA	NA	25%	35%	35%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Measure 1 is defined as the number of initial inspections conducted by MDA staff at agricultural chemical facilities. Measure 2 for F.Y. 1994 is based on the number of non-bulk facilities found in compliance at the time of the initial inspection. This reporting system changed in F.Y. 1994 to reflect compliance after initial inspection. Prior to F.Y. 1994 compliance was measured after reinspection.

Rationale: Measure 1 is an indication of increased inspection activities at facilities. Measure 2 assesses the compliance of non-bulk facilities. As the number of MDA inspections remains the same or increases, geographic and industry facility inspection saturation will result in increasing regulatory compliance. Accordingly, the same or a higher percentage of compliance should be documented at the time of facility inspection.

Data Source: MDA maintains and updates the database file. Agronomy Services Division facility inspection database serves to provide a uniform manner of tabulation.

DISCUSSION OF PAST PERFORMANCE:

Changes in statute and bulk pesticide rules have resulted in increased compliance and protection of the environment through the construction of safeguards. The bulk fertilizer rules need to be revised and updated to provide for greater consistency and environmental protection.

PLAN TO ACHIEVE TARGETS:

Revised bulk fertilizer rules will be promulgated to provide precise compliance information to regulated clientele. Phase-in periods will result in lag time for increased compliance.

OTHER FACTORS AFFECTING PERFORMANCE:

Bulk fertilizer rules will need to be promulgated. Inspections are based on limited field and office staff, and other tasks or emergencies may interfere with routine inspection assignments.

Objective 5: To improve compliance rates of agribusiness facilities with state requirements.

Measure (1): Percent of agribusiness facilities in compliance with state requirements.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Anhydrous Ammonia						
Actual	70%	82%	85%	--	--	--
Target	50%	75%	90%	95%	97%	97%
Medicated Feed						
Actual	71%	62%	80%	--	--	--
Target	60%	70%	80%	90%	90%	90%
Seed Control						
Actual	85%	86%	90%	--	--	--
Target	NA	NA	88%	90%	90%	90%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Performance percentage is obtained by dividing the number of inspection and sample reports indicating the firm is in compliance by the total number of reports, times 100.

Rationale: Inspections are made regularly at which time corrections needed are discussed with plant management. Except for anhydrous ammonia facilities, voluntary corrections are made upon notice and are recorded as such. Uncorrected significant violations requiring regulatory action place a facility in the non-compliance category. Nationally accepted standards on determining compliance are used. Sample analysis results are used to determine compliance status.

Data Source: Establishment inspection reports, sample reports, and correspondence in MDA databases.

DISCUSSION OF PAST PERFORMANCE:

Enforcement of the seed and feed laws decreased slightly during the 1980's as field staff were reorganized and initially focused on emerging environmental protection programs. Those programs are now in operation and field staff can be utilized to support seed and feed regulation adequately. Increased emphasis on public safety in anhydrous ammonia facilities has occurred in the last two or three years with very good industry cooperation. Accordingly, targets are set high and the division anticipates meeting those targets in future years. Compliance reporting dates for previous years were after the use season. In the future, compliance reporting dates will be appropriately moved to March which is prior to the major use

season.

PLAN TO ACHIEVE TARGETS:

New rules addressing County Agricultural Inspector (CAI)/MDA cooperation should strengthen support of these programs, particularly seed and noxious weed regulation, but also feed and fertilizer programs in which CAI's can be involved. Their increased assistance in sampling and other contacts could greatly improve consumer protection in the county and increase MDA staff time for fertilizer and feed plant inspections. Targeting samples and inspections increasingly to problem areas should improve efficiency. Specialized field staff will be more knowledgeable and better able to provide quick response to regulatory requirement questions and better service to clientele. This will increase the ability to improve information and education efforts and increase voluntary compliance.

OTHER FACTORS AFFECTING PERFORMANCE:

Standards set in law and rules may change. Turnover of managers in regulated facilities affects individual plant compliance. Some counties may not commit sufficient resources to the county's agricultural inspection program.

Objective 6: To increase landowner rate of compliance with the Noxious Weed Law.

Measure (1): Percentage of landowners in compliance with "Notice To Control" noxious weeds.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Percent Compliance						
Actual	90%	95%	95%	--	--	--
Target	NA	NA	97%	97%	98%	98%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Performance percentage is obtained by dividing the number of notices to control noxious weeds which do not require further action by the total number of notices.

Rationale: The enforcement of this law is based on the individual notice to control noxious weeds. This amounts to an order from the inspector to the landowner and usually requires no further action. County and MDA resources are required when compliance with an order is not readily obtained.

Data Source: MDA maintains records of local weed inspector and CAI activities.

DISCUSSION OF PAST PERFORMANCE:

The noxious weed law has existed since 1939 and high levels of compliance were consistently maintained for many years. The level of compliance decreased in the late 1980's and, as a result, the law was revised in 1992 to eliminate obstacles that had developed. The enforcement policy has always been to encourage voluntary compliance with the expectation that citizens normally would comply without further enforcement. This policy targets resources on difficult enforcement cases.

PLAN TO ACHIEVE TARGETS:

Recent rule and procedural changes will increase coordination with counties and provide a structured planning process to improve awareness and compliance. This should make enforcement more uniform in the counties and improve overall efficiency and effectiveness. Education and enforcement are aimed at controlling the spread of noxious weeds and preventing an increase in the magnitude of the problem. For this approach to be successful, a high level of voluntary compliance is necessary.

OTHER FACTORS AFFECTING PERFORMANCE:

Weather and compliance attitudes of landowners. Economic issues such as crop failures and costs of control. County and township cooperation and budgeting.

Objective 7: To develop agriculture chemical specific best management practices (BMPs) and to assess adoption by users.

Measure (1): Agricultural BMPs developed and adopted by the MDA.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Agricultural Chemical Specific BMPs Developed						
Actual	10	10	10	--	--	--
Target	NA	NA	11	15	18	20

Measure (2): Evaluation of the adoption of BMPs.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Agricultural Chemical Specific BMPs Adoption						
Actual	--	--	--	--	--	--
Target	--	--	--	--	--	--

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Measure 1 is the number of chemical or situation specific BMPs adopted by the MDA. Measure 2 will be defined following analysis of grower surveys, data evaluation or on-farm assessments.

Rationale: The number of agriculture chemical specific BMPs indicate progress towards understanding and consolidated environmental and agricultural beneficial practices. Evaluation of on-farm data will be the best measure of adoption of agricultural chemical specific BMPs.

Data Source: Primarily MDA generated data. Some data may be obtained from other public or private organizations.

DISCUSSION OF PAST PERFORMANCE:

Current nitrogen fertilizer BMP promotion is being provided through public and private organizations (SWCDs, MES or county health organizations). The MDA has conducted or supported nitrate testing clinics (testing of water from drinking or irrigation wells) at 12 locations in 1994 in cooperation with local agencies. The clinics are an excellent educational opportunity to discuss with farmers and well owners nitrogen management. An estimated 800 wells were sampled in 1993 and approximately 1,000 in 1994.

BMPs have been promoted through Clean Water Partnerships, U of M Agricultural Experiment Station Field Days and at field demonstrations of variable rate technology at Farm Fest, Hector, St. Peter, Jeffers and Billingham in 1994.

A Nutrient Management Technical Assistance Project was conducted for professional staff with MES and the Minnesota

Association of Soil and Water Conservation Districts in 1993 and 1994. The training sessions were attended by 194 federal, state and local agency technical assistance staff. The purpose of this training was to "train the trainers" by providing significant information that could, in turn, be given directly to growers and local officials that growers encounter on Nutrient Management BMPs. The information provided to staff included items such as fact sheets, brochures, BMPs slide sets and other materials.

On-farm nutrient assessments are being conducted on over 200 farms in a variety of cropping situations to develop baseline nutrient management information.

PLAN TO ACHIEVE TARGETS:

Agricultural chemical specific BMPs are developed for individual pesticide active ingredients and for plant nutrients for specific situations based on practical, scientifically sound information and research. The specific nature of agricultural chemical BMPs is due to complex chemical, physical and environmental factors that occur in Minnesota's varied conditions. BMPs for nitrogen fertilizer and atrazine were adopted by the MDA in 1991. Additional research and implementation has been focused on manure management, potato BMPs and variable rate technology and it is expected that additional BMPs will result. BMPs for additional pesticide active ingredients are currently being developed.

Currently, four baseline and one follow-up on-farm nutrient assessments are underway. Additional funding for the development of manure management BMPs was obtained in 1994. Assessment strategies following baseline surveys will be developed and completed by the year 2000.

OTHER FACTORS AFFECTING PERFORMANCE:

Additional nonpoint source funding is necessary for research, promotion and adoption evaluation of BMPs by the MDA, Minnesota Extension Service and local governmental units. Adoption of BMPs is dependent on continued federal, state and local support for a solution to nonpoint source pollution.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 02 - Plant Protection

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 3,163	8.1% of department's budget
From State Funds	\$ 3,151	
From Federal Funds	\$ 12	
 Number of FTE Staff:	 54.1	 11.0% of department's staff

PROGRAM GOALS:

- To help maintain a vigorous, healthy plant environment in Minnesota (M.S. 17.23, 18.331-18.335, 18.44-18.61).
- To research and provide new ways to control plant pests (M.S. 18.021-18.024, 18.041-18.161, 21.01-21.22).
- To help provide quality plants and plant products for domestic and foreign markets (M.S. 27.001-27.20, 30.102-30.201).

DESCRIPTION OF SERVICES:

Survey the state to detect plant pests. Warn citizens and affected industries of plant pests so they may take appropriate actions. Grow and release natural enemies of plant pests. Inspect and certify plants and plant products to meet both domestic and international market requirements. Regulate the release of genetically engineered organisms. Provide permits for the regulated movement of plant pests for research purposes. Train and certify local tree inspectors. Inspect and certify potatoes for the certified seed market. Inspect and certify honey bee colonies on request to meet regulatory requirements. License and bond wholesale produce buyers.

BACKGROUND INFORMATION:

A large majority of plant pests came to Minnesota before MDA adopted state, federal and international regulations. The division enforces statutes designed to prevent additional introductions, deal with plant pests already introduced and regulate the movement of goods to prevent the further spread of pests.

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

Type	Measure	F.Y. 1993	F.Y. 1994
O	Circulation of <i>Minnesota Pest Report</i>	2,200	2,600
W	Applications & permits to move plant pests, noxious weeds & soil	54	47
A	Plots for study of a bacterium against the Canadian thistle	10	18
W	Plant pest outbreak investigations and assessments	80	55

1994 Annual Performance Report

A	Informational visits to county extension offices	40	52
W	Nursery stock grower acreage inspected	7,148	7,774
W	Nursery dealers inspected	719	694
W	Phytosanitary (i.e. clean plant) certificates issued	2,715	2,615
W	Grain elevators certified to ship grain to western states	38	78
W	Communities & individuals having problems with oak wilt assisted	490	563
W	Gypsy moth traps placed	6,444	5,500
W	Japanese beetle traps placed	2,057	1,250
W	Tree inspectors certified	662	701
W	Lots of certified seed potatoes inspected	1,276	1,244
W	Certified seed potato winter test plots planted, grown and inspected	725	680
W	Hundredweight of potatoes inspected for processing	3,357,357	3,346,877

PROGRAM DRIVERS:

Increasing international trade. Increasingly international trade is providing more opportunities for the introduction of nonnative (i.e. exotic) plant pests. Both foreign and domestic markets have differing degrees of reliability as to inspection and certification capabilities. There were breaches of quarantines and serious plant pest introductions (Gypsy moth and Japanese beetle) during the 1994 growing season which made it necessary to stretch resources and reassign personnel to keep Minnesota markets open to trade.

Greater concern with exotic pests. The introduction and establishment of Eurasian water milfoil, zebra mussel and purple loosestrife has heightened public awareness of the dangers of exotic pests. The focus in the past has been on insects and plant diseases affecting food crops. Existing laws may need some strengthening to deal with additional pest concerns.

Dwindling federal support. Ever tightening budgets are forcing the MDA to deal with many problems on its own, despite the interstate nature of the nursery industry.

AGENCY: Agriculture, Department of
PROGRAM: Plant Protection

OBJECTIVE, MEASURE

Objective 1: To hold Gypsy moths and Japanese beetles to spot infestation levels through 2000.

Measure (1): Number of male Gypsy moths captured per year.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Performance	81	97	288	--	--	--
Target	NA	NA	NA	<500	<300	<200

Measure (2): Number of Japanese beetles captured per year.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Performance	335	1,364	2,255	--	--	--
Target	NA	NA	NA	<5,000	<4,000	<3,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Male Gypsy moths and adult Japanese beetles are attracted to scent lure baited traps placed throughout the state. They are captured and counted. The measures are simple numerical counts of the captured pests.

Rationale: Trapped moths and beetles attracted to scent lure baited traps provide the only reliable means of finding and eliminating populations of this pest in the very earliest stages of establishment.

Data Source: Trapping records.

DISCUSSION OF PAST PERFORMANCE:

The MDA, in cooperation with federal counterparts, develops long range and annual trapping plans based on risk factors such as vegetation cover types, transportation corridors and current demographic data. The overall plan must be adaptable to short term emergency situations such as major quarantine breaches, but yet be comprehensive. To date, 17 start up Gypsy moth populations have been identified and eradicated over the past 13 years, and Minnesota has maintained its status as Gypsy moth free. Japanese beetles are relatively new introductions to Minnesota. As infestations are found, the department recommends appropriate control strategies.

PLAN TO ACHIEVE TARGETS:

The MDA must increase vigilance against these pests by expanding the annual trapping program, adopting any new control or detection technologies and developing stronger cooperative detection and control networks with uninfested adjacent and western states and USDA. The purpose is to develop ways to work with infested or partially infested states on improving inspection and certification. A major breach of the USDA federal quarantine resulted in large numbers of Gypsy moth infested trees entering the state. Control treatment may be needed in the spring of 1995. 1995 statewide surveys that locate the pests and determine how extensive they are will be needed. This will be followed by trapping and control treatments in subsequent years.

