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# Performance Report

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# MINNESOTA DEPARTMENT OF AGRICULTURE 1996 PERFORMANCE REPORT

## Executive Summary

In November, 1995, the department was reorganized and is now made up of the following programs and divisions:

Protection Service Program  
Dairy and Food Inspection Division  
Agricultural Certification Division  
Agronomy and Plant Protection Division  
Laboratory Services Division

Promotion and Marketing  
Agriculture Marketing and Development Division

Administration and Financial Assistance Program  
Agricultural Finance Division  
Administrative Services  
Information Services  
Commissioner's Office

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### The Protection Service is responsible for:

- Protecting the public health and safety and preventing fraud by regulating the manufacture, distribution and sale of food, animal feeds, fertilizers, seeds, pesticides and other agricultural products.
- Protecting public health and the environment from the harmful effects of agricultural chemical incidents and releases.
- Ensuring a safe and wholesome food supply by inspecting and regulating programs that monitor the production, processing and sale of food products.
- Administering programs to protect water quality, related natural resources and human health.
- Inspecting and certifying both bulk (or raw) and processed Minnesota agricultural products to permit entry into domestic and international markets without delays or restrictions.
- Identifying and promoting voluntary and regulatory practices that protect the environment, i.e. agricultural chemical Best Management Practices (BMPs), exotic pest interception, etc.
- Leading and/or coordinating a network of state, local and federal regulatory programs to avoid duplication and use resources efficiently.
- Licensing and bonding of purchasers of agricultural products such as grain, livestock and fruits and vegetables in order to insure payment to the sellers of those products.

### The Promotion and Marketing program is responsible for:

- Developing and promoting markets for agricultural products through the development of farmers' markets, direct assistance to farmers and small businesses, food shows, etc.
- Assisting agricultural industries by investigating marketing conditions and providing information and marketing assistance to those wishing to export into foreign and domestic markets.

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**AGENCY : AGRICULTURE DEPT****MISSION**

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

To accomplish this charge, the department administers numerous statutes and rules. The framework for all activities, however, is established in M.S. 17.03 which lists the general powers and duties of the commissioner. All other statutes directly or indirectly relate to this authority. The MDA conducts inspections; licenses products and facilities; collects and analyzes samples; conducts studies, including gathering and analyzing data; carries out pest and environmental monitoring; and conducts educational and promotion activities.

The clients 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.

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

**PROTECTION SERVICE GOALS INCLUDE:**

Protecting the public health and safety and preventing fraud by regulating the manufacture, distribution and sale of food, animal feeds, fertilizers, seeds, pesticides and other agricultural products.

Protecting public health and the environment from the harmful effects of agricultural chemical incidents.

Ensuring a safe and wholesome food supply by inspecting and regulating programs that monitor the production, processing and sale of food products.

Administering programs to protect water quality, related natural resources and human health.

Inspecting and certifying both bulk (or raw) and processed Minnesota agricultural products to allow entry into domestic and international markets without delays or restrictions.

Identifying and promoting voluntary and regulatory practices that protect the environment, i.e. agricultural chemical Best Management Practices (BMPs), exotic pest interception, etc.

Leading and/or coordinating a network of state, local and federal regulatory programs to avoid duplication and use resources efficiently.

Licensing and bonding of purchasers of agricultural products such as grain, livestock and fruits and vegetables in order to insure payment to the sellers of those products.

**PROMOTION AND MARKETING PROGRAM GOALS INCLUDE:**

Developing and promoting markets for agricultural products through the development of farmers' markets, direct assistance to farmers and small businesses, food shows, etc.

Assisting agricultural industries by investigating marketing conditions and providing information and marketing assistance to those wishing to export into foreign and domestic markets.

Providing administrative support and financial supervision for commodity research and promotion councils and the Ag in the Classroom program.

Providing statewide information, education and other assistance to producers and other ag professionals on sustainable agriculture, integrated pest management, manure management and whole farm planning.

Encouraging land stewardship programs that protect against the unnecessary conversion of agricultural land and promote an environmentally sustainable agriculture.

Collecting and publishing agricultural statistics regarding the production and marketing of Minnesota agricultural products for use by producers, government and businesses.

**ADMINISTRATION AND FINANCIAL ASSISTANCE PROGRAM GOALS INCLUDE:**

Providing department-wide support services, including administration, personnel, office management, information services, accounting and planning.

Administering financial assistance programs that provide affordable financing to farmers and small agri-businesses.

To fulfill the department's mission and within the framework of Minnesota Statutes Chapter 17 and other statutory responsibilities, the department has adopted the following policies:

Encourage prevention-based regulatory strategies to protect public health and safety, with an emphasis on food safety.

Foster stewardship and environmental protection by encouraging sustainable agricultural production and development.

Work to diversify agricultural products and markets.

Support family farms, with emphasis on livestock enterprises, and expanding value-added processing.

Facilitate the competitive and orderly marketing of Minnesota farm products.

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**WAYS TO IMPROVE PROGRAM OUTCOMES**

The department plans to improve program outcomes by implementing a wide range of activities. Generally, many program activities plan to increase their outreach, informational and educational activities, develop partnerships with other agencies to accomplish common goals, increase internal efficiency with more staff training and efficient use of information technology, and targeting and prioritizing regulatory activities based on the severity of the problem or threat.

The following are some examples of activity specific plans for outcomes improvement:

Dairy and Food Division - dairy: Information and education programs.

Dairy and Food Division - food: Information, seminars, workshops on safe food handling. Out of compliance items carefully reviewed with clientele following inspection.

Ag Certification - grain inspection: Staff training. Internal quality control system. Inspector worksite review on a weekly basis (for accuracy and rapid response to customers).

Ag Certification - grain warehouse: Increase licenses examined. Accelerate examination schedule for repeat offenders.

Agronomy and Plant Protection Division: Develop and promote methods for streamlining and containing costs at clean-up sites. Target and prioritize of activities based on the severity of a problem. Partner with other agencies to accomplish goals. Fill vacancies. Revise rules. Continue development and demonstration of best management practices (BMP's). Increase public information on exotic pest threats.

Ag Marketing and Development: Promotional events at farmers' markets and pick-your-own farms. Expand producer directory resources. Initiate program to help producers test market their products. Increase recruitment of companies and department presence at food trade shows. Increase customer research on changes in farming practices. Increase the number of regional clinics on animal agriculture. Increase efficient use of technology (computers) for plant pest surveys.

Ag Finance: Continued marketing of loan programs.

The Minnesota Department of Agriculture's 1996 Performance Report is the result of input from department employees, division directors, a department worker participation committee, the department of finance, the legislative auditor's office and the commissioner's office. Initially, the division directors, using the 1994 performance report as a base, edited and updated that report. A meeting was held with each director by commissioner's office staff to discuss the changes. A meeting was set up with each division director to meet with our executive budget officer from finance and our auditor from the legislative auditor's office for further input and recommendations. Concurrently with this process a worker participation committee was meeting with representatives from each of the bargaining units and a representative of each of the two unrepresented employee groups in the department. This group of 5 persons met three times to review both the 1994 and 1996 draft reports. The members indicated that they shared the reports with other bargaining unit members and the unions. The group indicated, in general, the reports appear to be represented in an acceptable manner. The commissioner's office staff drafted the executive summary and put the final 1996 Performance report together.



Date : November 26, 1996

## Agency Expenditure Summary

F.Y. 1996

NAME	(in thousands \$)	% of \$	FTE	% of FTE
AGENCY: AGRICULTURE DEPT	\$58,156	100.0%	506	100.0%
PROGRAM: PROTECTION SERVICE	\$24,804	42.7%	382	75.4%
PROGRAM: PROMOTION & MARKETING	\$14,544	25.0%	48	9.5%
PROGRAM: ADMIN & FINANCIAL ASSISTANCE	\$18,808	32.3%	77	15.1%

Agency : AGRICULTURE DEPT

Program : PROTECTION SERVICE

**EXPENDITURES AND STAFFING :**

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$24,804	42.65%
From Federal Funds	\$1,168	
From Special Revenue Funds	\$16,315	
From Agency Funds	\$355	
General	\$6,966	
Number of FTE Staff:	382	75.42%

**GOALS :**

- To protect the public health by providing for safe and wholesome dairy and food products and reduced risk of foodborne disease. (M.S. 31, 31A and 32)
- To facilitate the effective trading, marketing and movement of grain both domestic and export uses through effective and timely inspection and weighing services. (M.S. 17B)
- To protect the public in transactions with livestock dealers, agents and markets, grain buyers, and those who store grain and general merchandise. (M.S. 17A, 223, 231, 232, 236)
- To protect public health and the environment from the harmful effects of emergency incidents of agricultural chemicals. (M.S. 18D.105; M.S. 115B)
- To protect public health and the environment from the harmful effects of agricultural chemical contamination and to support property and business transactions at agricultural chemical contaminated sites by a rapid response to customer requests. (M.S. 18D. 105; M.S. 115B)
- To protect public health and the environment from the harmful effects of agricultural chemical contamination at agricultural chemical facilities and other non-emergency point sources. (M.S. 18D.105; MS. 115B)
- To reduce the amount of waste pesticide stored in Minnesota. (M.S. 18B.065)
- To provide information on impacts of the routine use of agricultural chemicals on the state's water resources. (No Statutes Cited)
- Monitor compliance of agricultural chemical facilities through routine inspection. (M.S. 18B)

- To improve commercial feed manufacturing facilities' compliance to Medicated Feed Current Good Manufacturing Practices Regulations (CGMPRs) so that the safety of animal-produced human food is not at risk. (M.S. 25.31)
- To increase landowner rate of compliance with the Noxious Weed Law. (M.S. 18.75)
- To protect ground water from contamination by nitrogen fertilizer. (M.S. 103H)
- Gypsy moths will not become established in Minnesota. (M.S. 18.45)
- To prevent the introduction of plant pests into Minnesota via interstate nursery stock shipments. (M.S. 18.48)

## **DESCRIPTION OF SERVICES :**

### **DAIRY AND FOOD INSPECTION**

The Dairy and Food Inspection Division, licenses, permits, certifies and inspects all dairy and food processing plants, dairy farms, and wholesalers, distributors and retailers of food products.

Inspection frequency is based on laws and regulations or on the potential health risk and past inspection history. The Interstate Milk Shipper Certification program ensures unrestricted movement of dairy products in interstate commerce. The division also issues Certificates of Free Sale which provide for the export of dairy and food products.

The division has the statutory authority to resolve non-compliance with state standards through the use of written orders, warning letters, administrative meetings, product embargoes, civil penalties, refusal to issue license/permit, license/permit suspension or revocation, criminal proceedings and court restraining orders and injunctions. Inspectors also collect dairy and food samples for submission to the department's Laboratory Services Division to determine if they meet standards, are safe and are properly labeled.

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. Informational meetings are also conducted with industry to educate and provide new information on laws, regulations and other matters related to product safety, processing and labeling.

### **AGRICULTURAL CERTIFICATION**

This division provides a variety of largely voluntary inspection, certification, and licensing services.

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. The division's livestock weighing program 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.

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. Employees are federally licensed for the sampling, inspection, laboratory, and/or weighing functions they perform. They are initially tested and are continually trained. 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. The service is mandatory for grain being directly loaded for export by ship and is voluntary for all others.

The division also has inspectors who: Inspect fruit and vegetables to determine if they meet domestic and international market requirements; inspect and certify seed potatoes for the certified seed market; inspect and certify honey bee colonies on request to meet regulatory requirements.

Dairy product pricing is monitored to inhibit the sale of selected dairy products below cost.

The division issues licenses to and requires bonds of: wholesale produce buyers, grain storage elevators, grain buyers and operators of general merchandise storage facilities. For these licenses, applicants are required to submit financial statements that are reviewed prior to licenses being issued. The division performs examinations of the grain buyers, and grain and general merchandise storage operations.

The division monitors bond amounts to determine if the bonds meet statutory requirements. The division also administers claims against these bonds.

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. Shifts in the nursery inspection program, from routine inspection to an emphasis on interstate shipments of nursery stock to address quarantine breaches occurred in F.Y. 1995.

The MDA and the Agricultural Chemical Response & Reimbursement Account (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 database.

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.

## **AGRONOMY AND PLANT PROTECTION**

Agronomy & Plant Protection protects the public interest, the environment and human health from the improper or

fraudulent manufacture, marketing and/or use of pesticides, fertilizers, feed, seeds and nursery stock. The administration of the noxious weeds statute also contributes to this protection. The division also monitors and manages non-native plant pests and inspects and certifies plants and commodities for interstate and international shipment.

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 the Minnesota Environmental Response and Liability Act (MERLA) and the ACRRRA 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.

The division inspects and certifies plants and commodities to meet both domestic and international market requirements and provides permits for the regulated movement of plant pests for research purposes. The division also provides non-native pest monitoring and management as well as training and certification of local tree inspectors.

## **BACKGROUND INFORMATION :**

**MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC), OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)**

**DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR (FFY), BIENNIUM YEARS (BY)**

<b><u>Type</u></b>	<b><u>Based</u></b>	<b><u>Measure</u></b>	<b><u>1994-95</u></b>	<b><u>1995-96</u></b>
		Food Section		
W	FY	No. Licensed Food Handlers Hours of Federal Contract Inspections	7,693	7,606
W	FY	No. Inspection/Investigations	21,195	19,920
W	FY	No. Food Samples Collected	7,165	5,637
W	FY	No. Unsatisfactory Sanitary Conditions Corrected	9,787	10,300
W	FY	No. Times Substandard Food Removed from Sale	882	713
W	FY	No. Pounds of Food Removed from Sale	4,149,000	3,309,930
W	FY	Embargoes Issued on Food Products	33	30
W	FY	No. Sanitary Notices Issued	26	40

**AGRICULTURE DEPT**
**1996 Agency Performance Report**

W	FY	No. Administrative Meetings Conducted	20	13
W	FY	No. Court Cases Attended	8	6
W	FY	No. Citizen Complaints Investigated	648	582
A	FY	No. Health Certificates Issued for International Sales	187	204
		Dairy Section		
A	FY	No. Dairy Farms Grades A & B	11,817	11,019
W	FY	Inspections Required by Law	20,700	19,400
UC	FY	Cost per Farm Inspection	\$56	\$60
A	FY	No. Dairy Plants	126	123
UC	FY	Cost per Plant Inspection	\$226	\$250
W	FY	Total Inspections Completed	24,000	21,048
W	FY	No. Reinspections	1,685	1,882
W	FY	No. Milk Sheds Meeting/TMS Compliance	128	125
W	FY	Dairy Samples Collected	5,321	4,283
A	FY	Certificates of Free Sale Issued	220	170
		Seed and Processed Potatoes		
W	FY	Certified Seed Potato Fields Inspected	1,192	1,119
W	FY	Certified Seed Potato Winter Test Plots Planted, Grown and Inspected	707	721
W	FY	Hundredweight of Potatoes Inspected for Processing	4,330,262	4,573,424
		Warehouse and Grain Buying Licenses Issued		
A	FY	No. of Grain Storage Elevators	335	339
A	FY	No. of Grain Buyers (non-storage)	514	542
A	FY	No. of General Merchandise Warehouses	153	164
		Examinations Performed		
W	FY	Grain Storage Examinations	308	310
W	FY	Grain Buyers (non-storage)	182	182
W	FY	General Merchandise Warehouse	59	101
A	FY	Citations Issued	204	202
W	FY	Follow-Up on Citations	63	57
W	FY	Follow-Up on Reports of Unlicensed Activity	55	28
		Grain Inspection		
W	FY	Inspections (full grade)	89,731	90,031e
W	FY	Partial Inspections*	9,594	6,087
W	FY	Commercial Inspections	4,264	2,221
W	FY	Weighing	9,791	14,334
W	FY	Wheat Protein	31,290	28,432
		Livestock		
OD	FY	Livestock Produced in Minnesota	9,000,000	9,897,000
W	FY	Livestock Weighed by MDA	1,894,000	2,249,000
A	FY	Licensed and Bonded Parties	675	660
A	FY	Bond Claims Filed	2	1
UC	FY	Dollars Paid to Producers as Trustee on Bond	\$271,500	\$100,000
		Defaults		

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

**AGRICULTURE DEPT****1996 Agency Performance Report**

		Data for grain inspection is reported by federal fiscal year to provide the most current information. Federal fiscal years begin October 1, and end September 30.		
	FY	Agronomy & Plant Protection		
A	FY	No. of Pesticide Applicators Licensed	36,644	36,029
A	FY	No. of Pesticide Dealers Licensed	700	671
W	FY	Agricultural Chemical Facilities Inspected	3,884	3,980
W	FY	Water Quality Sample Contacts	540	280
A	FY	No. of Water Quality Samples Collected	1,237	922
W	FY	Agricultural Chemical Emergencies	235	197
	FY	Non-Compliance Issues at Facilities Addressed	1,603	1,318
A	FY	No. of Products Registered	34,778	35,044
W	FY	Weed Control Training Session Held for Local Government	65	70
W	FY	Noxious Weed Control Notices Served	899	635
A	FY	No. of Applications & Permits to Move Plant Pests, Noxious Weeds & Soil	44	44
W	FY	Nursery Stock Growing Acreage Inspected	5,377	6,740
A	FY	Nursery Dealers Inspected	466	638
A	FY	No. of Phytosanitary (i.e. clean plant) Certificates Issued	2,701	2,700
	FY	Grain Elevators Certified to Ship Grain to Western States	21	16
W	FY	Communities & Individuals Having Problems with Oak Wilt Assisted	462	593
W	FY	Gypsy Moth Traps Placed	16,040	9,500
W	FY	Japanese Beetle Traps Placed	1,049	925
A	FY	No. of Tree Inspectors Certified	655	755

**PROGRAM DRIVERS :****DAIRY AND FOOD INSPECTION**

The federal government continues to mandate new dairy and food regulatory programs and move more responsibility back to the state agencies; many with reduced or no additional funding.