OTHER FACTORS AFFECTING PERFORMANCE:

The MDA works cooperatively with the USDA and other state and federal agencies in detection, trapping and eradication programs whenever an establishing population is confirmed. Due to changing federal priorities and commitments, the MDA may be faced with assuming the full responsibility to protect the state's resources from Japanese beetles and Gypsy moth. The latter is categorized by USDA and affected states as the nation's most severe tree pest.

The introduction of hybrid strains of the Gypsy moth are now known to occur in Europe and Eastern Europe. These strains have females that fly (the older European strain's females are flightless) and an even wider host range. Present detection methodology will not work for the Asian strains of this pest.

Objective 2: To conduct interstate nursery stock inspections to deal effectively with dangerous native pests.

Measure (1): Number of interstate nursery stock shipments inspected.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Performance	0	0	2	--	--	--
Target	NA	NA	NA	15	50	60

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of interstate shipments of nursery stock inspected annually.

Rationale: In recent years, serious plant pests such as Gypsy moth and Japanese beetle have approached the Midwest and threatened Minnesota's environment. Pest movement via nursery stock is a major means of pest spread. Timely, accurate inspection of nursery stock can identify infested/infected stock and prevent a new pest introduction.

Data Source: Inspection reports.

DISCUSSION OF PAST PERFORMANCE:

In 1994, inspections focused on identifying interstate nursery stock shipments as a factor in the introduction of serious pests (Gypsy moth, Japanese beetles) based upon interceptions in many states in the region.

PLAN TO ACHIEVE TARGETS:

Staff are being reassigned to inspect dealers every 3 years instead of annually, and to focus on the interstate movement of plants.

OTHER FACTORS AFFECTING PERFORMANCE:

Changing rules and regulations by other states can affect the movement of nursery stock. Over the past few years, there has been an apparent deterioration of sound inspection/certification programs in several eastern states. Nursery stock carrying insect pests of serious concern have been shipped interstate even though the stock was certified pest-free at origin and carried official documentation to that effect.

Objective 3: To survey for plant pests that are a threat to Minnesota crops.

Measure (1): Survey for insects, diseases and weeds to provide a basis for control and certification.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Survey:						
Actual Counties	62	62	63	--	--	--
Target Counties	60	60	63	63	65	65
Actual Acres	28,300	28,663	30,000	--	--	--
Target Acres	25,500	25,500	25,500	25,500	30,000	30,000
Actual Field Observations	5,668	5,994	6,000	--	--	--
Target Field Observations	5,300	5,500	6,000	6,000	6,500	6,500

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of counties and acres surveyed. The number of field observations made by staff for pests and/or damage.

Rationale: Representative cropland is surveyed for pests, insects, plant diseases and weeds to assess actual and/or potential damage. The survey plays a leading role in developing control measures and the timing of application. Special permits for chemical use are recommended based on the survey information.

Data Source: Division field personnel surveys of crop reporting districts.

DISCUSSION OF PAST PERFORMANCE:

Turnover of seasonal staff hampered reaching targets. Budget cuts in county extension services also negatively impacted surveys by reducing information on pests and their locations.

PLAN TO ACHIEVE TARGETS:

Full complement of staff and efficient use of computers in the field will help reach targets.

OTHER FACTORS AFFECTING PERFORMANCE:

Factors include climate, field conditions (including rain and flooding), temperature fluctuations or other events which affect crops and availability of control measures.

Objective 4: To develop biological (non-chemical) strategies for pest control.

Measure (1): Release of biological control agents for pest insects and noxious weed control.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
European corn borer parasites in sweet corn	NA	1,000,000	1,500,000	--		
Target	NA	NA	NA	2,000,000	*	*
Gypsy moth parasites	NA	600	1,000	--		
Target	NA	NA	NA	2,000	*	*
Must thistle weevils	NA	2,000	5,000	--		

1994 Annual Performance Report

Target	NA	NA	NA	8,000	*	*
Purple loosestrife beetles	NA	NA	4,500	5,000	*	*
Target	NA	NA	NA	3,000	*	*

* LCMR funding ends June 30, 1995.

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Number of plant insect pest parasites and predators released.

Rationale: The screening, introduction and release of biological control agents is the first step in developing biological pest control.

Data Source: MDA-LCMR reports, inspection and observational records.

DISCUSSION OF PAST PERFORMANCE

The Minnesota Legislature, through the LCMR, has appropriated funds to MDA for the bienniums 1988-89, 1990-91, 1992-93 and 1994-95 to develop biological, non-chemical control strategies for controlling pests. MDA, in cooperation with the University of Minnesota (Departments of Entomology, Plant Pathology, Agronomy and Plant Genetics), is continuing the development of biological control agents for management of plant and animal pests in Minnesota.

Successful establishment of biological control agents and evidence of control has been documented in some projects; work is continuing in other projects.

PLAN TO ACHIEVE TARGETS:

Funding for this program has not been extended beyond the current biennium.

OTHER FACTORS AFFECTING PERFORMANCE:

Delay in obtaining biocontrol agents because of regulatory requirements. Other unpredictable factors, such as environmental conditions, the behavior and adaptation of biological control organisms being tested, equipment failure, etc., affect performance.

Rearing of biocontrol agents has had problems such as lack of controls - temperature, humidity, light, artificial/natural diets, etc. Testing on a larger scale was hampered because of staff turnover.

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 03 - Grain Inspection

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 4,064	10.4% of department's budget
From State Funds	\$ 4,064	
From Federal Funds	\$ 0	
 Number of FTE Staff:	 86	 17.5% of department's staff

PROGRAM GOALS:

- To provide accurate, timely, repeatable, unbiased grain quality information to interested parties (customers) in order to facilitate the effective trading and movement of grain for both domestic and export uses (M.S. 17B).

DESCRIPTION OF SERVICES:

Grain Inspection provides official weighing, sampling, inspection and laboratory services to customers under the U.S. Grain Standards Act as the official grain inspection agency for the State of Minnesota. This work is performed for the domestic grain trade under a 3-year renewable designation, and for the export grain market under a continuing delegation from the Federal Grain Inspection Service of the U.S. Department of Agriculture.

The work performed is at three levels: First, official sample-lot certificates are issued where division staff sample and inspect grain. In these cases certificates are used as prima facie evidence attesting to the quality of the entire lot. Second, submitted certificates are issued with the results of staff inspections and laboratory work on samples delivered to the division but sampled by others. These certificates attest to the quality of the submitted grain sample only. Finally, official commercial service is work performed to the specifications of the customer where less than a full grade is needed for the customers use in determining the grain's market value or best use.

The employees are federally licensed for the sampling, inspection, laboratory, and/or weighing functions they perform. They are initially tested and are continually trained. Their work is reviewed both openly and without their knowledge throughout their careers. The accuracy and reliability of their determinations are key to accomplishing the goal of the United States Grain Standards Act. The goal is that grain inspection results by any of the 60+ official agencies in the country are nearly identical. To accomplish this, all procedures, sample sizes, identifications, certificates, and descriptions are the same no matter where they are done.

The service is mandatory for grain being directly loaded for export by ship and is voluntary for all others. The greatest proportion of the division's work is voluntary. In most years, between 7% and 13% of the grain quality work completed is because the customers were required to use the official system.

BACKGROUND INFORMATION:**MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)**

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>(est) F.Y. 1994</u>
W	Inspections (full grade)	85,821	77,200
W	Factor Only 1 or 2*	15,987	14,060
W	Commercial Inspections	7,867	4,790
W	Weighing	10,585	9,540
W	Wheat Protein	55,596	42,200

* Partial inspections of only 1 or 2 factors, i.e. separate grade components or other specific grain marketing information.

Data is reported by federal fiscal year to provide the most current information. Federal fiscal years begin October 1, and end September 30.

PROGRAM DRIVERS:

The fact that a majority of the work is voluntary is the greatest management challenge facing the division. Despite uncertainty about the volume of grain inspection work requested by customers, a base level staff must be available to fulfill the commitment to provide immediate service. Factors which influence the amount of work requested by the grain trade include domestic and foreign grain production and trade policy, weather, crop quality, grain elevator consolidations, etc., as well as the general degree of trust between trading interests locally and nationally.

There are several factors that determine the amount of business that will be done. The market price and attendant premiums affect both the amount of grain marketed and the demand for the independent official inspection services. A crop year with consistently high quality grain will diminish the need for official work. During some years, trading partners will be comfortable buying and selling on a handshake while in others official inspections will accompany all trades.

Federal agricultural policy will influence planting by crop and amount as well as directly affect the ability of grains to be exported effectively. Foreign trading partners policies will similarly influence the demand for U.S. grain in world trade.

Available rail, barge or ship units can affect work as can work stoppages. Crop condition and health will increase or decrease the service demands of the division. Weather and catastrophic conditions can most easily devastate business without warning as was the case in 1993. When it does, the effects carry into the next inspection season.

AGENCY: Agriculture, Department of
PROGRAM: Grain Inspection

OBJECTIVE, MEASURE

Objective 1: To maintain the renewable designation from USDA/Federal Grain Inspection Service (FGIS) as the official grain inspection agency for Minnesota and to perform the delegated export inspection services.

Measure (1): To perform adequately through 500 evaluations per year.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Retain Designation	Yes	Yes	Yes	--	--	--
Target	Yes	Yes	Yes	Yes	Yes	Yes

Measure (2): To provide customer's requested grain quality results by the next business day after the sample is received in 95 % of the cases.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	95 %	95 %	93 %	--	--	--
Target	95 %	95 %	95 %	95 %	95 %	95 %

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Measure 1 is the compilation of the management and corrective action reports received from the FGIS Field Office which monitors the division's work. This consists of reviews of individual employee work and adherence to rules as well as division-wide reviews. Additionally, work sites and staff facilities, both permanent and temporary, are reviewed. The reviews are conducted by local federal staff, Board Appeal staff of FGIS in Kansas City, and Washington staff of several FGIS divisions. There are also division level reviews of worker skills, work sites and customer sites.

Measure 2 is based on date the sample is received and date of inspection results. The percentage is obtained by dividing the total number of results provided by the next business day by the total number of samples received. Previously, we depended on FGIS to notify us if we were in danger of not meeting measure 2, which is now a new task for the division.

Rationale: Measure 1 is an indication of the division's success in maintaining the status as the official grain inspection agency. The purpose is to ensure the skill, integrity, accuracy and neutrality of the work along with adherence to rigid work rules. The culmination of this work is used by FGIS to determine whether or not to renew the designation as the official grain inspection agency. A portion of this is a customer satisfaction survey done by FGIS.

Measure 2 is an indication of the efficiency of providing rapid grain quality results to customers in order to facilitate grain trading.

Data Source: Internal records, pan tickets, certificates, manuals, and issuances.

DISCUSSION OF PAST PERFORMANCE:

The division was one of the first organizations to inspect, sample and weigh grain to facilitate effective trading of commodities. The Grain Inspection Division has been in business for over 107 years and was used by the federal government to establish U.S. grain standards and the official inspection system.

PLAN TO ACHIEVE TARGETS

The division will maintain training and monitoring efforts and continue an internal quality control system. The FGIS will continue intensive blind sample and inspection programs. These, in combination with work site reviews, insure that the work of all licensed inspectors is reviewed at least weekly. The reviews look for both accuracy and rapid delivery of results to customers.

OTHER FACTORS AFFECTING PERFORMANCE:

The vast majority of the work performed by the division is voluntarily requested. When grain quality is consistently high and the markets are steady, workload decreases. The amount of grain available, the consolidation of elevators, joint ventures on the part of trading companies and the availability of transportation all impact business. Additionally, flood, plant disease, extreme price fluctuations, trade agreements, export levels and federal policy all influence the number of inspections requested. These factors make it extremely difficult to predict the level of service that will be requested each year. The designation, however, requires that the division maintain staff levels sufficient to provide service on an immediate basis without forewarning.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 04 - Food Inspection

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 2,277	5.8% of department's budget
From State Funds	\$ 1,986	
From Federal Funds	\$ 291	
Number of FTE Staff:	47.3	9.6% of department's staff

PROGRAM GOALS:

- To protect the public health and prevent consumer fraud through an effective food establishment inspection program that reduces the risk of foodborne disease and prevents the sale of unwholesome or misbranded food (M.S. Chapter 31 and the U.S. Code of Federal Regulations).

DESCRIPTION OF SERVICES:

The Food Inspection Division exists to assure that only wholesome, properly represented, and correctly labeled food products are offered for sale in sanitary and properly licensed facilities. Division inspectors make unannounced routine inspections of the state's 9,500 licensed food handlers to assure they are complying with both state and federal food safety and labeling requirements. Food inspectors periodically inspect retail food markets, custom meat processors, food processors, beverage plants, canning and freezing plants, bakeries, salvage food processors, food storage warehouses, cold storage warehouses, retail and wholesale meat outlets, egg handlers, food vending machines, food vehicles, and food concession stands at state and county fairs.

The inspection frequency of these firms is based on the potential health risk of their food handling operations and past inspection history. Inspectors reinspect firms found with significant violations. They also investigate consumer and industry complaints and handle a wide variety of food emergencies related to accidents, natural disasters, and food recall situations.

The Food Inspection Division takes corrective action on all violations found during inspections. The division has the statutory authority to resolve non-compliance of state standards through the use of written orders, warning letters, administrative meetings, food product embargoes, civil penalties, refusal to issue a license, license suspension or revocation, criminal proceedings, and court restraining orders and injunctions. The staff of the division also conduct a food safety sampling program, in cooperation with the department's Laboratory Services Division, to determine if foods are safe and properly represented.

The division has numerous formal agreements with federal, state and local food and health regulatory agencies to promote cooperation, minimize duplication of inspection and licensing efforts and better utilize limited budget resources. The division also is conducting informational meetings to provide industry with food safety and labeling information.