Federal Milk Market Orders have not been reformed and continue to put Minnesota dairy producers at a disadvantage, forcing production to other areas of the country.

Dairy farm numbers continue to drop because of economic problems, an aging population of dairy producers and their older facilities. An additional factor is the reluctance of young people to adopt the dairy farming operation lifestyle. Cow numbers and production are stabilizing as dairy farms become larger and production per cow increases.

The adoption of the proposed state Food Code which establishes a uniform criteria for food safety inspections in retail food facilities that is based on the recommended model federal food code.

Responding to food safety emergencies has and will continue to have an impact on the budget. To respond quickly and positively to emergencies such as the Schwans Ice Cream case will have a negative impact on other programs and activities unless additional funding and preparedness programs are in place.

Consumers will continue to have high expectations that the dairy and food products they purchase are safe and wholesome. This will place a greater demand on the division to conduct more HACCP type inspections and to sample more products for microbial and chemical contamination.

The exporting of dairy and food products from Minnesota is a significant portion of industries' economy. The ability to certify the quality and safety of these products and their production places an increasing amount of activity on the inspection and sampling programs.

Rapidly advancing technology in all aspects of the dairy and food industry from production through processing will place an ever increasing need for specialized education and training of the division staff to be able to properly inspect and evaluate these facilities and equipment.

New inspection programs which will audit the specific areas within dairy and food production and processing facilities identified as critical to the safety of the raw and finished product. This process based on Hazard Analysis Critical Control Point (HACCP) principles will establish the basis for future inspection programs and will require extensive training and computerization of the staff.

The development of a computerized inspection program will involve a greater demand on limited division resources but will increase efficiency and provide more field time for inspectors. It will also provide greater access to department-wide data bases and information while vastly improving the division's information management system.

## **AGRICULTURAL CERTIFICATION**

### **Livestock**

Livestock Weighing Requests increased in F.Y. 1996. The requests for weighing services continued to decrease in F.Y. 1995, but returned to F.Y. 1994 levels in F.Y. 1996. 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.

### **Grain Inspection**

Grain inspection is largely a voluntary program. The greatest management challenge facing the division is that a majority of the grain inspection work is voluntary. 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.

Requests for inspection services increased for F.Y. 1996. While the effects of the flooding in 1993 carried into 1994 and had effects that hurt revenue receipts for FY95, FY96 was a very good year, with unusually high volumes of inspections requested through-out the summer and fall of 1995 and winter and spring of 1996.



**Certified Seed Potato Inspection and Fruit and Vegetable Inspection**

Decreasing customer base. The financial health of these activities are influenced by the fees paid by relatively small customer base. The demand for service continues to be sporadic and not regularly coordinated to normal staffing patterns.

Market factors. Fruit and vegetable inspection is requested primarily to break purchase or sales contracts, therefore predicting workloads is exceedingly difficult.

**Grain Licensing and Auditing**

Declining program 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 lower fee revenues collected. 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. With decreasing CCC-owned grain inventories and ending of Federal loan programs that reduces the amount of grain in which CCC has financial interest, the amount of money the division receives from CCC will continue to decline and eventually end.

**AGRONOMY AND PLANT PROTECTION**

Federal Legislation. Emphasis on non-point source pollution at the federal level may drastically impact fertilizer and pesticide programs. Recent passage of the federal Farm Bill and amendments to the Safe Drinking Water Act may have significant impact on the division's environmental programs.

EPA Rules and Policies. Many pesticide related policies and rules are developed by EPA. Recently, the EPA proposed rules that require states to develop management plans to retain the use of five pesticides that may adversely impact water quality. EPA is also proposing rules that may impact waste pesticide management and the remediation of agricultural chemical contamination sites.

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. The impact of precision farming by a growing number of producers presents opportunities for economic and environmental benefit by Minnesotans.

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.

Increasing International Trade. Increasingly international trade is providing more opportunities for the introduction of non-native (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. In 1996, the discovery of the wheat fungal disease, Karnal Bunt, in the southwestern United States jeopardized wheat milling and shipping in Minnesota. This remains a situation that requires close attention for Minnesota's wheat production and milling industry.

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; and in 1996 the discovery of the sugarbeet disease Rhizomania, in Minnesota presented another challenge to the sugarbeet industry.

Dwindling Federal Support. Federal declines in support, both financial and technical, will result in increasing challenges to protect Minnesota's environment and economic concerns in agriculture. Interstate and international markets present avenues of non-native pest movement that require state involvement to ensure export markets and prevent the introduction of pests.

- Goal 1** : To protect the public health by providing for safe and wholesome dairy and food products and reduced risk of foodborne disease.
- Objective 1** : Dairy production and processing facility inspections will not exceed 105% per year of those required and will have an initial compliance rate of at least 95%.
- Measure 1** : Percentage of required dairy inspections completed each year and percentage of dairy facilities determined to be in compliance at the time of their required inspection.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Percent of Inspections Completed</b>						
<b>Actual</b>	105%	116%	114%			
<b>Target</b>	<105%	<105%	<105%	<105%	<105%	<105%
<b>Percent of Facilities in Compliance</b>						
<b>Actual</b>	93%	93%	91%			
<b>Target</b>	>95%	>95%	>95%	>95%	>95%	>95%

**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. The percentage of completions represents the inspections conducted over the required minimum. 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 measurement of compliance provides an indication that farms and plants are meeting the approval process to certify the safety of milk and milk products. Certification provides these products unrestricted movement in interstate and international commerce.

**DATA SOURCE :**

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

**DISCUSSION OF PAST PERFORMANCE :**

The percentage 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 budget cuts that would prevent the required number of inspections from being completed.

- Goal 1** : To protect the public health by providing for safe and wholesome dairy and food products and reduced risk of foodborne disease.
- Objective 2** : At least 95% of all inspected food facilities will receive a passing rating on their initial inspection.

**Measure 1** : Percentage of firms passing after their initial inspection.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Percent Passing Inspection</b>						
<b>Actual</b>	NA	NA	90%			
<b>Target</b>			>90%	>95%	>95%	>95%

**DEFINITION :**

The total number of facilities passing their initial inspection will be divided by the total number of facilities inspected.

**RATIONALE :**

Inspections are conducted based on, public health significance, potential health risk and the past compliance history. These inspections establish the safety and wholesomeness of the foods being offered for sale, the sanitary and physical condition of the facility and proper labeling of the product.

**DATA SOURCE :**

Inspections are conducted based on, public health significance, potential health risk and the past compliance history. These inspections establish the safety and wholesomeness of the foods being offered for sale, the sanitary and physical condition of the facility and proper labeling of the product.

**DISCUSSION OF PAST PERFORMANCE :**

The division does not have a automated system to tabulate food inspection data or scores. However, the division does manually track and conduct follow-up reinspections for violation of state standards to assure compliance is effective and timely.

**PLAN TO ACHIEVE TARGETS :**

The division will help firms pass inspections by providing information and conducting workshops and seminars on safe food handling and proper product labeling. Out of compliance items will be carefully reviewed with each firm following inspection so requirements can be met and problems corrected in a timely manner. The Food Code and Hazardous Analysis Critical Control Point (HACCP) programs will be adopted as soon as possible and will have an impact on the current pass/fail rate.

**OTHER FACTORS AFFECTING PERFORMANCE :**

The adoption of the new Food Code and HACCP programs will require additional educational efforts to assure food handlers understand their new responsibilities under these programs so compliance and passing rates can be maintained and improved.

The development of a computer system and adequate program funding are also very important if food safety levels are to be maintained and improved.

- Goal 2** : To facilitate the effective trading, marketing and movement of grain both domestic and export uses through effective and timely inspection and weighing services.
- Objective 1** : To facilitate the orderly marketing of grain by providing grain quality reports to grain sellers and buyers by the next business day on more than 95% of grain samples received each year.
- Measure 1** : The percentage of samples that had quality results transmitted to customers by the next business day after the samples are received at an inspection office.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual Performance</b>						
<b>Actual</b>	93%	99%	98%			
<b>Target</b>	95%	95%	95%	95%	95%	95%

**DEFINITION :**

Measure 1 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.

**RATIONALE :**

Measure 1 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 grain inspection unit was one of the first organizations to inspect, sample and weigh grain to facilitate effective trading of commodities. The grain inspection unit has been in business for nearly 110 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.



- Goal 3** : To protect the public in transactions with livestock dealers, agents and markets, grain buyers, and those who store grain and general merchandise.
- Objective 1** : To reduce the risk to the customers of licensed public grain elevators, grain buyers and general merchandise storage warehouses by increasing the percentage of licensees examined to 100% of buy and store elevators and 70% of other licensees examined each year by the end of F.Y. 1999.
- Measure 1** : Percentage of state licensees examined during a fiscal year.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Buy &amp; Store Elevators</b>						
<b>Actual</b>	100%	100%	100%			
<b>Target</b>	100%	100%	100%	100%	100%	100%
<b>Storage Other Than Grain</b>						
<b>Actual</b>	35%	44%	48%			
<b>Target</b>	N/A	45%	55%	60%	65%	70%

**DEFINITION :**

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

**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.

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.