BACKGROUND INFORMATION:**MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)**

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
W	No. Inspections/Investigations	19,744	20,655
W	No. Food Samples Collected	6,354	7,749
W	No. Unsatisfactory Sanitation Conditions Corrected	9,436	9,777
W	No. Times Substandard or Mislabeled Food Removed from Sale	825	881
W	No. Pounds of Food Removed from Sale	750,185	1,361,706
W	No. Embargoes Issued on Adulterated or Mislabeled Foods	41	46
W	No. Warning Letters Issued to Food Handlers	716	693
W	No. Administrative Meetings with Firms that Violated State Requirements	24	27
W	No. Civil Penalties Assessed to Firms	0	4
W	No. Court Cases	11	5
W	No. License Revocations	3	0
W	No. Improper Facilities and Equipment Corrected	6,605	7,091
W	No. Improper Food Storage Temperatures Corrected	1,049	1,050
W	No. Citizen Complaints Investigated	717	781
A	No. Health Certificates Issued for the International Sale of Minnesota Food Products	71	101
A	No. of Education Programs/No. of Participants (Record keeping started in 10-93)	N/A	25/713

PROGRAM DRIVERS:

- The division performs inspection services for a number of federal agencies. Expected funding reductions from these sources will negatively impact the program. The federal government also continues to mandate new food regulatory programs on state agencies without providing corresponding funding. Two recent examples of this are the U.S. Food and Drug Administration's (FDA) 1991 Nutritional Labeling and Education Act and the new seafood safety regulations.
- Adoption of the 1993 Model Food Code will have a positive impact on the quality of the state's inspection program. This code will provide for revised uniform statewide requirements for food handlers. It will facilitate the computerization of the food inspection program which will provide valuable inspection data and enhance inspection efficiency.
- Responding to a major, prolonged food emergency would have an adverse impact. Several major food safety scares have occurred in recent years. Examples are: Aflatoxin in corn, foodborne illnesses associated with salmonella organisms, listeria monocytogenes, E. coli, contamination of food with low level unidentified organisms, and the Chilean grape cyanide tampering incident.
- Consumers have high expectations that the food products they purchase are safe and nutritious. The desire for safe food and heightened awareness of food safety concerns relating to microbiological and chemical contamination will place a higher demand on the division to conduct more frequent inspections and food sampling.
- A large amount of a wide variety of food products are moving into the state from all over the world. New and diverse

ways of marketing foods, from harvest to the table in a few days, is exposing a large number of people to possible food safety problems from food sources that have not always been proven to be safe. These movements of products demand increased inspections and food product sampling.

- A wide variety of new food production technologies and innovations in food packaging materials will challenge capabilities to effectively monitor the food processing industry. Another new challenge for regulators is industries' use of computer control of critical food processing operations.

AGENCY: Agriculture, Department of
PROGRAM: Food Inspection

OBJECTIVE, MEASURE

Objective 1: To work toward ninety-five percent of all licensed food handling establishments having passing inspections by 1-1-97.

Measure (1): Pass/fail designation on all routine inspections and reinspections of food facilities conducted during the fiscal year.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Target	NA	NA	NA	NA	90%	95%

The division is in the process of developing a new pass/fail system for tabulating inspection results which will replace the present system of recording inspection results.

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Measure is the number of facilities passing inspection divided by the number of facilities inspected.

Rationale: Inspections are conducted at a frequency based on violations of public health significance, the potential risk of the type of food being produced, and the firm's past compliance history. These inspections establish the wholesomeness of the foods being offered for sale, the sanitary and physical condition of the facility, and compliance with the recently enacted Nutritional Labeling and Education Act. The passing of an inspection is a good indicator food products are being produced in a clean and safe environment, acceptable food handling practices are being used, and, therefore, the products are safe and properly represented.

Data Source: Food Inspection Division inspection reports and Laboratory Services Division sample report results. The division is presently waiting for a computer program to document inspection information. The program is being provided by FDA which developed it to facilitate state adoption of their 1993 Model Food Code. The division is, in cooperation with the Minnesota Department of Health, in the process of reviewing and adopting this federal guideline in order to create uniform state food safety requirements. Adoption of this code and use of the new computer program will have a major, positive impact on the division's inspection program. It will greatly increase inspection efficiency, provide management with valuable inspection and personnel performance information, thereby facilitating future food safety planning. The division is presently developing a manual system to tabulate inspection scores and a pilot program will be implemented by 7-1-95. A computerized inspection and record keeping system will be developed and implementation is projected by 7-1-96.

DISCUSSION OF PAST PERFORMANCE:

The division does not presently have a system of tabulating inspection scores. However, the division completes follow-up reinspections on all significant violations of state standards to insure firms are brought into compliance in a timely manner.

PLAN TO ACHIEVE TARGETS:

The division will help food firms pass inspections by providing information on safe food handling practices. The division will increase efforts to provide the food industry with up-to-date information on state requirements through pass-out information during inspections and through educational seminars and conferences. Special efforts will be made to work with firms that are having problems complying with state requirements. The division will also reach out to consumers through the news media, public presentations and other means of communication. A computerized record system has been developed to tabulate and monitor educational efforts.

OTHER FACTORS AFFECTING PERFORMANCE:

Factors affecting performance include food emergency situations, including natural disasters such as floods and storms, fires in food facilities, large foodborne illness outbreaks or widespread food product tampering incidents. Understaffing due to hiring restrictions, layoffs or labor disputes could also have a negative impact on achieving this goal.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 05 - Dairy and Livestock

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 4,613	11.8% of department's budget
From State Funds	\$ 4,613	
From Federal Funds	\$ 0	
 Number of FTE Staff:	 46.6	 9.5% of department's staff

PROGRAM GOALS:

- To provide safe and wholesome milk and dairy products which meet state and federal standards to assure acceptability by local, national and world markets, provide for the orderly marketing of dairy products and pricing of raw milk (M.S. 32).
- To provide financial protection for livestock producers and marketers of livestock (M.S. 17A).

DESCRIPTION OF SERVICES:

This program inspects, permits or certifies all dairy farms and processing plants in accordance with state statute and/or federally recommended standards. It also conducts the Interstate Milk Shippers Certificate (IMS) program to assure unrestricted interstate movement of dairy products and to avoid duplication of inspections by other states and agencies. Dairy product pricing is monitored to prevent the sale of products below cost which could affect the orderly marketing of selected dairy products.

The livestock program assures financial responsibility and fair trade practices in livestock dealing and marketing by requiring market, dealer and agent bonding and licensing, and by acting as the trustee on federal bonds. It also provides a weighing service to packers to assure accurate and impartial weights for livestock they purchase from producers or dealers. MDA provides livestock weighing on a per-head fee basis to anyone requesting this service.

BACKGROUND INFORMATION:**MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)**

Type	Measure	F.Y. 1993	F.Y. 1994
O	Dairy Farms in Minnesota, Grades A & B	13,852	13,059
W	Inspections Required by Law	22,800	22,100
UC	Cost Per Farm Inspection	\$52	\$54

1994 Annual Performance Report

UC	Cost Per Plant Inspection	\$210	\$235
W	Total Inspections Completed	25,200	24,400
W	Milk Sheds Meeting IMS Compliance	89%	90%
O	Livestock Produced in Minnesota	8,500,000	8,000,000
W	Livestock Weighed by MDA	2,430,000	2,130,000
A	Licensed and Bonded Parties	512	489
A	Bond Claims Filed	0	2
UC	Dollars Paid to Producers as Trustee on Bond Defaults	0	\$76,000

PROGRAM DRIVERS:

DAIRY

- **Shift in the U.S. Dairy Industry.** Dairy production is moving to the West and Southwest because of more favorable pricing programs and production capabilities.
- **Federal Milk Market Orders.** Unless milk market orders are reformed, Minnesota will remain the lowest base pricing location in the U.S. This price is below the current cost of production which will cause more Minnesota farms to stop producing milk.
- **Aging Population of Dairy Producers.** Very few young dairy farmers are replacing the many farmers who are about to retire. The average age is well over 50.
- **Aging Facilities.** Old barns and milk houses have a difficult time being properly maintained to meet the standards associated with remaining in compliance with state and federal laws.
- **Federal Law Changes.** Laws are always being updated to reflect the strong concern for food safety and these changes always result in more compliance work for state regulatory agencies.

LIVESTOCK

- **Livestock Weighing Requests Continue to Drop.** In Minnesota, the requests for weighing services are decreasing, resulting in less fee revenue. Fees are based on a per head charge.
- **Illegal Dealers.** These persons are often difficult to locate and to prevent from buying from producers because producers are lax in asking to see the license to deal.
- **Bond Claims.** The filing of claims was not a problem until 1994 at which time those claims filed greatly exceed the value of the bond. This posed a problem for MDA as trustee to determine the appropriate producer payments where the dollars available were less than the amounts claimed.

AGENCY: Agriculture, Department of
PROGRAM: Dairy and Livestock

OBJECTIVE, MEASURE

Objective 1: To complete 100% of the required inspections at a compliance rate of 95%.

Measure (1): Inspections required and completed with the percent compliance determined.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Percent Completed	105%	107%	105%	--	--	--
Target	100%	100%	100%	100%	100%	100%
Percent in Compliance	92%	92%	93%	--	--	--
Target	95%	95%	95%	95%	95%	95%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The total number of dairy inspections required by law will be divided into the number of inspections actually completed to determine the percent completed. All reinspections or other follow-up activities will be used to determine the percent of inspections in compliance by dividing by the total inspections completed.

Rationale: State and federal laws require a minimum number of inspections of dairy production and processing facilities. The percentage of completion represents the inspections conducted over the required minimum. The measurements of compliance provides an indication that farms and plants are meeting the approval process to certify the safety of milk and milk products. Certification allows these products to move into interstate and international commerce.

Data Source: Computer information collected and reported by the "D92" computer system of the division.

DISCUSSION OF PAST PERFORMANCE:

The percent of completed inspections continues at over 100% as more time is needed to work with out-of-compliance farms. The number of total inspections has been dropping because of the number of farms and plants going out of business.

PLAN TO ACHIEVE TARGETS:

Most of the farms experiencing compliance problems go out of business if they do not work with their field service representative and MDA inspector to improve the conditions under which they produce milk. MDA's information and educational programs will allow the department to achieve the targets established.

OTHER FACTORS AFFECTING PERFORMANCE:

The biggest problem that could arise would be a statewide hiring freeze or employee strike that would prevent the required number of inspections from being completed.

Objective 2: To license and bond livestock buyers.

Measure (1): Livestock markets will be monitored and investigation conducted to maintain proper bonding and licensing of livestock dealers.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
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Livestock Markets						
Monitored	117	93	90	--	--	--
Target	NA	NA	NA	90	90	90
Number of Investigations	50	43	43	--	--	--
Target	NA	NA	NA	40	40	40
Number of New Dealers Licensed	9	10	15	--	--	--
Target	NA	NA	NA	10	10	10

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Yearly records will be maintained of all livestock markets monitored for compliance by individuals buying and selling livestock. Investigations will be conducted to determine if any dealers are operating without properly being bonded and licensed. All new licenses as a result of these actions will be recorded and reported.

Rationale: To protect livestock producers from unlicensed and potentially fraudulent buyers, all markets are monitored on a rotational basis. The number of investigations is a good measure of dealers who may be out of compliance and the new dealers licensed will measure those who, as a result of MDA investigations, have become properly bonded and licensed.

Data Source: The information on licensing is obtained from division records. Bonding is provided through the U.S.D.A. Packers and Stockyards Administration, but is administered by MDA who acts as trustee on the bonds as these bonds are required for state licensing.

DISCUSSION OF PAST PERFORMANCE:

The MDA has been consistent in maintaining all bonds for dealers and their agents and protecting livestock producers through monitoring of markets and investigations related to buying and selling by unlicensed dealers.

PLAN TO ACHIEVE TARGETS:

All dealers of livestock in Minnesota will be aggressively investigated to assure that they are properly bonded and licensed to buy and sell under M.S. 17A. In the future, the MDA plans to track the number of investigations of unlicensed dealers and determine the number of new bonds and licenses issued as a result of these actions.

OTHER FACTORS AFFECTING PERFORMANCE:

The department does not issue the bonds or approve the amounts, but acts as trustee and requires bonding before a license to buy and sell is issued. USDA provides the bonding under federal law and this creates some problems in coordinating proper amounts to cover producers adequately upon default. It is a sizable task to track down illegal dealers to see they become properly bonded and licensed as required by state law.

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 06 - Laboratory Services

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 3,218	8.2% of department's budget
From State Funds	\$ 2,970	
From Federal Funds	\$ 248	
 Number of FTE Staff:	 48.1	 9.8% of department's staff

PROGRAM GOALS:

- To efficiently provide prompt, objective and accurate laboratory analyses, information, and technical leadership.
- To perform all services in cooperation with department programs and consistent with applicable laws and regulations so that the State of Minnesota's agriculture, environment and food chain are effectively protected.

DESCRIPTION OF SERVICES:

The division provides comprehensive laboratory testing of samples submitted in support of inspection activities and service programs of the department's regulatory divisions. Chemical, microbiological and physical analyses are performed on samples of food, dairy, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, grain and other agricultural products. These tests determine quality and conformance to state and federal laws and regulations. Additionally, the division performs analyses to fulfill contracts and cooperative agreements with the USDA, FDA, EPA and other federal and state agencies. Another service provided includes the certification of other laboratories that test dairy products for Grade A labeling in order to maintain consistent standards throughout the state. The laboratory provides scientific expertise and technical knowledge for the department as a whole.

These analytical activities support the department in its protection of consumers, farmers, processors and the environment through the elimination of fraud and error in the production, processing, marketing and use of agricultural/food products.

BACKGROUND INFORMATION:

Over the past biennium, division has been making a significant transition in operations to systems that comply with new federal (EPA, FDA and USDA) requirements and state/federal legal standards for laboratory operations. These systems are based on the guidelines for Good Laboratory Practices (GLP). These GLP systems promote a total quality management concept and are designed to ensure that the laboratory's processes are documented, of high quality, efficient and effective in meeting customer requirements. The systems design is also compatible with efforts to create outcomes based performance measurements and enables the division to avoid creating costly redundant systems.

The movement to these new GLP systems has been challenging to the laboratory in terms of time, budget and resources. Implementing the new system has been complicated by several food emergencies which occurred during the past two fiscal years. Significant resources were assigned to support regulatory staff, decreasing the time and focus available for this project. Although the laboratory has made significant progress towards meeting GLP system mandates, it will take at least the next biennium to fulfill most of the GLP documentation and system requirements. Because this is a change from the past, the laboratory does not have comparable prior data to compare current activity data. By changing to new GLP systems measurements, the laboratory intends to provide more accurate information on quality, cost efficiency and effective performance.

There are no performance measures proposed for the laboratory, since it supports the work of the regulatory divisions of this program.

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

As the department moves to new GLP measuring systems, the old measurement reporting was discontinued because the data was not comparable with current measurement data. The new systems were under development in F.Y. 1993 and 1994 and data does not exist for this period under the new performance measurement system.

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
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PROGRAM DRIVERS:

- Computer automated documentation and auditable systems being developed in the division are essential to meet federal certification requirements and necessary to ensure that analyses performed for regulatory purposes are legally defensible. Resource and budget limitations have slowed work on these systems and will continue to create delays.
- Food safety or environmental emergencies can force the laboratory into crisis management.
- Increased public awareness and concern over food safety and environmental issues is demanding more testing at lower levels to define the scope of problems and improve regulations. This challenge creates some issues that must be resolved for optimum laboratory utilization. These include:
 1. The greatest fears about food safety and the environment may be disproportionate to their greatest health risks.
 2. Fears are centered on chemicals that are the most difficult and costly to analyze, where technology and methods are often lacking.
 3. Many recent food borne outbreaks have been linked to microbiological organisms for which the laboratory has fewer analytical resources relative to chemical analyses.
 4. Concerns for public safety are often centered on zero tolerance for hazardous chemicals which creates a continual conflict with the technology of instrument detection limits. In essence, what constitutes zero is a moving target as improvements in laboratory equipment and procedures pushes detection limits to lower and lower levels.
 5. Education and data are lacking to answer questions concerning these issues.

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 07 - Grain Licensing and Auditing

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 568	1.4% of department's budget
From State Funds	\$ 445	
From Federal Funds	\$ 123	
 Number of FTE Staff:	 11.9	 2.4% of department's staff

PROGRAM GOALS:

- To examine the facilities, grain inventories and records of all state licensed grain storage elevators during each fiscal year (M.S. 232.24).
- To protect the public by licensing and bonding grain buyers and those who store general merchandise (M.S. 223, 231, 236).
- To educate and enforce applicable state statutes, rules and federal laws to reduce marketing and storage risks to producers of grain, and storage risks to persons storing other goods (M.S. 223).

DESCRIPTION OF SERVICES:

The division issues licenses to grain storage facilities, grain buyers and operators of general merchandise storage facilities.

By statute (M.S. 232), this division is required to perform thorough examinations once each license year of grain elevators that are licensed by the state to buy and store grain. The elevator operator must also have a second examination performed during the license year. This second examination can be performed by this division or a third party. At the present time, this division is performing annual examinations at 100% of the elevators licensed by the State of Minnesota to buy and store grain. The examinations include: determining grain inventories, determining grain storage liabilities, determining if a grain buyer meets liquidity requirements for credit grain purchases mandated by statute, determining if payments or payment arrangements have been made for grain purchases in a timely manner and have been properly documented, and determining and approving licensed storage capacities.

Examinations of grain buyers, grain buyers operating grain banks, and general merchandise warehouse operators, are performed as time permits. However, less than 50% of other licenses are being examined annually. Examinations can determine if the grain producer is being put at risk by selling grain to a grain buyer, or by depositing grain with a grain storage elevator operator. For general merchandise warehouses, examinations can determine if a building is suitable for public storage.

Each licensed firm is required to be bonded. The division monitors bond amounts to determine if the bonds meet statutory requirements. The division also administers claims against these bonds.

BACKGROUND INFORMATION:

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
	<i>Licenses Issued</i>		
A	No. of Grain Storage Elevators	357	355
A	No. of Grain Buyers (non-storage)	536	509
A	No. of General Merchandise Warehouses	140	144
	<i>Examinations Performed</i>		
W	Grain Storage Examinations	372	377
W	Grain Buyers (non-storage)	131	166
W	General Merchandise Warehouse	85	64
W	Follow-up on Citations	53	80
W	Follow-up on Reports of Unlicensed Activity	33	22
	<i>Citations Issued</i>		
A	Total (Since 11-1-93)	u/a	138
A	Serious Violations	u/a	52

PROGRAM DRIVERS:

Size of grain harvest and elevator inventories. The time needed to complete examinations at state licensed buy and store grain elevators is the primary factor in being able to extend examinations to grain buyers, grain bank operators and general merchandise warehouse operators.

If grain inventories are low, as has been the case in the last 2 fiscal years, the division's field staff can perform more examinations at our other licensed operations. If a large crop increases storage demand, grain storage elevators will seek to increase their licensed and approved storage space. The time needed to approve additional space and to verify increased obligations and inventories could curtail the time available to do other types of examinations.

Declining division revenues. Decreasing revenues preclude the division from hiring additional field staff to expand the scope of the examination program.

Consolidation in the industry has resulted in fewer companies acquiring licenses, and therefore in lowering fees collected. Since the division's funds come primarily from fees paid by licensed operators, revenues have been declining in recent years as a result of consolidation in the grain industry. In addition, the number of licensed independent (non-elevator) grain buyers has decreased dramatically in the last 4 years (from over 400 in 1988 to under 200 in 1994), also contributing to the decline of the division's income.

The United States Department of Agriculture (USDA), Commodity Credit Corporation (CCC), subcontracts examination work to this division to monitor CCC inventories in state licensed grain elevators in Minnesota. Payment to the division for

examination services is based on the number and bushel storage capacity of grain storage elevators which have a Uniform Grain Storage Agreement (UGSA) with CCC. With industry consolidation and decreasing storage capacity, the amount of money the division receives from CCC has been declining.

Competition from existing federal programs. The division is in "competition" with USDA for the licensing of grain storage elevators. If a warehouse elects to acquire a license to store grain under the United States Warehouse Act, a license to store grain from the State of Minnesota is not needed.

Since the licensing requirements (including fees and surety bond amounts) for state and federal licenses are different, with some advantages to the federal license, the division must provide a superior level of service and responsiveness to the needs of the industry in order to maintain a client base. Still, economic forces have lead some state licensed warehouses to move to the federal license.

Competition from a proposed federal program. A new threat to our fee and client base is a proposed federal grain dealers license. This license could cause the loss of a large source of revenue, if a Minnesota grain buyers license is no longer needed. Many of our grain buyer licenses are issued for buying locations owned by multi-state corporations who would be able to utilize the federal license in lieu of grain buyer licenses from many states.

AGENCY: Agriculture, Department of
PROGRAM: Grain Licensing and Auditing

OBJECTIVE, MEASURE

Objective 1: To examine all state licensed "buy and store" elevators each fiscal year.

Measure (1): Percentage of state licensed "buy and store" elevators examined during a fiscal year.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Performance	100%	100%	100%	--	--	--
Target Performance	100%	100%	100%	100%	100%	100%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of grain storage licenses examined divided by the number of grain storage licenses.

Rationale: The division issues licenses to companies who buy and store grain. M.S. 232 requires thorough examinations once each license year of grain elevators that are licensed by the state to buy and store grain.

Examinations can determine if the grain producer is being put at risk by selling grain to a grain buyer, or by depositing grain with a grain storage operator.

Data Source: Division data base.

DISCUSSION OF PAST PERFORMANCE:

As required by statute, this division has performed annual examinations at all state licensed grain storage elevators during each of the fiscal years this mandate has been in place.

PLAN TO ACHIEVE TARGETS:

The work schedule of the division's field staff revolves around scheduling and completing annual examinations of all state licensed grain storage elevators. This practice will continue, with the headquarters office monitoring achievement of this target, so that personnel may be reassigned, as needed, to complete the examinations.

OTHER FACTORS AFFECTING PERFORMANCE:

Due to budget restraints, the division's field staff is at the minimum number of employees needed to complete all examinations of state licensed grain storage elevators. If long-term illness or injury should occur to one or more of the field staff, completion of the examinations, on time, may be difficult.

Objective 2: To increase the percentage of non-grain storage licenses examined each fiscal year to 70% by the end of F.Y. 1997.

Measure (1): Percentage of licenses (other than grain storage) examined during a fiscal year.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual Performance	NA	32%	35%	--	--	--
Target Performance	NA	NA	NA	45%	55%	70%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of licenses (other than grain storage) examined divided by the number of non-grain storage licenses.

Rationale: The measure is an indication of the increasing percentage of licenses examined. More annual examinations reduces risks for grain sellers, and persons storing grain in a grain bank or goods at general merchandise warehouses.

Data Source: Division data base.

DISCUSSION OF PAST PERFORMANCE:

The division's primary task is to complete annual examinations of state licensed grain storage elevators. As time and schedules permit, the division performs examinations of grain buyers, grain buyers operating grain banks, and general merchandise storage warehouses.

Until recently, the storage elevator examination workload has taken the vast majority of the time available to the field staff. Therefore, not many of the other licensed operations received regular examination visits from division employees. In the last year, due to low grain volumes (from poor harvests) and industry consolidations, the field staff has had more time to examine other licenses and perform examinations.

PLAN TO ACHIEVE TARGETS:

The division will increase the percentage of licenses examined (other than grain storage licenses) by: 1) Increasing the field staff's awareness of the time lag between examinations; 2) Increased emphasis on the importance of regulatory oversight of all licenses; and 3) Office staff actively assigning completion deadlines to field staff for examinations of assigned licenses.

OTHER FACTORS AFFECTING PERFORMANCE:

If the volume of the annual grain harvest exceeds the licensed storage capacities of the grain storage elevators, field staff will have to perform additional examinations to approve space. These additional examinations could disrupt the regular examination schedule and the scheduling of examinations for other licenses.

In addition, large volumes of grain and/or federal grain reserve programs that result in increased stored grain inventories could increase the amount of time needed to perform examinations of grain storage elevators, also curtailing the number of other licenses examined.

Objective 3: To reduce the incidence of non-compliance with applicable state statutes, rules and federal laws, as demonstrated by citations issued for non-compliance during examinations, to less than 10% of examinations performed by the year 2000.

Measure (1): Percentage of examinations that result in issuance of an exception reports (citations) for non-compliance.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
All citations	NA	NA	23%*	--	--	--
Serious violations	NA	NA	9%*	--	--	--
Target performance	NA	NA	NA	30%	25%	20%

* beginning 11-1-93

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Number of citations issued divided by the number of examinations. A serious violation could result in license suspension, if not corrected.

Rationale: Currently, the division does not analyze the number and/or calculate the percentage of examinations that report some degree of non-compliance. The division estimates that the percentage would be in excess of 30%.

Increasing the percentage of licensees examined annually should result in the licensed operators being better informed concerning statutory, rule, and/or federal requirements. Educating the licensed operators should reduce the number and severity of non-compliance citations, and therefore the percentage of serious violations.

Data Source: Tabulation and review of exception reports submitted by field staff. Baseline not yet determined.

DISCUSSION OF PAST PERFORMANCE:

The citing of licensees for non-compliance with state statutes, state rules and federal requirements has been a routine part of the examination process. The licensee is required to respond to the citation, explaining how the problem or violation noted has been corrected. Until recently, the division has not consistently checked back to see if a violation or problem has been corrected. Consequently, some operators did not take the citations seriously and repeat citations were issued for the same violations at subsequent examinations.

As the division increases the number of follow-up examinations to determine the responses to citations, the need to issue new citations for the same or other problems and violations is expected to decrease. The suspension of licenses for repeated violations and responses that falsely declare a problem corrected is expected to reduce repeat citations.

PLAN TO ACHIEVE TARGETS:

The division will more consistently schedule follow-up examinations to determine compliance with recommendations and requirements made on citations. This will involve more closely monitoring the responses made to citations and assigning repeat violators to an accelerated examination schedule.

The division will use enforcement actions (including license suspension and/or revocation) where necessary to reduce the frequency and severity of violations.

OTHER FACTORS AFFECTING PERFORMANCE:

Some aspects of the statutes are not popular with operators of the regulated businesses. There may be some operators who are in business without acquiring the proper licenses, and, when discovered, vigorously oppose efforts to bring them into compliance with licensing requirements. The unpopular parts of the statutes and the reputed actions of anonymous and recalcitrant unlicensed operators erode the ability of the division to acquire voluntary compliance from licensed operators.

The difficult economic conditions in the agricultural community may tempt some operators to speculate in the commodity markets and/or high risk investment opportunities. The vigilance of the division may not deter an operator from taking chances that violate statutory requirements.

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 08 - Promotion and Marketing

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 6,214	15.9% of department's budget
From State Funds	\$ 6,154	
From Federal Funds	\$ 60	
 Number of FTE Staff:	 15.4	 3.1% of department's staff

PROGRAM GOALS:

The goals of this program are to:

- To encourage the market driven diversification of Minnesota's agricultural production and marketing base (Objectives 1-3). M.S. 17.03 subds. 1 and 7; M.S. 17.101; 17.102; 17.109; and 17.46-49.
- To increase the production of value-added agricultural products in Minnesota (Objectives 4-5). M.S. 17.03 subd. 1; and 17.101.
- To increase the knowledge and understanding of agriculture among teachers, students and the general public (Objective 6). M.S. 17.03 subds. 1, 2, 4 and 7.

DESCRIPTION OF SERVICES:

Customers include individual producers/firms, associations of producers/manufacturers, agri-business, educators and school districts, and interested public parties such as the Agriculture Utilization Research Institute, the University of Minnesota, the Department of Trade and Economic Development, the Department of Natural Resources and the Minnesota Pollution Control Agency.

The Promotion and Marketing Division is responsible for attaining the goals and objectives for this program. The program has broad responsibilities for the marketing and promotion of all agricultural commodities and raw products produced in the state in addition to marketing and promotion of value-added food and non-food agricultural products. The state's large production base (annual farm income of \$6-7 billion) and diversity of products (Minnesota ranks among the top 10 producing states of over 30 different commodities) requires staff to target efforts whenever possible for efficiency.

The program works in areas that include aquaculture, processed foods, market research, Minnesota Grown (a generic program promoting all Minnesota agricultural products, but focusing on specialty crops such as fruits, vegetables, honey, maple syrup and wild rice), ethanol and industrial product promotion. The program also provides services to the Commodity Research and Promotion Councils.

The program both initiates and responds to requests for market research to identify production or marketing opportunities for new crops or products. Staff provide extensive education and information to producers, processors, marketers, teachers, media and the general public through workshops, publications, interviews, association conferences, and individual consultations. Staff directly link interested buyers and sellers through computerized databases, published product directories, and coordination of displays in regional and national trade shows. Finally, staff play a role in state and federal policy development by identifying and quantifying the need for, or impact of, agricultural public policies.