The division's assumption in the 1994-95 performance report proved accurate, more than 30% of examinations resulted in a report some degree of non-compliance. However, the percentage of serious violations was larger than expected. The division considered a violation to be serious: if a grain elevator had inventory shortages of 1,000 bushels or more as found by inventory measure performed during the examination; if a licensee was cited for the same violation in successive examinations; if the citation was for safety concerns; or if the citation indicated grain of quality problems.

Increasing the percentage of licensees examined annually was expected to 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 :**

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. A multi-station grain elevator company is required to have a buy and store license for each town in which it operates. This program considers the examination of the company (no matter how many locations) as one examination.

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.

The program'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.

Due to low grain volumes (from changed federal grain program and increased world wide demand for feed grains), computerization of examinations and industry consolidations, the field staff should have had more time to examine other licenses and perform examinations. However, as noted elsewhere in this document staffing levels leave little room to achieve goals if employees are injured or otherwise unable to work. This circumstance occurred at the end of F.Y. 1995 and for 6 months of F.Y. 1996. Two field staff members lost time due to injuries incurred of the job. The remaining field staff was required to take up extra required work, leaving less time for discretionary work.

**PLAN TO ACHIEVE TARGETS :**

The work schedule of the division's warehouse examination 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.

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.

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 :**

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.

A field staff employee has left full-time duty with the grain licensing unit and has not been replaced.

**Goal 3** : To protect the public in transactions with livestock dealers, agents and markets, grain buyers, and those who store grain and general merchandise.

**Objective 1** : To reduce the risk to the customers of licensed public grain elevators, grain buyers and general merchandise storage warehouses by increasing the percentage of licensees examined to 100% of buy and store elevators and 70% of other licensees examined each year by the end of F.Y. 1999.

**Measure 2** : Percentage of examinations that result in issuance of exception reports (citations) for non-compliance.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	*23%	37%	34%			
<b>Target</b>	N/A	30%	25%	25%	25%	25%
<b>* beginning 11-1-93</b>						

**DEFINITION :**

Number of citations issued divided by the number of examinations. A serious violation, as noted in a citation, could result in license suspension, if not corrected.

**RATIONALE :**

See Measure 1.

**DATA SOURCE :**

See Measure 1.

**DISCUSSION OF PAST PERFORMANCE :**

See Measure 1.

**PLAN TO ACHIEVE TARGETS :**

See Measure 1.

**OTHER FACTORS AFFECTING PERFORMANCE :**

See Measure 1.

**Goal 3** : To protect the public in transactions with livestock dealers, agents and markets, grain buyers, and those who store grain and general merchandise.

**Objective 2** : To reduce the financial risks to sellers of livestock by licensing and bonding livestock buyers.

**Measure 1** : Ensure that livestock dealers and markets are licensed and bonded by monitoring at least 90 markets per year, investigating complaints about unlicensed or illegal livestock dealing and requiring licensing by unlicensed dealers and markets.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Livestock Markets Monitored</b>						
<b>Actual</b>	90	131	100			
<b>Target</b>	90	90	90	90	90	90
<b>Number of Investigations</b>						
<b>Actual</b>	43	55	48			
<b>Target</b>	40	40	40	40	40	40
<b>Number of New Dealers</b>						
<b>Actual</b>	15	10	15			
<b>Target</b>	10	10	10	10	10	10

#### 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.

- Goal 4** : To protect public health and the environment from the harmful effects of emergency incidents of agricultural chemicals.
- Objective 1** : To reduce the number of open files by 20% annually to achieve and maintain an open file caseload of not more than 150 files at the end of each fiscal year, by the year 2000.

**Measure 1** : Emergency agricultural chemical incidents identified and number of files open.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b># Emergency Incident Files Open (End of F.Y.)</b>						
<b>Actual</b>	N/A	N/A	321			
<b>Target</b>	N/A	N/A	N/A	250	200	160
<b># Incidents Identified (Annual)</b>						
<b>Actual</b>	234	237	200			
<b>Target</b>	N/A	N/A	N/A	210	210	210

**DEFINITION :**

The emergency program receives initial reports of all incidents; evaluates them and retains those determined to be an immediate threat to human health or the environment. Emergency Incident Files Open represents incidents that have not been closed, or transferred to other program areas (VCTAP or Comprehensive). Number of incidents identified means all agricultural chemical incidents (emergency and non-emergency) reported to, or discovered by the MDA.

**RATIONALE :**

A total of 150 files open at the end of each fiscal year translates into approximately a 9 month cycle time which ensures that most files will be closed prior to the start of the next spring planting season when most incidents occur. Incidents identified is an indicator of work entering the program. Emergency incident files open is an indicator of ongoing workload.

**DATA SOURCE :**

The MDA maintains a database of agricultural chemical incidents and written log book of reported incidents.

**DISCUSSION OF PAST PERFORMANCE :**

This measure was created this reporting period after discussion with the legislative auditor. There were no previous analogous targets. The number of incident files open, for F.Y. 1994 and F.Y. 1995, was not previously tracked. The F.Y. 1996 number of incidents identified will increase slightly as additional inspector reports are processed.

**PLAN TO ACHIEVE TARGETS :**

The emergency incident response program receives the first report of an incident and retains responsibility for the incident until the incident is cleaned up or transferred to another program area. Potential new agricultural incident sites are identified primarily through reports of agricultural chemical spills and telephone calls from concerned citizens. Incidents may also be identified by MDA through routine inspections and residue sampling by agency staff, property transfer and pre-construction sampling by facilities, and analysis of drinking water supplies by MDA and other agencies. Between one half and three quarters of emergency incidents occur during the spring season. The number of incidents reported varies annually; the goal of 210 is an approximate annual average.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Land application of contaminated soil generally can only occur in the spring and fall. Weather may limit land application and thus prevent the closure of sites. Weather also dictates cropping practices which can result in variable emergency response workload. Major incidents, such as a facility destroyed by fire or a tornado, may occur at anytime and may require a significant percent of emergency response staff resources. Changes in local and federal regulations concerning land application of agricultural contaminated media may also have a significant affect on the program.



**Goal 5** : To protect public health and the environment from the harmful effects of agricultural chemical contamination and to support property and business transactions at agricultural chemical contaminated sites by a rapid response to customer requests.

**Objective 1** : To close 70 Voluntary Cleanup Technical Assistance Program (VCTAP) sites by the year 2000.

**Measure 1** : VCTAP incident sites under investigation and closed.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b># Sites Closed (Cumulative)</b>						
Actual	1	7	16			
Target	N/A	N/A	N/A	28	40	57
<b># Sites Closed (Annual)</b>						
Actual	1	6	9			
Target	N/A	N/A	N/A	12	12	13
<b># Sites Under Investigation (End of F.Y.)</b>						
Actual	5	31	45			
Target	N/A	N/A	N/A	45	45	45

**DEFINITION :**

Sites under investigation means sites that have agreed to enter the program. Sites closed means sites which have withdrawn from the program, plus sites which require no further action.

**RATIONALE :**

Sites under investigation is an indicator of workload. Sites closed (annual) is an indicator of performance for each fiscal year. Sites closed (cumulative) is an indicator of the long term performance of the program.

**DATA SOURCE :**

The MDA maintains a database of agricultural chemical incidents.

**DISCUSSION OF PAST PERFORMANCE :**

This measure was revised this reporting period after discussion with the legislative auditor. Previously, VCTAP sites and comprehensive sites were not measured separately. Previous performance targets are not meaningful using the current approach. The VCTAP started in early 1994 and combines exemptions from liability under the Minnesota Environmental Response and Liability Act (MERLA) with partial reimbursement of costs under the Agricultural Chemical Response and Reimbursement Account (ACRRA). Interest and activity in the program has steadily increased.

**PLAN TO ACHIEVE TARGETS :**

Potential new agricultural incident sites continue to enter the VCTAP at an increasing rate through: MDA routine inspections and residue sampling; property transfer and pre-construction sampling; and, low priority non-emergency incidents.

The MDA has introduced generic preliminary soil cleanup goals and continues to develop and promote other methods to streamline and reduce the cost of investigations and cleanups. This will promote continued increases in efficiency following a learning curve approach. These increases in efficiency may be offset substantially by the anticipated increase in local regulation of the land application of agricultural chemical contaminated media, and the increasing number of wood treatment chemical sites which are more difficult to remediate than most other crop related agricultural chemical sites. The cooperative nature of the VCTAP allows for a relatively efficient program. The program is approaching capacity limitations given the current number of assigned staff.

**OTHER FACTORS AFFECTING PERFORMANCE :**

It is anticipated that new bulk fertilizer storage regulations will be published this winter to take effect later next year. Pre-construction sampling to comply with these regulations may result in a significant increase in sites entering the VCTAP. The VCTAP program has grown steadily since its creation. If the VCTAP workload continues to increase staff resources may be a limiting factor on the number of sites which can be closed.

Possible changes in federal regulations which affect land application may have a significant affect in the overall efficiency of the VCTAP.

**Goal 6** : To protect public health and the environment from the harmful effects of agricultural chemical contamination at agricultural chemical facilities and other non-emergency point sources.

**Objective 1** : To discover, investigate and cleanup 130 non-emergency point source sites by the year 2002.

**Measure 1** : Comprehensive sites under investigation, in monitoring, closed and cleaned up.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b># Comprehensive Sites Closed (Cumulative)</b>						
<b>Actual</b>	33	40	56			
<b># Sites in Monitoring (End of F.Y.)</b>						
<b>Actual</b>	9	10	13			
<b>Total Cleaned Up</b>						
<b>Actual</b>	42	50	69			
<b>Target</b>	N/A	N/A	N/A	81	93	105
<b># Sites Closed (Annual)</b>						
<b>Actual</b>	8	7	16			
<b>Target</b>	N/A	N/A	N/A	12	12	12
<b># Sites Under Investigation (End of F.Y.)</b>						
<b>Actual</b>	83	70	70			
<b>Target</b>	N/A	N/A	N/A	70	70	70

#### DEFINITION :

Sites cleaned up include sites closed, plus sites in monitoring. Comprehensive sites under investigation are sites which require further corrective actions other than monitoring. Comprehensive sites closed are sites which require no further action for the specified incident. Sites in monitoring are sites where the corrective action is complete but cannot be closed yet for technical reasons, or for ground water corrective actions, sites where only operations and maintenance of the system is required. The start date of the comprehensive program, for tracking purposes, is July 1, 1989.

#### RATIONALE :

Sites under investigation is an indicator of workload. Sites closed (annual) is an indicator of performance for each fiscal year. Comprehensive Sites closed (cumulative) and Sites in Monitoring are indicators of the long term performance of the program.

#### DATA SOURCE :

The MDA maintains a database of agricultural chemical incidents. The database was under development in 1994. Some errors were noted in previous data and have been corrected in this report.

**DISCUSSION OF PAST PERFORMANCE :**

This measure was revised for this period following the instructions of the legislative auditor. Previously VCTAP sites and comprehensive sites were not measured separately. Previous performance targets are not meaningful using the current approach. The drop in number of sites under investigation between F.Y. 1994 and F.Y. 1995 was the result of the unit trying to determine the most efficient number of sites per project manager. The increase in sites closed between F.Y. 1995 and F.Y. 1996 is the result of imposing and enforcing deadlines on sites which were nearly complete but never finalized.

**PLAN TO ACHIEVE TARGETS :**

Potential new agricultural incident sites are identified by MDA through routine inspections and residue sampling by agency staff, property transfer and pre-construction sampling by facilities, telephone calls from concerned citizens, reports of agricultural chemical spills, and analysis of drinking water supplies by MDA and other agencies.

The MDA has introduced generic preliminary soil cleanup goals and continues to develop and promote other methods to streamline and reduce the cost of investigations and cleanups. This will promote continued increases in efficiency following a learning curve approach. These increases in efficiency may be offset substantially by the anticipated increase in local regulation of the land application of agricultural chemical contaminated media, and the increasing number of wood treatment chemical sites which are more difficult to remediate than most crop related agricultural chemical sites. The program has also begun imposing deadlines on each step of the cleanup process, which has reduced total project cycle time.

**OTHER FACTORS AFFECTING PERFORMANCE :**

The MDA prioritizes potential comprehensive sites. Site priority is ordered according to potential threat to human health and the environment. These sites tend to be large, complex, and time and resource intensive. Most parties entering the program are cooperative. An increase in the number of uncooperative parties would reduce the efficiency of the program.

**Goal 7** : To reduce the amount of waste pesticide stored in Minnesota.

**Objective 1** : To annually maintain or increase the collection of waste pesticides from program activities so that 1.75 million pounds are collected by F.Y. 2002.

**Measure 1** : Pounds of waste pesticides; collected and disposed.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual Pounds Collected</b>						
<b>Actual</b>	188,824	230,374	168,319			
<b>Target</b>	175,000	175,000	175,000	185,000	200,000	200,000
<b>Cumulative Pounds Collected</b>						
<b>Actual</b>	188,824	419,198	587,517			
<b>Target</b>	175,000	350,000	525,000	710,000	910,000	1,110,000

**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 6% of the total estimated amount in storage. 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 intends to increase the opportunities for citizens to dispose of waste pesticides by establishment of ongoing, permanent sites at selected locations and by increasing the number of collections each year. 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).

- Goal 8** : To provide information on impacts of the routine use of agricultural chemicals on the state's water resources.
- Objective 1** : To maintain or increase by 5% annually through 2001 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 for agricultural chemicals.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual Ground Water Landscapes Evaluated</b>						
<b>Actual</b>	30%	30%	35%			
<b>Target</b>	30%	30%	30%	35%	38%	40%
<b>Actual Primary Watersheds Evaluated</b>						
<b>Actual</b>	2%	7%	8%			
<b>Target</b>	3%	3%	7%	10%	15%	20%

**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 for agricultural chemicals by laboratory analysis 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. The MDA established a local monitoring cooperative effort with Wadena County in 1995. Surface water monitoring was initiated in 1991 and the department has cooperatively managed monitoring sites with the Metropolitan Council, the City of Minneapolis, local units of government and other state agencies. The floods of 1993 tested the division's ability to capture extreme events. The MDA has increased the emphasis on surface water monitoring to more fully determine the impacts of agricultural chemicals on water resources. The program was able to identify and track trends of declining concentrations of atrazine in the state's sand plain areas. The monitoring program provided scientifically valid data enabling review of agricultural chemicals detected; and the basis for recommendations of common detection and needs for increased management.

**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. The department intends to increase monitoring capabilities for both ground and surface water and to increase cooperative efforts with local units of government.

**OTHER FACTORS AFFECTING PERFORMANCE :**

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. Extremes in weather and legislation (i.e. the federal Farm Bill) are additional factors affecting performance.



**Goal 9** : Monitor compliance of agricultural chemical facilities through routine inspection.

**Objective 1** : Annually conduct a routine inspection at 372.5 (25%) of 1,490 permitted/licensed commercial agricultural chemical facilities.

**Measure 1** : Number of facilities inspected.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Facility Inspections</b>						
<b>Actual</b>	358	385	405			
<b>Target</b>	325	350	375	375	375	375
<b>Bulk Pesticide Inspections</b>						
<b>Actual</b>	108	90	96			
<b>Target</b>	83	85	75	50	25	25
<b>Bulk Fertilizer Inspections</b>						
<b>Actual</b>		25	30			
<b>Target</b>	30	35	40	50	75	100

#### DEFINITION :

The number of initial inspections conducted by MDA staff at agricultural chemical facilities that use, store or distribute agricultural chemicals. Further, at facilities where bulk quantities are stored, additional review is conducted to ensure compliance with bulk storage rules.

#### RATIONALE :

Inspections need to be completed on a routine basis to monitor and ensure compliance with agricultural chemical facilities regulations. Staff resources, inspection history, and other program assignments support the 25% annual inspection workplan.

#### DATA SOURCE :

MDA maintains and updates the database file. Agronomy & Plant Protection facility inspection database serves to provide a uniform manner of tabulation.

#### DISCUSSION OF PAST PERFORMANCE :

Inspection results show that 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 :**

The filling of field staff vacancies will increase and improve MDA's ability to conduct workplan inspections to meet increased F.Y. 1997 target.

Revised bulk fertilizer rules will be promulgated to provide precise compliance information to regulated clientele. Phased-in periods will result in lag time for increased compliance. Proposed rule compliance meetings began in early winter of 1996 and will be proposed in calendar year 1997.

**OTHER FACTORS AFFECTING PERFORMANCE :**

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

**Goal 10** : To improve commercial feed manufacturing facilities' compliance to Medicated Feed Current Good Manufacturing Practices Regulations (CGMPRs) so that the safety of animal-produced human food is not at risk.

**Objective 1** : To inspect 50% of existing commercial medicated feed manufacturing facilities each year and obtain 95% compliance to CGMPRs by F.Y. 1998.

**Measure 1** : Percent of medicated feed manufacturing facilities inspected and percent compliance of medicated feed manufacturing facilities with CGMPRs.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b># of Inspections</b>						
<b>Actual</b>	207	170	253			
<b># of Facilities</b>						
<b>Actual</b>	536	528	519	498	490	485
<b>% Inspected</b>						
<b>Actual</b>	39%	33%	49%			
<b>Target</b>	35%	38%	40%	45%	50%	50%
<b>% in Compliance</b>						
<b>Actual</b>	80%	85%	92%			
<b>Target</b>	80%	90%	90%	93%	95%	95%

**DEFINITION :**

Percentages are number of firms inspected divided by number of firms (x 100). Percentages are the number of firms deemed in compliance upon review of the inspection report, divided by total number inspected (x 100).

**RATIONALE :**

Inspections are unannounced. Plant management participates by providing records and information concerning their procedures. Observations are discussed, corrections requested and often corrections made at the time of inspection.

**DATA SOURCE :**

Establishment inspection reports on file, and summaries maintained in databases.