BACKGROUND INFORMATION:

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
O	Licensed commercial users of Minnesota Grown Logo	376	400
UC	Number of private sector donors to education programs	87	95
A	Marketers, businesses and organizations served by education programs	1,560	1,930
A	Unsolicited requests for educational materials	2,700	3,000
W	Requests for business assistance	278	255
A	Number of food trade shows coordinated	7	8
O	Participants in Specialty Meat Products Directory	65	127

PROGRAM DRIVERS:

Significant trends/factors affecting program activities include:

1. **Continuing low commodity prices.** Minnesota agriculture is dependent on six commodities for over 80% of its farm income. These are dairy, beef, hogs, corn, soybeans and wheat. Weather, federal policies, and the internationalization of markets have all combined to keep prices for basic commodities at low levels, creating slim or negative margins for producers as prices remain relatively constant and input costs increase with inflation. This has resulted in a decrease in number of farms (a net loss of approximately 1,000 farms/year), a weakening of the supply, marketing, and research infrastructure supporting agriculture, and net migration out of rural areas of the state. Policy responses have included attempts to shift production to non-commodity/higher valued products (diversification), and increased in-state production of higher value products (value-added processing) with an emphasis on cooperative ownership of processing operations.
2. **Federal Policies and Programs.** Federal policies play a major role in determining the direction and profitability of Minnesota agriculture. Three specific laws or issues are noted whose policies will affect the work of this division: A) Farm Bill - Congress will pass a 1995 Farm Bill which will create the framework for commodity price targets, loan rates, set-aside acreages and related issues governing supply and price. B) International agreements - Recent negotiations regarding both NAFTA and GATT will have significant impact upon agriculture by exposing Minnesota producers to increased competition, while also theoretically increasing U.S. access to foreign markets. C) Energy/Environmental policies - Federal policies in the areas of energy and environment are expected to significantly affect Minnesota agriculture by potentially increasing demand for biomass-derived ethanol, bio-diesel, and bio-degradable products such as starch-based-polymer plastics.
3. **Urbanization.** As the state continues to become more urbanized, and less familiar with agricultural/rural concerns, it is critical that agriculture increase its efforts to educate urban consumers/citizens about the importance of agriculture to the state, the role for agriculture in economic development, and the infrastructure of agriculture that continues to supply a safe, wholesome, affordable food supply which is unmatched in the world. Increased public information/education/promotion efforts will be needed to create a climate conducive to agricultural development in the state.

4. **Diversification Opportunities.** Because of low margins for traditional commodities, individual producers have sought out non-traditional crops, products and markets with market-driven growth potential. A) Pollution and over-harvesting of wild fisheries has created significant demand for aquaculture products; Minnesota's significant water resources provide opportunities to capture a portion of this growing market. B) Consumer concern over cholesterol and certain livestock production practices has created demand for buffalo, venison and direct-marketed meat products. C) Increased per capita consumption of fruits and vegetables and the perceived higher quality of locally grown produce has led to formation and growth of farmers markets, roadside stands, and pick-your-own farms, as well as opportunities for increased sales through retail grocery stores.
5. **Value-Added Processing Opportunities.** Commodity producers have begun efforts to capture higher profit margins by becoming product manufacturers, most often through the formation of producer-owned cooperatives. One major growth opportunity has been in the development of environmentally friendly, renewable products. Examples of products in various stages of development include ethanol, starch-based biodegradable plastics, and soybean-oil based diesel fuel. In addition, small and medium sized companies are attempting to identify and fill niches for unique products in growing market categories such as natural juices, salsas, condiments, and consumer-ready processed foods.
6. The Clean Air Act of 1990 and related regulations contain two provisions affecting the use of ethanol to provide oxygen for gasoline reformulation. The first provision is the "oxy-fuel" program created by EPA that has been credited with helping the Twin Cities and most other non attainment areas reaching carbon monoxide attainment during the last two years. It is likely that this program will be maintained to ensure that carbon monoxide remains at acceptable levels. The second provision is the Renewable Oxygenate Standard of the Reformulated Gasoline Program which was recently initiated by the EPA as a way to insure that renewables would be included in federal requirements. The mandated demand from these two programs will require more than a two-fold increase in supply of oxygen bearing gasoline additives of which ethanol will have a major share. It is estimated that the ethanol industry will grow to more than two billion gallons by 1997.

AGENCY: Agriculture, Department of
PROGRAM: Promotion and Marketing

OBJECTIVE, MEASURE

Objective 1: To increase annual sales of Minnesota grown fruits and vegetables resulting from program activities to \$2 million by F.Y. 1997.

Measure (1): New Minnesota grown fruit and vegetable sales generated by program activities (in thousands).
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	\$1,300	NA	\$1,550	--	--	--
Target	\$1,300	NA	\$1,500	\$1,700	\$1,850	\$2,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Estimated dollar value of new sales of fruits and vegetables created as a result of specific MDA projects.

Rationale: Minnesota fruits and vegetables are one category of products receiving emphasis within the Minnesota Grown program. Measuring the growth in sales resulting from program activities provides one indication of whether program activities are contributing to the department goal of a more profitable, diversified Minnesota agriculture.

Data Source: Staff conduct surveys/evaluations of projects on an annual or biennial basis. These surveys form the basis for the data presented here. Because projects vary from year to year as different parts of the fruit and vegetable industry are featured, there is no single source of data available.

DISCUSSION OF PAST PERFORMANCE:

The fruit and vegetable industry has been targeted as an opportunity for growth and diversification. Past efforts include providing organizational assistance to producer groups, developing industry communications tools, assisting in the formation of farmers' markets, development of in-state grocery promotions and increasing consumer awareness of Minnesota Grown fruits and vegetables. As a result, consumer recognition of the Minnesota Grown logo has increased from 0% in 1985 to 73% by 1990, annual participation by producers in the department's farmer-to-consumer directory has increased from less than 100 in 1984 to 390 in 1994, cash and in-kind contributions by growers organizations to support promotional efforts has increased from \$0 in 1983 to over \$70,000 in 1994, producer attendance at annual conferences has more than doubled, licensed users of the Minnesota Grown logo has increased from 0 in 1989 to almost 400 in 1994, and media coverage of Minnesota products has gone from sporadic stories to a consistent mix of full-length feature stories and assorted smaller mentions.

PLAN TO ACHIEVE TARGETS:

Significant progress has been made in developing a high level of consumer awareness of Minnesota grown products. Staff now anticipate shifting attention to higher profile promotional events at farmers' markets and pick-your-own farms (focusing on consumer/producer interaction and family entertainment), and to higher profile promotional events in grocery retail locations. Of particular note will be efforts to extend marketing and promotion activities to retailers in neighboring states and provinces.

OTHER FACTORS AFFECTING PERFORMANCE:

1) Weather plays a significant role in crop production and crop quality. Adverse weather may completely negate the effects of a well-planned promotional strategy; 2) Competitive efforts by (typically larger, well-funded) non-Minnesota producers may create intense short-term competitive pressures, lessening the effectiveness of long-term market development efforts;

and 3) Retailers and producers alike function in a very competitive environment, and seldom disclose actual data regarding value of sales/increased sales. Obtaining actual sales data is difficult to obtain on a regular basis.

Objective 2: To increase sales of Minnesota grown specialty livestock products generated by program activities to \$200,000 by F.Y. 1997.

Measure (1): Sales of specialty livestock products generated by program activities.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	NA	\$25,000	NA	NA	--	--
Target	NA	NA	\$40,000	\$100,000	\$150,000	\$200,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Estimated dollar value of new sales of non-traditional, direct marketed, or newly commercialized meat products created as a result of specific MDA projects. Products include such things as buffalo, venison, or direct-marketed beef and lamb.

Rationale: Measuring sales of these products is one indication of whether program activities are leading to a profitable, more diverse Minnesota agriculture.

Data Source: Staff conduct surveys/evaluations of project on an annual or biennial basis. These surveys form the basis for the data presented here. Because promotional projects vary from year to year, no single source of data is available.

DISCUSSION OF PAST PERFORMANCE:

Staff began exploring the market potential for specialty meat products in 1993. Since that time, assistance has been provided to individuals or small groups of farmers to become organized into producer or marketing associations, developed an appropriate regulatory framework for non-traditional livestock, and developed more efficient/profitable marketing strategies for these products. Initial marketing efforts have included the publication of a consumer directory. Participation in the directory has expanded dramatically, with 65 producers in the 1993 directory, and 127 in the 1994 directory. Consumer requests for the 1993 directory exceeded available supply; 3000 copies were printed, but over 6000 copies were ultimately requested.

PLAN TO ACHIEVE TARGETS:

Division staff envision four specific actions in the coming biennium. First, to expand publication of the consumer directory to meet anticipated consumer requests. Second, to initiate a cooperative program with the Agricultural Utilization Research Institute to help individual producers test market their products in selected participating grocery stores. Third, to conduct an industry survey to identify barriers and opportunities for industry growth. Fourth, to create a series of educational materials and seminars targeted at producers/marketers of non-traditional meats.

OTHER FACTORS AFFECTING PERFORMANCE:

1) Developing new products and establishing distribution are time consuming and difficult processes requiring integration into a complex marketing system. Each step of this process holds significant opportunity for project failure; and 2) Consumer preferences are fluid, and can be quickly affected by unanticipated events such as nutrition research results, food safety scares, or other emerging issues.

Objective 3: To increase annual aquaculture sales to \$10,000,000 by 1997.

Measure (1): Total annual aquaculture sales (in thousands by calendar years).

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	\$4,600	NA	NA	--	--	--
Target	\$4,600	NA	\$6,600	\$8,000	\$9,000	\$10,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Total calendar year sales in dollars, including Minnesota produced food fish, bait fish and fingerlings for sport purposes. Survey is done semi-annually in cooperation with the Minnesota Agricultural Statistical Service. Results of the survey of Calendar Year (C.Y.) 1994 are scheduled for completion before the end of F.Y. 1995.

Rationale: This outcome measure indicates the success of increasing aquaculture sales.

Data Source: The Minnesota Agricultural Statistics Service conducts aquaculture production surveys consistent with other agriculture commodity surveys.

DISCUSSION OF PAST PERFORMANCE:

Industry production surveys showed that producer sales increased from \$2.6 million in C.Y. 1990 to \$4.6 million in 1992 and the number of jobs from 151 to 234 respectively. Program staff has worked in consultation with the Minnesota Aquaculture Commission, which identified complicated and confusing regulations, lack of production technology, and marketing issues as barriers to the development of the aquaculture industry. The department program has improved the developmental climate in the state by: 1) coordinating industry/agency meetings for the development of public policy language, 2) coordinating permitting/licensing activity, 3) establishing an active program of technology assessment, development and dissemination, and 4) developing a statewide promotional program.

PLAN TO ACHIEVE TARGETS:

Division staff intend to achieve targets by: 1) continuing research on new production technologies and demonstrating successful technologies to interested producers, 2) continuing current efforts to develop an appropriate regulatory framework for the industry, and 3) initiating promotional efforts in cooperation with producers as supplies become available for market.

OTHER FACTORS AFFECTING PERFORMANCE:

1) Availability of technology to meet climatic and regulatory constraints; 2) surplus or shortage of fish and seafood through wild harvest; 3) availability of private sector investment; 4) the impact of regulatory action; 5) success or failure of larger producers; and 6) other market factors such as volume of imports, strength of dollar, etc.

Objective 4: To increase sales of processed food products resulting from food trade shows to \$2,300,000 by F.Y. 1997.

Measure (1): Minnesota food product sales realized by food trade show participants (in thousands).

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	NA	NA	\$1,830	--	--	--
Target	NA	NA	NA	\$1,900	\$2,100	\$2,300

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Processed food product sales generated by companies participating in MDA-sponsored food shows.

Rationale: This outcome measure indicates the success of increasing food trade show sales.

Data Source: Participating companies are surveyed at completion of show, and at 6 and 12 months following the show. Information on sales resulting from show participation are compiled by staff.

DISCUSSION OF PAST PERFORMANCE:

Thirty years ago, the MDA pioneered the concept of a state creating trade shows to give small and medium size companies cost-effective mechanisms for reaching key buyers in wholesale and institutional markets. That effort focused initially on the Minnesota Food Expo, has evolved over time, though the objective of helping small and medium size companies expand distribution and sales of Minnesota-produced processed foods remains.

As regional and national trade shows have evolved, staff efforts have shifted from creating stand-alone shows to creating Minnesota pavilions of companies within existing shows. In all cases, companies voluntarily choose to participate in a Minnesota pavilion. While all Minnesota companies are eligible for participation (within constraints of available space), staff have made particular efforts in the recent past to encourage participation by companies which might not otherwise have participated in trade shows. This was done to increase the collective marketing ability of the entire industry, and as a means of focusing staff time on those companies which might benefit the most from staff assistance. As companies gain experience and confidence, they often continue participation in MDA-sponsored events, even though they may not receive as much direct assistance as they earlier received.

In addition to assistance provided for trade show participants, staff also assist processed food companies by responding to individual requests for assistance, by matching potential buyers and sellers through a computerized database of Minnesota companies/products, by providing bi-monthly educational seminars, and by providing a bi-monthly newsletter containing information on changing government regulations, upcoming events, industry trends, etc.

PLAN TO ACHIEVE TARGETS:

To achieve the objective, staff anticipate: 1) continuing efforts to recruit new companies for participation in shows; 2) creating a seminar series for new/small entrepreneurs ("Starting a Food Business in Minnesota") as a means of helping new companies in the critical early stages of business formation; 3) investigating new regional/national trade shows that might be appropriate for specific segments of the Minnesota food industry (e.g. beverage producers, natural foods marketers); and 4) exploring new promotional activities for producers of grocery/retail products and corporate gifts.

OTHER FACTORS AFFECTING PERFORMANCE:

1) Market conditions play a significant role in the level of sales of processed food items; 2) Sales and marketing staff from participating processors have a vital role in the success of any trade show activity; and 3) Processors' participation in any activity is the decision of the company. While MDA staff can assist and advise producers, the processor may lack the ability to finalize a purchase or to follow up on genuine leads.

Objective 5: To increase Minnesota corn processed for industrial products to 100 million bushels by the year 1997.

Measure (1): Bushels of Minnesota corn processed for industrial products (in thousands).