**DISCUSSION OF PAST PERFORMANCE :**

Medicated feed manufacturing facilities are regulated by the state and need to be in compliance with CGMPRs. Attention to food safety concerns has increased, primarily due to the introduction of drugs through animal feeds, and public awareness of the need for the safe manufacture and use of medicated feed.

**PLAN TO ACHIEVE TARGETS :**

Statutory changes to the Minnesota Feed Law will require the licensing of feed manufacturing firms. The program will emphasize regulatory attention, information, education and compliance oriented activities to medicated feed manufacturing facilities.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Standards and regulations relating to the Current Good Manufacturing Practice Regulations are enforced only for commercial feed. If producer-made feed were to be included compliance measures would change. Statutory changes affecting the licensing provisions need to be considered and passed by the legislature.

**Goal 11** : To increase landowner rate of compliance with the Noxious Weed Law.

**Objective 1** : To achieve and maintain a 98% rate of compliance by F.Y. 1997.

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

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>% Compliance</b>						
<b>Actual</b>	95	96	91			
<b>Target</b>	97	97	97	98	98	98

**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 (x 100).

**RATIONALE :**

The enforcement of this law is based on the individual notice to control noxious weeds. The notice is an order from the local weed inspector or the county agricultural 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 county agricultural inspector 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. In F.Y. 1996, the number of "Notice to Control" forms decreased indicating better compliance with voluntary control measures, however, the difficult cases did not decrease resulting in an overall decrease in this performance indicator.

**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 are significant factors. Economic issues such as crop failures and cost of control may affect compliance. Also, individual county and township cooperation and budgeting can impact local efforts.

**Goal 12** : To protect ground water from contamination by nitrogen fertilizer.  
**Objective 1** : To reduce nitrogen rates applied by irrigated potato growers to 175-200 lbs./acre by F.Y. 1998.

**Measure 1** : Pounds of nitrogen/acre applied by eleven selected potato growers in the Anoka Sand Plain area.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Nitrogen Rate/Acre</b>						
<b>Actual</b>	272	245	222			
<b>Target</b>	175-200	175-200	175-200	175-200	175-200	175-200

**DEFINITION :**

The pounds/acre of nitrogen fertilized applied is the measurement of the amount of actual nitrogen applied to a potato crop in one year.

**RATIONALE :**

Nitrogen is vital for economic yields of potatoes. Potatoes grown on the Anoka Sand Plain under irrigation generally receive no other nitrogen supplements other than fertilizer. Precise management of the nitrogen, especially rate of application, reduces nitrate leaching to ground water.

**DATA SOURCE :**

Data is collected by the Anoka Sand Plain Water Quality Demonstration Project from eleven cooperating growers on an annual basis.

**DISCUSSION OF PAST PERFORMANCE :**

Recent research and demonstration plots have provided agronomically sound data on the nitrogen needs of Russet Burbank Potatoes in the Anoka Sand Plain. In addition to Nitrogen Fertilizer BMPs adopted in F.Y. 1994, Potatoes Nitrogen Fertilizer BMPs were developed in F.Y. 1995 and formally adopted in F.Y. 1996. Promotion of the voluntary BMPs has been through a variety of public and private organizations, including the Soil and Water Conservation Districts, Minnesota Extension Service, and consultants in addition to efforts in the Anoka Sand Plains by the Anoka Sand Plains Water Quality Demonstration Project.

**PLAN TO ACHIEVE TARGETS :**

Continued demonstration and promotion of the BMPs will be conducted at grower meetings. Success by farmer's adopting BMPs, which feature less use of nitrogen fertilizer, should stimulate acceptance by other potato growers in the region.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Nitrogen management of potatoes is complex and dependent on a variety of other factors. Excessive rains at inopportune times in the growing season can result in "rescue" applications of nitrogen to replace leached nitrogen. Pests, poor growing conditions can affect yield and nitrogen management. Though Russet Burbank potatoes are the primary potato grown in the area, a large number of varieties are grown each with different nutrient demands. Shifts to different varieties could result in increased nitrogen rates since the BMPs are based on research conducted on the Russet Burbank variety.



**Goal 13** : Gypsy moths will not become established in Minnesota.

**Objective 1** : 100% of detected infestations will be treated annually.

**Measure 1** : Number of infestations detected and percent infestations treated annually.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Infestations Detected</b>						
Actual	0	2	2			
Target	0	2	2	3	4	5
<b>Infestations Treated</b>						
Actual	0	100%	100%			
Target	N/A	100%	100%	100%	100%	100%

**DEFINITION :**

The number of infestations (breeding populations) as detected and confirmed by discovery of more than one viable life stage of the pest are treated. Treatment consists of applications of a biorational insecticide such as *Bacillus thuringiensis* or mass (control) trapping.

**RATIONALE :**

Small, start-up populations are discovered and eradicated before they reach levels at which natural mechanisms of dispersal result in an uncontrolled situation. Timely, precise detection and eradication of this pest is the best prevention measure from the environmental damage and economic losses that have been incurred in many states to the east. Once Gypsy moth is established it is virtually impossible to eradicate. Establishment of this pest results in costly quarantines and control measures.

**DATA SOURCE :**

Annual surveys conducted by the MDA.

**DISCUSSION OF PAST PERFORMANCE :**

The MDA, in cooperation with USDA-APHIS, develops annual and long range survey 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 enough to detect other forms of spread. To date, 19 start up Gypsy moth populations have been identified and 18 have been confirmed as eradicated over the past 13 years. Minnesota has maintained its status as Gypsy moth free.

**PLAN TO ACHIEVE TARGETS :**

The MDA must maintain vigilance against such pests as Gypsy moth by conducting annual surveys, adopting new control and detection technologies and developing stronger cooperative detection and control networks with uninfested adjacent and western states and USDA. The MDA must work with infested or partially infested states to improve inspection and certification. As infested areas to the east move closer (Gypsy moth is established in eastern Wisconsin and rapidly spreading westward toward Minnesota), the MDA must focus its efforts on improving and expanding state detection strategies using tools such as GIS, GPS, management technologies, expanded networks of public and private survey cooperators and more public education. The 1996 survey findings suggest lingering infestations from the 1994 quarantine breach may be now just reaching detectable levels. During this breach large numbers of possibly infested nursery stock was dispersed all across the state. The findings further suggest that low, but regulatorily significant numbers of Gypsy moth are still being introduced into the state on nursery stock. MDA will anticipate these introductions whenever possible through the annual survey program operated at a level adequate to detect, delimit and eradicate new infestations.

**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. These strains have females that fly (the older European strain's females are flightless) and an even wider host range. Present detection technology will not work for the Asian strains of this pest.

In 1996, quarantine breach of the wheat fungal disease, Karnal Bunt, in the southwestern United States and the detection of the sugarbeet disease, Rhizomania, stressed resources dedicated to the evaluation and mitigation of plant pests in this program.

**Goal 14** : To prevent the introduction of plant pests into Minnesota via interstate nursery stock shipments.

**Objective 1** : To detect and intercept nursery stock harboring state or federally regulated pests through annual inspection of 100% of the nurseries receiving out-of-state nursery stock and to annually increase by 10% the number of pest interceptions.

**Measure 1** : Percentage of nurseries inspected annually which receive out-of-state nursery stock and number of nursery stock shipments found infested with regulated plant pests.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>% of Nurseries Inspected</b>						
Actual	N/A	75%	100%			
Target	N/A	100%	100%	100%	100%	100%
<b># of Infested Shipments</b>						
Actual	2	4	6			
Target	N/A	3	4	6	8	9

#### DEFINITION :

Nursery stock dealers and growers declare on their application or renewal forms their sources of nursery stock. Inspection priorities are generated accordingly. The measures are simple numerical computations of the results.

#### RATIONALE :

Nursery stock is one of the most common avenues of pest introduction into uninfested areas. Many states east of the Mississippi River are infested with plant pests regulated by federal and/or state quarantines. Over half of Minnesota nursery stock dealers and several large nursery stock growers receive at least some of their nursery stock from nursery suppliers located in other states. Many states, especially east of Minnesota are infested with several pests of regulatory concern (Gypsy moth, Pine Shoot beetle and Japanese beetle). Timely, accurate inspection of nursery stock can intercept infested shipments before the stock enters the Minnesota marketplace, thereby preventing introduction of a new regulated pest.

#### DATA SOURCE :

Nursery inspection reports.

#### DISCUSSION OF PAST PERFORMANCE :

In 1994, due to the quarantine breach by Gypsy moth in Minnesota and the increased detection of Japanese beetle the nursery inspection program shifted resources to focus on inspection of interstate nursery stock shipments. Interstate shipments have been identified as a primary means of spreading serious plant pests into uninfested areas. Accordingly, the number of inspections of nurseries receiving out-of-state stock increased as staff prioritized this activity while reducing the routine nursery inspections from an annual basis to once every three years.

**PLAN TO ACHIEVE TARGETS :**

Annually, staff will identify those nurseries which indicate intentions to import stock from other states and prioritize inspections based initially on this information. Inspections and subsequent information received during the growing season regarding additional interstate shipments and/or interceptions may rearrange the initial priority list. It is anticipated that the number of interstate shipments the MDA is aware of will increase gradually in the upcoming years.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Changing rules and regulations by other states can affect the movement of nursery stock. Nursery suppliers located in states infested with regulated pests often ship stock to those states with fewer regulations and less aggressive regulatory programs; there is more certainty that their stock will enter the marketplace. Because of increasing general acceptance of these pests in other parts of the nation, the trend is to relax regulatory inspection programs in affected areas. This places an increased demand for Minnesota inspections to optimize detection and minimize the sale of infested stock. Nursery stock carrying regulated insect pests have been shipped interstate even though the stock was certified pest-free at origin and carried official documentation to that effect. The epidemiology of pests like Japanese beetle, Gypsy moth and Pine Shoot beetle is variable. Overall weather conditions at origin may reduce populations which reduce the pressure on nursery stock. Favorable conditions increase the threat of stock infestation. Treatment programs by nurseries and/or state agencies at origin affect the pest populations as well. The presence or absence of federal quarantines influences significantly the ability of states to control pests. States may follow federal guidelines even when they are not completely effective. Pest interceptions interrupt scheduled inspections as staff are redirected to contain the pest introduction. Currently, a significant amount of nursery stock is shipped directly to municipalities from out-of-state and brokered through corporate intermediaries. Staff and time limitations preclude inspection of this material.

**Agency** : AGRICULTURE DEPT

**Program** : PROMOTION & MARKETING

**EXPENDITURES AND STAFFING :**

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$14,544	25.01%
From Federal Funds	\$53	
From Special Revenue Funds	\$937	
General	\$13,531	
From Gift Funds	\$23	
Number of FTE Staff:	48	9.47%

**GOALS :**

- To encourage the market driven diversification of Minnesota's agricultural production and marketing base. (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. (M.S. 17.03 subd. 1; and 17.101)
- To increase the knowledge and understanding of agriculture among teachers, students and the general public. (M.S. 17.03 subds. 1, 2, 4 and 7)
- To promote the adoption of sustainable practices, including integrated pest management (IPM), by producers, state land managers and agri-professionals. (M.S. 17.03, subd 1; and 17.114-17.116)
- To encourage agricultural land stewardship and conservation while balancing agricultural development with environmental protection. (M.S. 17.80-17.84 and Chapter 40A)
- To help maintain a vigorous, healthy plant environment while minimizing economic losses from pests. (M.S. 18.44-18.61)

**DESCRIPTION OF SERVICES :**

Customers include individual producers/firms, associations of producers/manufacturers, agri-businesses, agricultural professionals, educators and school districts, and public parties such as the Agriculture Utilization Research Institute, University of Minnesota, the Minnesota Extension Service, state and federal environmental and development agencies, local government planning and developmental officials and rural land owners.

The Marketing and Promotion Section 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 Section works in areas such as aquaculture, processed foods, Minnesota Grown (a generic program promoting all Minnesota agricultural products, but focusing on specialty crops such as fruits, vegetables, maple syrup, wild rice, etc.), ethanol and industrial product promotion. It also provides services to commodity research and promotion councils. The Section 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.

The Agricultural Development Section 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 Energy and Sustainable Agriculture Section (ESAP) provides direct assistance to producers and professionals. The services include outreach, information, grants and loans and other assistance about sustainable agriculture techniques, practices and opportunities. In 1995, ESAP began a whole farm planning (WFP) program to assist producers, agencies and researchers in understanding this emerging concept. ESAP staff conducts farmer forums to assess planning needs and practices and co-convenes a task force to establish the essential elements, content and outcomes of whole farm planning.

The Plant Pest Survey/Biocontrol Program surveys growing field crops to find and promptly report the presence of plant pests; publishes a plant pest bulletin to inform producers, technical staff, citizens and affected industries of plant pest populations to assure timely, safe and effective pest management measures; and protects Minnesota agriculture from the introduction and establishment of unwanted and economically damaging plant pests. The Biocontrol Program identifies pests which can be controlled through biological methods, defines biocontrol strategies, conducts experimental trials and releases the organisms to establish or increase base populations.

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.

## **BACKGROUND INFORMATION :**

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),  
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR  
(FFY), BIENNIUM YEARS (BY)

Type	Based	Measure	1994-95	1995-96
	FY	Marketing and Promotion		
OD	FY	Licensed Commerical Users of Minnesota Grown Logo	385	395
OD	FY	Number of Private Sector Donors to Education Programs	89	92
A	FY	Marketers, Businesses and Organizations Served	1,150	1,000
OD	FY	Unsolicited Requests for Educational Materials	3,000	3,000
OD	FY	Requests for Business Assistance	410	425
A	FY	Number of Food Trade Shows Coordinated	3	5
OD	FY	Participants in Specialty Meat Products Directory	123	128
	FY	Agriculture Land Preservation		
A	FY	Local Governments Receiving Rural Land Use	N/A	80
A	FY	Number of Agricultural Land Preservation/Animal Agriculture Land Use Planning Workshops	N/A	10
	FY	Energy and Sustainable Agriculture		
OD	FY	Amount of Grants Requested	\$926,000	\$1,200,000
A	FY	Amount of Grant Assistance	\$205,600	\$205,500
OD	FY	Number of Loan Applications	61	43
OD	FY	Active Number of Loans	133	131
OD	FY	Loan Assistance Requested	\$866,000	\$518,000
A	FY	Loans Made	33	29
A	FY	Loans Paid in Full	28	28
	FY	Plant Pest Survey		
OD	FY	Circulation of "Minnesota Pest Report"	2,200	2,600
OD	FY	Applications & Permits to Move Plant Pests, Noxious	54	47
A	FY	Plant Pest Outbreak Investigations and Assessments	80	55
A	FY	Informational Visits to County Extension Offices	40	52

**PROGRAM DRIVERS :**

Changes in federal programs. Major changes in federal policy and farm programs will have significant impacts on Minnesota agriculture. A) The 1995 Farm Bill moves agriculture away from price supports, and toward a market driven production/marketing system. This implies greater commodity price volatility and producer marketing risk, and presents a challenge for the agency to increase its capacity to identify and develop markets. B) Changes in eligibility for the CRP program will lead to a large share of Minnesota's 1.8 million acres of CRP land coming back into production, again driving the need for improved marketing, but also requiring a focus on providing protection to truly sensitive environmental areas. C) Expanded and freer world trade is creating opportunities to build foreign markets, while also increasing the purchasing power of foreign consumers. World population is expected to double in 50 years; because of rising per capita incomes and changing dietary preferences, world food production may need to triple to satisfy demand. D) Federal environmental policies directly affect department

clients, and indirectly the department. The Clean Water Act encourages or requires greater attention to the environmental quality impacts of farming/farming practices. Producers and agricultural professionals will strive to accommodate rising expectations and new regulations.

**International Trade Agreements.** Agreements such as NAFTA and GATT have a significant impact upon Minnesota agriculture by exposing Minnesota producers to increased competition while also increasing US access to foreign markets. The impact of these agreements needs to be anticipated, monitored and responded to.

**Urbanization.** As Minnesota's population concentrates in major population centers, citizens are less familiar with agricultural/rural concerns and challenges. It is critical to educate urbanites about the importance of agriculture, the role of 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 efforts are needed to create a climate conducive to agricultural development in Minnesota.

**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, contentious neighbor relations and environmental degradation.

**Diversification Opportunities.** Because of low margins for traditional commodities, some 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. D) Consumer concerns for the environment are creating demands for biodegradable products, organic foods, renewable fuels, and other "green" products. E) Changing consumer demographics are increasing demand for non-traditional products such as Southeast Asian or Mexican foods.

**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 processing or marketing cooperatives. Value-added processing will be one mechanism used by producers to hedge the value of commodities. The development of value-added processing facilities can contribute significantly to rural development.

**Air Pollution Abatement.** 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 reach 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 EPA to insure that renewables would be included in federal requirements. The mandated demand from these two programs will require a more than twofold increase in the 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.

**Demand for Sustainable Agriculture/IPM (Integrated Pest Management) Information.** The demand has grown each



year since inception of the ESAP in 1987. Producers and agri-professionals actively seek information on practices or management strategies that are sustainable. Requests for financial and technical assistance exceed available resources. Federal, state and producer interest in whole farm planning is accelerating with changes to 1995 farm bill.

Nonpoint Source Pollution (NPS). The dispersed nature makes it a challenge for agriculture with approximately 85,000 independent decision makers working in various climates, landscapes, soil types, etc. Enhanced communications and working partnerships are needed to effectively involve producers and address NPS. The general public does not understand the stewardship challenges and economics risks producers face in trying to meet societal expectations.

Livestock Industry. Major structural and geographic shifts within the livestock and poultry production and processing industry are causing rapid changes in Minnesota. A major effort is needed to keep Minnesota's livestock industry healthy, both environmentally and economically, while maintaining market share.

**Goal 1** : To encourage the market driven diversification of Minnesota's agricultural production and marketing base.

**Objective 1** : To increase annual sales of Minnesota grown fruits and vegetables resulting from program activities to \$2,250,000 by F.Y. 1999.