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	19,000	30,000	38,000	--	--	--
Target	NA	NA	40,000	50,000	70,000	100,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of bushels of Minnesota processed corn is determined by staff through industry survey.

Rationale: This outcome measure indicates the success in increasing the processing of corn for industrial use.

Data Source: Calculations based on industry survey done by staff.

Measure (2): Minnesota's ethanol production capacity (gallons in thousands).

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	29,800	38,000	42,000	--	--	--
Target	22,000	35,000	45,000	70,000	100,000	180,000

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Total annual ethanol production capacity in gallons of all producing plants located in the state.

Rationale: Ethanol processing is currently the fastest growing form of corn processing in Minnesota. It is relevant to measure growth in this sector as gains in production capacity are anticipated to make the greatest contributions to attaining the objective of increased corn processing for industrial products.

Data Source: State ethanol producer payment records. Minnesota Department of Agriculture.

Measure (3): Market share for ethanol-blended gasoline consumed in Minnesota.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual	29%	29%	48%	--	--	--
Target	27%	40%	50%	60%	75%	100%

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Total gallons of fuel grade ethanol blended, multiplied by 10, and divided by the total gallons of gasoline consumed in Minnesota.

Rationale: This measure is relevant because changes in market share will predict the rate and magnitude of changes in ethanol demand, and directly influence the need for additional ethanol production and corn milling capacity.

Data Source: Minnesota Department of Revenue, Petroleum Division "Minnesota Gas Tax Return."

DISCUSSION OF PAST PERFORMANCE:

In the past 8 years, extensive changes and growth have occurred in the corn processing industry in Minnesota. Much of this growth is significantly due to policy development, public education and legislative advocacy efforts carried out by department staff and the Minnesota Ethanol Commission. Initial efforts included policy development to encourage the use of renewable energy sources such as ethanol. Public education and promotion of ethanol-blended fuels were carried out simultaneously, creating broad awareness of the significant economic development and positive air quality implications of an ethanol industry in Minnesota. As a result of state production incentives and state/federal environmental policies, over 5% of Minnesota's corn crop is now processed into ethanol and related products in Minnesota, an increase from less than 1% in 1986. Based on current projections for corn processing plants under construction or anticipated to be in production in the next two years, this will increase to 100 million bushels, or approximately 14% of an average corn crop, by 1997. (By comparison, approximately two thirds of the state's corn crop is exported as a low-value, non-processed commodity. Corn is the state's largest and most basic commodity.) Specific past program efforts have included: 1) Advocacy of a state policy encouraging the use of oxygenated fuels in the state; 2) Support for financial incentives to encourage production and blending of ethanol in the state; 3) Extensive consumer and industry education communicating the facts about ethanol-blended fuels; 4) Advocacy for federal policies to ensure a role for renewable fuels in the Federal Reformulated Fuel Program; and 5) Advocacy for economic incentives to encourage producer-owned cooperatives to become corn processors.

PLAN TO ACHIEVE TARGETS:

Division staff intend to achieve targets by: 1) successful implementation of state laws requiring statewide use of oxygenated fuels by 1997, coupled with continued extensive consumer/industry education efforts encouraging ethanol-blended fuels as the preferred oxygenate for Minnesota; 2) providing technical and organizational assistance to groups (especially producer cooperatives) currently considering the possibilities of beginning ethanol/corn milling enterprises; and 3) beginning efforts to encourage in-state livestock feeding of corn-milling by-products such as corn gluten meal and distiller's dry grains; these efforts should add value to the by-products of corn milling, simultaneously creating other economic development opportunities in the livestock industry.

OTHER FACTORS AFFECTING PERFORMANCE:

Ethanol market share is being carved out of a long stable transportation fuel market that has been dominated by the well developed petroleum industry. The marketplace is subject to a wide variety of factors including public opinion, consumer confidence, manufacturers recommendations and state and federal laws and regulations. The increase in corn processed for industrial products will be limited by factors including the ethanol market share and a variety of factors affecting the successful financing and construction of corn milling plants.

Objective 6: To increase the number of schools requesting Minnesota Ag in the Classroom (M-AITC) materials 10% by F.Y. 1997.

Measure (1): Number of schools requesting M-AITC's AgMag.

Actual Performance	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Actual	700	750	800	--	--	--
Target	NA	NA	NA	825	850	880

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of schools requesting the AgMag publication during a school year.

Rationale: This outcome measure indicates the success in attaining the objective.

Data Source: Staff maintain mailing lists of those teachers/schools requesting program materials.

DISCUSSION OF PAST PERFORMANCE:

The M-AITC program is a cooperative public/private effort to educate teachers and students about the importance and contributions of agriculture to Minnesota's society and economy. Over the past two years, specific efforts have been targeted to program outreach with the goal of increasing school/teacher awareness of the program's resources and opportunities. These efforts have been positively received and are largely responsible for the growth observed in AgMag distribution.

PLAN TO ACHIEVE TARGETS:

Staff and private sector supporters anticipate reaching targets by continuing efforts to expand outreach to primarily metropolitan area schools and teachers. This will particularly be aided by student interns who will initiate visits to schools and efficiently follow up on teacher requests. In addition, staff anticipate conducting studies to assess the usefulness and effectiveness of program materials in increasing student awareness of agricultural topics. These studies should guide program efforts to continuously improve the quality and usefulness of materials, thus increasing teacher satisfaction and use.

OTHER FACTORS AFFECTING PERFORMANCE:

The M-AITC program depends on individual classroom teachers to request and make use of program materials. As teaching staff transfer, retire, or leave, or as curricula are changed, information about M-AITC materials may not be made known to subsequent teaching staff. The program is also extensively dependent on private donors for program support; unfavorable economic factors may inhibit the efforts to maintain or increase the program's funding base.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 09 - Administration and Financial Assistance

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 3,898	9.9% of department's budget
From State Funds	\$ 3,828	
From Federal Funds	\$ 70	
 Number of FTE Staff:	 55.1	 11.2% of department's staff

PROGRAM GOALS:

- To give policy and administrative direction to department programs.
- To provide administrative, information processing, personnel and office management, and accounting services.
- To administer grants to agricultural societies and associations (M.S. 17.07).
- To reimburse farmers for timber wolf-caused livestock losses (M.S. 3.737 and 3.7371).
- To provide Farm Crisis Assistance services to farmers, including assistance on farmer lender mediation.

DESCRIPTION OF SERVICES:

The mission of this program is to provide overall policy direction and supervision of the MDA and administer agricultural assistance programs as well as provide support services for the department. The program includes the following divisions: Financial Administration, Personnel and Office Management, Information Services and the Commissioner's Office.

The Commissioner's Office is responsible for the overall management of departmental responsibilities and authorities. Major responsibilities include enforcing assigned statutes and rules; maintaining cooperation with federal, state, and local agricultural agencies; establishing internal and external department objectives and policies; promoting agriculture in cooperation with private organizations; integrating activities organizationally for effective and efficient operations; and developing legislation and regulations. The MDA's legal affairs, data practices, and communication efforts are also directed from the Commissioner's Office.

The commissioner's office is also responsible for outreach activities, such as working with other agencies and organizations on issues of common interest; constituent interaction by the department ombudsman; and department communications that informs the public about agricultural issues.

The Farm Crisis Assistance Program is part of this program. It provides a statewide network of farm advocates who provide

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 10 - Agriculture Planning and Development

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 2,919	7.4% of department's budget
From State Funds	\$ 2,818	
From Federal Funds	\$ 101	
 Number of FTE Staff:	 24.6	 5.0% of department's staff

PROGRAM GOALS:

- To provide program and administrative support services to administrators, managers and program staff.
- To identify and demonstrate sustainable practices to producers and agri-professionals (M.S. 17.11).
- To administer agriculture land stewardship and conservation programs (M.S. 17.80-17.84 and Chapter 40A).

DESCRIPTION OF SERVICES:

The program provides the MDA with planning, administrative and program support services. The services include environmental review; issue identification and analysis; assistance in preparing administrative rules, legislation and budgets; and strategic and long-range planning. A major responsibility is to coordinate the preparation of the department's legislative program and budget submissions. These services are provided to all managers, supervisors and program staff.

The program also administers agriculture land stewardship and conservation programs designed to encourage environmentally sound land use policies and planning, prevent the unnecessary conversion of agriculture land to non-agricultural uses and preserve soil and water resources. Another function is to facilitate the involvement of producers in the nonpoint source pollution programs and activities of state and federal agencies. Services include outreach, technical assistance, information and education. The clients for these services are farmers, county planning and zoning personnel and rural landowners.

The Energy and Sustainable Agriculture Section (ESAP) provides direct assistance to producers and professionals desiring to implement farming practices that are sustainable. The services include outreach, information, grants and loans and other assistance about sustainable agriculture techniques, practices and opportunities. These services are provided statewide, and the clientele include producers, county extension staff, university researchers and agriculture professionals.

Staff also administer the Family Farm Security Program (FFSP). The FFSP, which does not accept new participants, manages accounts for approximately 150 participants and disposes of property acquired through defaults. The FFSP also certifies and records corporations and partnerships in accordance with the Corporate Farm Law (M.S. 500.24).

The state funded portion of the Minnesota Agriculture Statistics activity is part of this program. The service collects data and conducts surveys of Minnesota farmers and agricultural products and industries. It provides estimates of crop acreage

and yield, livestock inventories, farm prices/expenses/income, fertilizer and pesticide usage and other information. Clients include farmers, academicians and agri-businesses making planning or marketing decisions.

BACKGROUND INFORMATION:

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
Agriculture Land Conservation			
O	Counties requesting assistance/information	20	9
A	Number of actions/plans commented on	25	6
Energy and Sustainable Agriculture			
W	Amount of grants requested	\$637,000	\$294,000
W	Amount of grant assistance	\$85,000	\$60,825
W	Number of loan applications	87	55
W	Active number of loans	120	128
W	Loan assistance requested	\$1,330,000	\$742,000
W	Loans made	8	20
W	Loans paid in full	6	12
Family Farm Security			
W	Number of participants	206	149
W	Participants/Rec. Interest Adjustments	151	107
W	Participant early withdrawals	31	47
W	Contract completions/liquidations	1	10
W	Outstanding guarantees (000)	\$14,375	\$9,545

PROGRAM DRIVERS:

Rural Non-Farm Growth. The department estimates that up to 4,000 rural non-farm dwellings are constructed yearly in unincorporated areas contributing to local service costs, loss of agriculture land and environmental degradation.

Demand for Sustainable Agriculture/IPM Information. The demand has grown each year since the inception of the ESAP in 1987. Producers and agri-professionals actively seek information on practices or management strategies that are sustainable. Requests for both financial and technical assistance exceed the resources available.

Public Policy. Federal, state and local policies, such as the Clean Water Act, the federal farm bill and others encourage or require greater attention to the environmental quality impacts of farming/farming practices. Producers and agricultural professionals are striving to accommodate rising expectations and new regulations regarding nonpoint source pollution.

Livestock Industry. Geographic and structural shifts changing Minnesota's livestock and poultry industry are requiring that more resources be devoted to environmental review, policy research and administration of family farm protection programs.

Reinventing Government. Increased demands are being placed on agencies to enhance strategic planning and budgeting, program evaluation and customer input and feedback. Additional resources generally are not provided to enhance activities.

Urbanization. As Minnesota's population concentrates in major population centers, there is less awareness of the economic

and environmental challenges faced by farmers. Sound public policy to prevent or remediate water quality degradation associated with NPS must involve the agricultural community.

Nonpoint Source Pollution (NPS). The dispersed nature makes it a challenge for agriculture with 85,000 or so independent decision makers working in various climates, soil types, etc. Enhanced communications and working partnerships are needed to effectively involve producers and address NPS.

AGENCY: Agriculture, Department of
PROGRAM: Agriculture Planning and Development

OBJECTIVE, MEASURE

Objective 1: To provide information, education or other assistance to producers and agri-professionals on sustainable management practices and technologies.

Measure (1): Attendance at field days. Number of published news stories by which producers and agri-professionals receive information, education or other assistance on sustainable agriculture.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual No./Field Days	40	40	40	--	--	--
Target No./Field Days	NA	NA	NA	60	60	60
Actual No./Attendees	NA	4,300	4,000	--	--	--
Target No./Attendees	NA	NA	NA	5,000	6,500	8,000
Actual: Published News Stories	NA	NA	NA	--	--	--
Target: Published News Stories	NA	NA	NA	10	12	15

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of field days held and total attendance at those field days are simple numerical counts. The measure of published news stories is the number either published in newspapers and magazines or through broadcast journalism. News stories will include press releases, feature articles and items carried over the department's radio news actuality line.

Rationale: State law directs the Commissioner to investigate, demonstrate and publicizes sustainable agriculture methods and practices (M.S. 17.114). The department, through the on-farm grant program, utilizes a popular and accepted technique (by farmers) for demonstrating ideas, concepts, and practices. The farm press (magazines/newspapers/radio) reach approximately 100% of producers and agri-professionals. By utilizing the existing media, the department will be able to inform all producers of the results of the on-farm demonstrations. Estimated circulation will be taken as a measure (proxy) for market penetration. To fully gauge success, very expensive research would have to be done to establish benchmarks of practices, and then follow-up studies to ascertain behavior changes.

Data Source: Data on field days and field day attendance is drawn from the progress reports of grantees. The data on published stories will be based upon press clippings and records of the department's radio news actuality line.

DISCUSSION OF PAST PERFORMANCE:

The program has funded, and supported with staff technical assistance, 78 demonstration grants and has 128 active sustainable agriculture loans. Numerous individuals, including farmers, university research and extension scientists and farm management instructors, cooperated in carrying out the research and demonstration of the grant projects. Several thousand persons, mostly farmers, have attended field days. The program has also cosponsored numerous workshops and educational events with other groups. Staff have assisted some sustainable farming associations with technical and organizational assistance.

Market penetration to date has been good given the resources available to date for grants, loans, field days and publications. Demand for publications, services and programs has grown steadily since program inception, even with decreasing funding for grants and static funding for staff and program activities such as printing and technical services. The demand for the department's annual "Greenbook," a compilation of the results of the on-farm demonstrations, has grown steadily over the

past 5 years. The department also publishes a Resource Directory of Sustainable Agriculture Organizations and resources.

In addition, there is a growing demand for program staff to participate in workshops, seminars or similar events.

Previous staff levels necessitated focusing on the production of technical information and the administration of grant and loan programs to meet identified needs and reach the small initial audience on which a strong foundation of practitioners was built. Resources did not allow for focusing on more intensive public information planning and targeting efforts to mainstream audiences.

PLAN TO ACHIEVE TARGETS:

Funding for an additional FTE for outreach was appropriated during the 1994 legislative session, as well as additional grant funds. These funds will provide more field day opportunities, additional field day coordination and publicity, as well as production of ongoing publications and news articles. The grant program is the basis for field day and press/publications articles.

Increased participation and initiation of cooperative projects and events with other agencies, farm organizations and educational institutions will increase market penetration and opportunities. Expansion into regional and federal activities will leverage resources. Cooperative activities will enhance targeting of broader, more mainstream audiences in addition to the traditional audience. More formal customer research will identify information needs and prepared delivery mechanisms as well as measure success of outreach efforts.

OTHER FACTORS AFFECTING PERFORMANCE:

Loss of funding or reduction in available grant funds would result in a corresponding reduction in media and field day opportunities. Weather can also affect the success of grantees and attendance at field days.

Level of environmental awareness (nonpoint source pollution) and environmental regulations among producers (i.e. conservation planning, clean water, permitting, etc.) will drive demand for program services.

Federal (and state) farm policy and farm programs, trade policy, and commodity prices will affect farmer interest in change to more sustainable practices and systems -- profitability concerns, demand for certain crops through foreign trade, flexibility of farm program, diversification, cost sharing, integrated farm planning requirements, etc..

Objective 2: To encourage agriculture land use policies that protect against the unnecessary conversion of agriculture land to other uses by providing planning, technical assistance, and information services to counties.

<p>Measure (1): Number of counties receiving agriculture planning, technical assistance, and information services. Number of counties incorporating agricultural land preservation into plans and controls.</p>

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Actual/Number of Counties Assisted	17	20	9	--	--	--
Target/Number of Counties Assisted	NA	NA	NA	20	20	20

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The measure of the number of counties assisted is a simple count of those assisted each year. Assistance

consists of planning or technical assistance or information. The assistance may be delivered through a formal visit, answers to inquiries, plan reviews or assistance in writing plans. The measurement may include counties that received assistance in a previous year.

Cumulative number of counties incorporating agricultural land preservation in comprehensive plans. The department intends to add this performance measure in 1995. It will include counties that changed comprehensive plans and/or official controls to increase the level of protection afforded to agricultural land, whether or not the plans and controls meet the standards of Chapter 40A. While counties have undertaken such activities in the past, administrative records were not kept to document results.

Rationale: State law directs the Commissioner of Agriculture to administer an agriculture land preservation and conservation program (M.S. 40A.15) to provide technical and financial assistance to counties and municipalities in preparing agriculture land preservation and conservation plans and official controls. The most direct measures are simple counts of the number of local units assisted and the number of counties which have incorporated agriculture land preservation into their plans and controls. The measures, however, do not provide qualitative data for assessing the impact of plans and official controls. This would require expensive, long term studies for which there are no resources at this point in time. However, research in Minnesota and other states has documented the cost benefits of this type of land use planning.

Data Source: Department of Agriculture record of contacts and assistance provided.

DISCUSSION OF PAST PERFORMANCE:

During the 10 years in which the agricultural land preservation program has existed, it has resulted in protection of 141,861 acres of land in Agricultural Preserve covenants. Even in several counties where the program has not been fully implemented, the program has resulted in adoption of comprehensive plans and official controls that provide substantial protection for agricultural lands. In addition, impacts on agricultural land have become a regular consideration by state agencies in development and implementation of programs and projects.

The program also conducted a cost-of-sprawl study in Wright County, and provided a considerable amount of technical assistance and information to local governments and private citizens. The Wright County cost-of-sprawl study has been distributed widely, and has been an important educational tool used by many agencies and organizations concerned with rural development issues, including the Metropolitan Council, the Environmental Quality Board, the Land Stewardship Project, and individual cities and counties.

The agricultural land preservation and conservation awareness portion of the program has remained active, resulting in distribution of information to approximately 1300 persons annually through public presentations, screenings of the department's 1989 agricultural land preservation video, and distribution of the brochure, *Farmland Preservation Property Tax Credits*.

PLAN TO ACHIEVE TARGETS:

Planned actions to address factors of performance include more aggressive outreach efforts, regular and ongoing contacts with counties, and integration of program promotion with technical assistance on feedlot planning/regulation. These efforts are expected to increase awareness of the program and improve local decision making. Documentation of outreach and awareness efforts will be improved to help measure the effectiveness of the program.

OTHER FACTORS AFFECTING PERFORMANCE:

Factors include the lack of planning grants to local governments, a lack of understanding of the impacts of inadequately guided growth, the viability of funding mechanism, and generally poor public understanding of the issues surrounding rural land use policies. The lack of planning grants acts as a disincentive to participation because counties often lack resources to undertake comprehensive planning. The viability of the funding mechanism is a factor of participation because many

counties are concerned that depletion of the state conservation fund, which reimburses counties for tax credits, could cause local revenue shortfalls.

Objective 3: To inform and involve producers and agribusinesses in the nonpoint source pollution (NPS) planning and implementation efforts of state and federal agencies.

Measure (1): Number of farm organizations engaged. Number of informational mailings distributed to producers and agribusinesses through farm organizations. Participation in planning and programming efforts.

Actual Performance	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
No. of Farm Orgs.						
Actual	NA	NA	14	--	--	--
Target	NA	NA	13	14	14	14
Published Informational Mailings						
Actual	NA	NA	5	--	--	--
Target	NA	NA	12	12	12	12

DEFINITION, RATIONALE, DATA SOURCE:

Definition: The number of farm organizations is a simple count of those which are kept informed on nonpoint source pollution issues through personal contacts, briefings, mailings, etc. The information is then distributed to their membership through newsletters or other means. Informational mailings are simple counts of the mailings published by news or broadcast media each year on issues or events regarding agricultural nonpoint source pollution. An informational mailing includes public meeting or other event notices, press releases and feature articles, radio spots, and newsletter articles. The actual number of informational mailings listed for fiscal year 1994 includes only stories regarding the activities of the Minnesota River Agriculture Team (MNRAT).

At this time, the department has no system or data to gauge the third measure (participation in planning and programming efforts) but will develop one for the 1995 Annual Performance Report.

Rationale: The Commissioner of Agriculture is directed in M.S. 17.03 to encourage and promote the development of agricultural industries. Elsewhere in Minnesota statutes, this general policy directive is made more specific in terms of resource use and protection by mandating the development and promulgation of both BMPs for nitrogen management as well as sustainable agriculture practices. These laws, in total, designate the MDA as the agency primarily responsible for agricultural policy development regarding specific agricultural practices. However, other natural resource agencies have resource management or protection responsibilities which can directly affect producers. The purpose of this initiative is to facilitate a dialogue between producers and natural resource agencies having NPS responsibilities.

The three output measures are expected to measure the outreach effort made by the department to engage farm organizations, producers and agribusinesses in nonpoint efforts of state and federal government. By working through existing groups and organizations, the potential to reach producers receptive to constructive dialogue on the issues is maximized. Newspapers, agricultural publications, and radio news reach almost, if not all, agricultural producers. The ultimate objective is not to only inform, but also have producers participate in the NPS planning and programming of state and federal agencies. This would put producers in a constructive position rather than a reactive one, which often is detrimental to progress.

Data Source: Minnesota Department of Agriculture. Internal administrative records.

DISCUSSION OF PAST PERFORMANCE:

The initiative began July 1, 1993, with an intensive effort to inform agricultural producers on water quality issues regarding NPS, particularly those in the Minnesota River basin. An advisory group, the Minnesota River Agriculture Team, was organized to direct activities. During the first year, producers identified issues to be addressed by state agencies working with agricultural producers, and also identified information and assistance needs of producers attempting to address water quality issues associated with agricultural production. Agencies and departments have also identified agriculturally related programs and activities regarding water quality.

PLAN TO ACHIEVE TARGETS:

Continued dialogue with agricultural producers to further identify needs, develop improved methods of forming partnerships with producers, and identify creative solutions to water quality problems. During F.Y. 1995, specific plans will be developed to engage producers in the planning efforts of agencies and departments.

OTHER FACTORS AFFECTING PERFORMANCE:

The success of the effort will depend upon constructive dialogue, the sharing of information and the willingness to form working partnerships. All parties, including producers, agencies and agribusinesses, must work together to solve the complicated problems of NPS.

SUMMARY

AGENCY: Agriculture, Department of
PROGRAM: 11 - Agriculture Nonpoint Source Pollution

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures: \$

From State Funds \$

*This program began July 1, 1994. No expenditures were made nor staff assigned in F.Y. 1994.

From Federal Funds \$

Number of FTE Staff:**PROGRAM GOALS:**

- To develop, adopt and promulgate Best Management Practices (BMPs) for agricultural manure utilization (M.S. 103H.151, Subd. 2).
- To provide low interest loans for water quality improvement projects through the Agriculture Best Management Practices loan program (M.S. 17.117).
- To assist local governments to accommodate livestock uses of land and facilities within their jurisdiction (Chapter 40A).

DESCRIPTION OF SERVICES:

The purpose of the program is to assist the livestock industry through implementation of several initiatives. These range from information and development of livestock manure collection and environmentally sound utilization practices to involving livestock producers in program development. To do so, the program will accelerate the development and promotion of enhanced feedlot and manure management BMP practices and related nutrient management training.

Resources will be directed at the development of manure best management practices, promotion of the BMPs and evaluation of the effectiveness in controlling ground and surface water impacts. Promotion of feedlot and manure management practices will be accomplished through the Minnesota Extension Service and other state and local programs. In addition, manure testing will be evaluated and a laboratory certification program will be developed to standardize and promote use of manure nutrient analysis.

The program will provide for the participation of livestock producers in state policy and program development. The major vehicle for this will be the Feedlot and Manure Management Advisory Committee, which the department will assist through staff support. In addition, customer research will be conducted among livestock producers to identify needs and priorities. The program will also develop a list of needs regarding applied and basic research on animal waste systems and management practices.

The program provides technical assistance for developing and implementing feedlot land use plan provisions and ordinances. The assistance consists of model plan and ordinance provisions, on-site technical assistance, information, etc. The clients

for these services are local units of government and farmers.

The purpose of the Agriculture Best Management Practices Loan Program is to implement local water planning priorities by providing low interest financing to farmers, agriculture supply businesses and rural landowners for the implementation of agriculture and rural non-point water quality improvement practices. These practices include but are not limited to items such as tillage equipment, grass water ways, animal waste control systems, well sealing, terraces, etc. The clients for these services are farmers, rural landowners and agriculture supply businesses implementing water quality improvement projects.

BACKGROUND INFORMATION:

This program was initiated through legislation enacted during the 1994 session. Consequently, no historical data exist. The 1995 Annual Performance Report will include data beginning in F.Y. 1995. Background information is expected to include such items as training or information sessions held, feedlot manure management systems upgraded, conservation practices adopted, counties assisted/plans and ordinances adopted, extent of BMP adoption, number or amount of loans made, extent of manure testing adoption, etc.

MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)

<u>Type</u>	<u>Measure</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>
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PROGRAM DRIVERS:

- *Control of Non-Point Source Pollution.* Significant progress has been made in controlling point sources of pollution through the federal Clean Water Act and complementary state programs. Attention has now shifted at both state and federal levels to controlling and/or mitigating nonpoint sources of pollution that affect both surface and groundwater resources.
- *Federal Policy.* The Environmental Protection Agency has made State Revolving Funds available for nonpoint programs. The reauthorization of the federal farm bill and Clean Water Act will likely affect producers through increased environmental protection requirements.
- *Research and Technology.* Water quality monitoring and improvements in water quality analysis continue to identify water quality problems. Consequently, all land management activities including agriculture will continue to come under greater scrutiny.
- *Minnesota River Assessment Project (MnRAP).* The findings of MnRAP indicate the need for action to control or mitigate agriculture's contribution to NPS. Continued interest in the water quality of the Minnesota River will influence the implementation of this program.
- *Soil/Climate/Landscapes/Agricultural Diversity.* Agricultural BMPs need to address the variations in Minnesota's diverse climate and landscapes. BMPs, to be effective, must be regional and site specific. This is especially true when consideration is given to the variation in livestock enterprises and manure management systems.
- *Livestock Industry.* The size and economic contribution of the livestock industry makes it imperative that the issues of NPS be effectively addressed. The state has an estimated 40,000 to 50,000 feedlots and the livestock industry, in total, contributes almost 13% of all state employment and economic activity. Successful programs must recognize and engage these many producers, each making independent decisions.

AGENCY: Agriculture, Department of
 PROGRAM: Agriculture Nonpoint Source Pollution

OBJECTIVE, MEASURE

Objective 1: To develop, promote and assess adoption of manure best management practices (BMPs).

Measure (1): Manure BMPs developed and adopted by the MDA.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

Measure (2): Promotion of MDA adopted manure BMPs.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

Measure (3): Adoption of manure BMPs adopted by the MDA.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>

DEFINITION, RATIONALE, DATA SOURCE:

Measures and targets will be developed and included in the 1995 Annual Performance Report. At this point in time, the department is initiating and developing the program and cannot develop meaningful targets. The measures indicated above are those currently anticipated to be used.

DISCUSSION OF PAST PERFORMANCE:

M.S. 17.138 was enacted during the 1994 legislative session. As such, there is no past performance applicable to this measure. Best Management Practices for nitrogen are discussed in the Agronomy Services Program section, measure (7). A series of agricultural inventory studies, funded largely by the LCMR, have been conducted for selected cropping situations on 180 farms. Nutrient balances and nitrogen management strategies have been conducted or are being conducted on a field-by-field basis and within this next year 150,000 acres will be analyzed. Preliminary information shows that Minnesota farmers appear to be applying proper rates of commercial N fertilizer to corn without manure additions. However, in cropping systems with manure, farmers in this preliminary study were crediting only about 25% of the first year's N credit from manure and were averaging over application of 61 lb/A (based on the first year's manure N credits only).

PLAN TO ACHIEVE TARGETS:

The department will hire staff to review existing literature and research to develop BMPs. A contract will be developed with MES to provide manure management education programs for animal agriculture producers and advisors.

OTHER FACTORS AFFECTING PERFORMANCE:

The quantity and quality of existing research is not fully known. Additional research may be necessary. Weather can impact field demonstrations and educational efforts. Economics of manure management will be an important factor in the

adoption of BMPs and this is not fully understood by the public and other regulatory agencies.

Objective 2: To conduct customer research to identify, develop and maintain a list of manure management research and monitoring needs and priorities.

Measure (1): The department has no performance measures at this point.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
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DEFINITION, RATIONALE, DATA SOURCE:

Performance measures will be developed and included in the 1995 Annual Performance Report. At this point in time, the department's implementation plans call for conducting customer research to identify manure management research and monitoring needs and priorities.

DISCUSSION OF PAST PERFORMANCE:

M.S. 17.138 was enacted during the 1994 legislative session. As such, there is no past performance applicable to this measure. The department, with LCMR funding, completed focus group research during F.Y. 1994, which was a preliminary step in identifying those needs. This research will be used as a starting point to further refine data on research needs and priorities.

PLAN TO ACHIEVE TARGETS:

The department, working in conjunction with the Feedlot and Manure Management Advisory Committee and MPCA, will use customer research to further identify and quantify producer manure management research and monitoring needs. Producers, academicians and educators and agency personnel will be involved.

OTHER FACTORS AFFECTING PERFORMANCE:

Availability of resources to adequately conduct customer research.

Objective 3: To provide low interest or no interest loans to producers, agri-supply businesses or rural landowners to implement projects or improvements to mitigate or prevent NPS.

Measure (1): The department has no performance measures at this point.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
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DEFINITION, RATIONALE, DATA SOURCE:

Performance and activity measures will be included in the 1995 Annual Performance Report. The department will evaluate the adequacy of existing models (i.e. Feedlot Model) to measure the type and/or amount of NPS prevented by installing various improvements or undertaking new practices. If adaptable, the models could help measure the impact of the loan program. Alternative measures could include such things as the number of feedlot manure management systems upgraded

and number of conservation practices adopted, etc.

DISCUSSION OF PAST PERFORMANCE:

The Agriculture Best Management Practices Loan Program was created by the 1994 legislature. Consequently, there is no past performance to discuss.

PLAN TO ACHIEVE TARGETS:

The department will identify models and techniques used to measure NPS from agricultural sources, and assess the adequacy of these to measure the mitigation or prevention of NPS. A technical working group will be convened for advice and consultation on measures or proxy measures to be developed to evaluate the success of the program.

OTHER FACTORS AFFECTING PERFORMANCE:

Adequate resources to develop evaluation methods and criteria.

Objective 4: To assist local governments integrating livestock farming into local land use plans and ordinances by the year 2000.

Measure (1): The department has no performance measures at this point.
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Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
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DEFINITION, RATIONALE, DATA SOURCE:

Measures will be developed and included in the 1995 Performance Report. At this point in time, the anticipated measure will be the number of counties integrating livestock/feedlots into plans and/or ordinances.

DISCUSSION OF PAST PERFORMANCE:

New program. No past performance data available. The department, however, did conduct a telephone survey of several county planning and zoning administrators to gather preliminary ideas regarding issues that should be addressed and the type of assistance that would be helpful. The results will be used as a starting point for future efforts.

PLAN TO ACHIEVE TARGETS:

The department intends to contact county officials and producers to gather more information regarding the type or kind of assistance that is needed. Once this is done, the department will develop background information and guidance documents for counties to use. Outreach to counties/producers will follow to let them know about the availability of resources. Technical assistance will be provided as requested.

OTHER FACTORS AFFECTING PERFORMANCE:

Availability of adequate resources. Actions by counties.

SUMMARY

AGENCY: Agriculture, Department of
 PROGRAM: 12 - Rural Financing

EXPENDITURES AND STAFFING (F.Y. 1994)

(\$ in Thousands)

Total Expenditures:	\$ 1,320	3.4% of department's budget
From State Funds	\$ 1,320	
From Federal Funds	\$ 0	
Number of FTE Staff:	5.0	1.0% of department's staff

PROGRAM GOALS:

- To develop the state's rural resources by providing affordable financing to farmers and small agribusinesses (M.S. Chapters 41B and 41C.)

DESCRIPTION OF SERVICES:

The Rural Finance Authority (RFA) participates with lenders to provide below-market interest rate financing to eligible farmers for the purposes of purchasing farm real estate, restructuring current debt, making improvements to the farm, expanding livestock production, and purchasing stock in farmer-owned cooperatives. It also administers the Agricultural Development Bond Beginning Farmer Loan Program (Aggie Bond) for the purchase of farm real estate, machinery and breeding livestock. The Ethanol Production Facility Loan Program is administered by the RFA. The RFA also provides a service to match young farmers with retiring farmers to facilitate intergenerational transfer of farm real estate.

BACKGROUND INFORMATION:**MEASURES OF ACTIVITIES (A), WORKLOAD (W), UNIT COSTS (UC), OTHER DATA (O)**

Type	Measure	F.Y. 1993	F.Y. 1994
A	Number of Aggie Bonds Closed	0	42
O	Dollars of Aggie Bonds Closed (000)	\$0	\$4,799
A	Number of Farm Loans Closed	61	128
O	Dollars of Farm Loans Closed (000)	\$2,388	\$5,724
W	Packets, Correspondence Mailed	9,000	9,000
O	Persons Receiving Training on Intergenerational Transfers	875	750

PROGRAM DRIVERS:

The price received by farmers for the products they sell is the most significant outside factor. Without a reasonable price, young people will not want to farm and those already in farming will not have the resources to expand or make improvements, purchase stock in value-added, farmer-owned cooperative activities or make their loan payments.

The weather plays a major role in the total volume of potential loans and under which program they may come. A large crop raises income levels and optimism for the industry. A year like 1993 causes more refinancing and restructuring.

Profitability level of the rural banks affects whether or not banks are interested in utilizing the Agricultural Development Bond Program.

Federal and state laws regulating the making and servicing of agricultural loans influence financial institutions' interest in making farm loans and consequently the number of potential loan participations offered to the FFA.

The \$250,000 appropriation to the value-added agricultural product revolving fund provided by the state will assist about 60 farmers in a pilot program and will be entirely disbursed by the end of F.Y. 1995. Initial findings are that the potential market demand is at least several times greater than the funds now available.

State and federal laws and regulations relating to gasoline and air pollution linking the use or non-use of ethanol, and economic conditions affecting the price of gasoline and corn, tie into the profitability of building and operating ethanol producing facilities in Minnesota and the potential demand for state assistance.

Continued aging of the farmer population, the increasingly complex business and legal considerations to operate a farm, the large capital requirements to maintain a full-time farming operation and the lack of young people in some areas with the desire to farm require continual training of both those who aspire to become full-time farmers and retiring farmers to provide a cost-effective intergenerational transfer of farming operations.

AGENCY: Agriculture, Department of
PROGRAM: Rural Financing

OBJECTIVE, MEASURE

Objective 1: To assist farmers with below market interest rate loans for the purposes of refinancing, restructuring, ag improvements; the purchase of real estate, machinery and breeding livestock; and also for the purchase of stock in farmer-owned cooperatives that own and operate processing facilities.

Measure (1): Farmers assisted.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Farmers Receiving Farm Loans	75	61	170	--	--	--
Target	NA	NA	125	217	227	227
Farmers Receiving Stock Loans	NA	NA	NA	--	--	--
Target	NA	NA	NA	48	2	3
Banks with Participation Agreements-Cumulative	168	203	241	--	--	--
Target	NA	193	213	255	270	280

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Number of farmers who received RFA loans and cumulative number of financial institutions, which includes banks, credit unions and Farm Credit Services, who have a participation agreement with the RFA.

Rationale: Recording the number of eligible farmers receiving RFA loans and number of banking facilities willing to participate with the RFA directly indicate the acceptance and effectiveness of the loan programs offered.

Data Source: Agency loan files.

DISCUSSION OF PAST PERFORMANCE:

The RFA has evolved from one loan program for restructuring distressed farm loans in 1986 to a diverse lending activity currently administering seven loan programs for farmers. Initially assigned to the Department of Finance, the RFA was moved to Agriculture in 1991 along with passage of the Agricultural Development Bond Program which is based on federal tax law and Internal Revenue Service (IRS) rules. Thirty-seven Aggie Bond loans were closed before the federal law sunset on June 30, 1992. The sunset was lifted in August 1993. Remarketing of the program has resulted in increased interest in all the RFA programs. Early in the 1992 legislative session, the direct loan Agricultural Improvement Loan Program was passed. This program was not extensively used due to the limited loan size of \$20,000. The Basic Farm and Restructure programs were legislatively enhanced in 1993 and the Agricultural Improvement Loan Program was changed to allow for loan participations of up to \$50,000. In 1994, the legislature approved the Stock Loan Program and Livestock Expansion Loan Program and expanded the Restructure Program.

PLAN TO ACHIEVE TARGETS:

Continued marketing of the programs to inform eligible farmers of the availability of these programs and provide sellers with information on the tax advantages of the Agricultural Development Bond Program is essential.

OTHER FACTORS AFFECTING PERFORMANCE:

Bond rating of the state/desirability of the state's general obligation bonds in the market. The greater the spread in interest between the rural bank's loan rate and the RFA participation rate, the greater the loan activity and amount of interest savings obtained by participating farmers.

Only \$250,000 was appropriated for the Stock Loan Program in 1994. Additional funding would provide the opportunity for more young farmers to purchase coop stock.

Objective 2: To provide financial assistance at below market interest rates to promote agribusiness activity and create jobs in rural Minnesota.

Measure (1): Agribusinesses receiving financial assistance/jobs created.
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Actual Performance	F.Y. 1992	F.Y. 1993	F.Y. 1994	F.Y. 1995	F.Y. 1996	F.Y. 1997
Agribusinesses Assisted	NA	NA	2	--	--	--
Target	NA	NA	2	3	0	0
Direct Jobs Created	NA	NA	NA	--	--	--
Target	NA	NA	NA	60	90	0

DEFINITION, RATIONALE, DATA SOURCE:

Definition: Number of agribusinesses actually receiving financial assistance and number of jobs directly created. Direct jobs created are those available "in-plant" and do not include the secondary jobs that occur because of the given agribusinesses' activity and employment such as trucking, merchandising and housing. Direct jobs created occur approximately one year after financial assistance is granted due to time for construction.

Rationale: Recording the actual number of agribusinesses assisted and counting the number of new jobs created within these businesses give the most verifiable indicators of program effectiveness.

Data Source: MDA's Marketing Division, RFA loan files, recipients of financial assistance.

DISCUSSION OF PAST PERFORMANCE:

The 1991 legislature passed the Agricultural Business Enterprise Loan Program, but because of the complexities of that particular program and the relatively small (\$250,000) amount of assistance that could be granted any one business, this program has not been used. However, in 1993 the legislature appropriated \$1 million for an ethanol production facility loan program that 2 farmer-owned cooperatives took immediate advantage of at the maximum \$500,000 each.

PLAN TO ACHIEVE TARGETS:

The legislature appropriated an additional \$1,475 million in 1994 to the Ethanol Development Fund. There are a number of proposed projects in various stages of development. Applications will be taken for these funds during 2 application periods. It is anticipated another 3 plants will each receive assistance of \$500,000 from the revolving account by the end of F.Y. 1995.

OTHER FACTORS AFFECTING PERFORMANCE:

Legislative action appropriating additional funds would increase the number of businesses assisted and jobs created.

Objective 3: To connect aspiring young farmers with retiring farmers to facilitate farm asset transfers.

Measure (1): Minnesota Farm Connection matches.

Actual Performance	<u>F.Y. 1992</u>	<u>F.Y. 1993</u>	<u>F.Y. 1994</u>	<u>F.Y. 1995</u>	<u>F.Y. 1996</u>	<u>F.Y. 1997</u>
Minnesota Farm Connection Matches	NA	2	3	--	--	--
Target	NA	2	3	3	3	3

DEFINITION, RATIONALE, DATA SOURCE:

Definition: A Minnesota Farm Connection match occurs when a young farmer listed with the Minnesota Farm Connection reaches agreement with a retiring farmer listed with the Minnesota Farm Connection on the eventual transfer of the ownership of agricultural assets.

Rationale: This number is an indication of the activity's current ability to connect an enrolled retiring farmer with a compatible beginning farmer.

Data Source: RFA files, listed beginning farmers and retiring farmers.

DISCUSSION OF PAST PERFORMANCE:

In June, 1992, the Minnesota Farm Connection was initiated. This program is primarily a data base to connect entering and retiring farmers. At the same time, the RFA began to work with the Land Stewardship, U of M Extension Service, Communicating For Agriculture and other interested agricultural groups to assist with counseling and education classes to provide a successful land transfer. In July, 1993, Minnesota hosted the first annual National Family Farm/Ranch Transition Network conference. Current RFA staff work on this activity as time permits.

PLAN TO ACHIEVE TARGETS:

Discussions are being held with staff at Southwest Technical College/Granite Falls Campus, Land Stewardship and other concerned individuals to establish regional centers that will provide more extensive, direct counselling with potential entering farmers and retiring farmers.

OTHER FACTORS AFFECTING PERFORMANCE:

None.

APPENDIX A: Annual Performance Report Process

The department received comments from the Legislative Auditor on the 1993 Draft Performance Report on July 28. Following the receipt of the comments, the Legislative Auditor met with the Commissioner's Office and other departmental representatives on August 16 to review their comments on the 1993 Draft Performance Report. In late August and early September, staff of the Legislative Auditor met with division directors to discuss specific comments on their particular sections of the 1993 Report or get clearer interpretations to help complete the 1994 report. Following these meetings, division directors proceeded to revise their respective sections.

A meeting was held with the Worker Participation Committee on August 31 to initiate the process of soliciting comments. Following that meeting, division directors were instructed to meet with their employees as well as Worker Participation Committee representatives to obtain employee input and comment on the 1994 report. Members of the Worker Participation Committee also contacted other members of their bargaining unit to receive further input.

The program summaries were written by division directors and their staffs, reviewed by the Commissioner's Office and edited and compiled by staff of the Agriculture Planning and Development Division for submission to the Department of Finance.