**Measure 1** : New Minnesota grown fruit and vegetable sales generated by program activities (in thousands).

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	\$1,550	N/A	\$2,000			
<b>Target</b>	\$1,500	\$1,700	\$1,850	\$2,000	\$2,150	\$2,250

#### 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 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 345 in 1996, 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 1996, and media coverage of Minnesota products has gone from sporadic stories to a consistent mix of full-length feature stories and assorted smaller mentions. In F.Y. 1995 and F.Y. 1996, staff coordinated a fall grocery promotion which included stores in Minnesota, Iowa, and South Dakota. Weather induced apple crop problems in F.Y. 1995 and F.Y. 1996 required staff to defer major promotional efforts in support of this crop (the second largest fresh fruit or vegetable crop in the state).

**PLAN TO ACHIEVE TARGETS :**

Significant progress has been made in developing a high level of consumer awareness of Minnesota grown products. Staff have shifted 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.

**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 by 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.

**Goal 1** : To encourage the market driven diversification of Minnesota's agricultural production and marketing base.

**Objective 2** : To increase sales of Minnesota grown specialty livestock products generated by program activities to \$450,000 by F.Y. 1999.

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

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	N/A	\$375,000	N/A			
<b>Target</b>	\$40,000	\$100,000	\$150,000	\$200,000	\$400,000	\$450,000

**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 of projects on an annual or biennial basis. These surveys form the basis for 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, staff have assisted individuals or small groups of farmers to organize 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 and completion of a market study on direct marketed meat products. Participation in the directory has expanded dramatically, with 65 producers in the 1993 directory, and 128 in the 1996 directory. Consumer requests for the 1993 directory exceeded available supply; 3,000 copies were printed, but over 6,000 copies were ultimately requested. Accordingly, annual production has increased to 10,000 copies for F.Y. 1996; all copies were utilized. Sales results exceeded expectations, primarily due to the success of the directory. Based on results of a marketing study of direct marketed meats, staff were successful in obtaining federal grant support to expand producer education in this area.

**PLAN TO ACHIEVE TARGETS :**

Division staff envision two specific actions in the coming biennium. First, to expand publication of the consumer directory to meet anticipated consumer requests. Second, to initiate a program to help individual producers test market their products in selected participating grocery stores and food service locations.

**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.

**Goal 2** : To increase the production of value-added agricultural products in Minnesota.  
**Objective 1** : To increase sales of processed food products resulting from food trade shows to \$4,750,000 by F.Y. 1999.

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

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	\$1,830	\$2,650	\$3,800			
<b>Target</b>	N/A	\$1,900	\$2,100	\$2,300	\$4,500	\$4,750

**DEFINITION :**

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

**RATIONALE :**

This outcome measure indicates the success of increasing food sales through trade show participation.

**DATA SOURCE :**

Participating companies are surveyed at completion of show, and at 6 and 12 month intervals 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, staff have made particular efforts in the recent past to encourage participation by companies which might not otherwise have participated. This was done to increase the collective marketing ability of the entire industry, and as a means of focusing 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 on changing government regulations, upcoming events, 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 and publication 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.

**Goal 2** : To increase the production of value-added agricultural products in Minnesota.  
**Objective 2** : To increase the amount of Minnesota corn processed for industrial products by corn milling plants to 115,000,000 bushels by F.Y. 1999.

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

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	38,000	40,000	45,000			
<b>Target</b>	40,000	50,000	70,000	100,000	105,000	115,000

#### DEFINITION :

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

#### RATIONALE :

This outcome measure indicates the success in increasing the processing of corn for industrial uses which include ethanol but other products as well (i.e. sweeteners).

#### DATA SOURCE :

Calculations based on industry survey done by staff.

#### DISCUSSION OF PAST PERFORMANCE :

In the past 10 years, extensive changes and growth have occurred in the corn processing industry in Minnesota. Much of this growth is significantly due to policy development and public education efforts carried out by department staff and the industry. 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 6% of Minnesota's corn crop is now processed into ethanol and related products in Minnesota, an increase from less than 1% in 1983. Growth in industrial processing has slowed in F.Y. 1996 due in large part to the unprecedented high price of corn. This effect is anticipated to be temporary, as companies are delaying but not foregoing expansion plans. 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 1998. (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 or expanding 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, as well as the demand and price of corn.

**Goal 3** : To increase the knowledge and understanding of agriculture among teachers, students and the general public.

**Objective 1** : To increase the number of schools requesting Minnesota Ag in the Classroom (M-AITC) materials to 950 by F.Y. 1999.

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

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	800	850	925			
<b>Target</b>	N/A	825	850	880	950	950

**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.

**CHANGES IN DATA FROM 1994 PERFORMANCE REPORT**

The data reported in the 1996 Performance represent three changes from the 1994 report. The 1994 Report contained an objective regarding anticipated growth in sales in the aquaculture industry. Data for this objective were obtained from 1990 and 1992 industry surveys conducted by the Minnesota Ag Statistics Service, with funding provided by grants. Funding for this survey has not been available since 1992, and consequently no new data is available. In light of the uncertainty of future funding for this data source, it was determined to eliminate this objective.

Estimated F.Y. 1997 ethanol production capacity was reduced from 180 million gallons to 126 million. Unprecedented high corn prices and related factors have hampered plant financing and construction.

Estimated F.Y. 1997 ethanol market share was reduced from 100% to 85% because of high corn prices and a targeted public relations effort launched against ethanol blends in F.Y. 1996. It is expected that the oxyfuel program will proceed to full implementation and that ethanol will be the oxygenate of choice in F.Y. 1998.

- Goal 4** : To promote the adoption of sustainable practices, including integrated pest management (IPM), by producers, state land managers and agri-professionals.
- Objective 1** : To reach all Minnesota producers and agri-professionals with sustainable agriculture and integrated pest management information and educational materials by 1999.

**Measure 1** : Percent market penetration through dissemination of program publications, attendance at field days and published news stories by which producers and agri-professionals receive exposure to sustainable agriculture and IPM information.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Producers</b>						
<b>Actual</b>	34	33	34			
<b>Target</b>	N/A	N/A	N/A	50	75	100
<b>Agri-Professionals</b>						
<b>Actual</b>	N/A	N/A	32			
<b>Target</b>	N/A	N/A	N/A	100	100	100

#### DEFINITION :

The number of producers is based on the number of farms reported by Minnesota Agriculture Statistics each year. Agri-professionals include extension, Soil and Water Conservation District (SWCD) and Natural Resources Conservation Service (NRCS) staff plus agricultural chemical dealers and independent crop consultants. The percent penetration is based on requests for publications, field day attendance and an estimate of circulation of published news stories appearing in one prominent Minnesota farm publication. This estimate is low due to inability at this time to accurately estimate the circulation of numerous local newspapers and radio stations where sustainable agriculture and IPM information has been published.

#### RATIONALE :

State law directs the Commissioner of Agriculture to publicize sustainable agriculture and IPM practices (M.S. 17.114). The farm press potentially reaches approximately 100% of producers and agri-professionals. By utilizing the existing media, the department will be able to inform all producers about sustainable agriculture and IPM practices. Better methods for estimating market penetration are needed. To fully gauge market penetration, very expensive research would have to be done to precisely determine circulation of all farm publications and local newspapers and radio stations where news releases and articles are published and to avoid double counts. Additional survey work would have to be designed to determine whether news releases and articles were read.

#### DATA SOURCE :

Data is gathered from staff contact logs, mailing lists, grantee progress reports and staff field day reports. Circulation information comes from data supplied by the farm publication.

**DISCUSSION OF PAST PERFORMANCE :**

Market penetration to date has been good. The demand for the department's annual "Greenbook," a compilation of the results of the on-farm demonstrations, has grown steadily over the past 7 years and has been requested from all over the country and the world. In addition, program staff have increased their involvement in livestock production research, whole farm planning and soil quality research and demonstration, involving a broad base of farmers and agri-professionals.

Resources provided by the legislature this biennium for outreach and whole farm planning allowed more intensive public information planning and targeting efforts to broader audiences. Increased funding for demonstration grants stimulated increased interest in the program with a corresponding increase in information generated by grantees for dissemination to the agriculture audience.

**PLAN TO ACHIEVE TARGETS :**

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, especially in the area of whole farm planning, will enhance targeting of diverse audiences in addition to the traditional audience. More formal customer research will identify information needs and preferred delivery mechanisms to more effectively target 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 and overall number of field day events besides MDA's can also affect the success of grantees and attendance at field days.

Additional marketing opportunities (increasing consumer demand) for organic and low input commodities will increase interest in sustainable and organic production practices and information.

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

**Goal 4** : To promote the adoption of sustainable practices, including integrated pest management (IPM), by producers, state land managers and agri-professionals.

**Objective 2** : To accelerate the adoption of sustainable agriculture and IPM practices to 3% of Minnesota producers by 1999.

**Measure 1** : Percent of farmers who initiated and retained sustainable or IPM changes to their farming operations and identify MDA as one source of impetus to change.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	N/A	N/A	N/A			
<b>Target</b>	N/A	N/A	N/A	1	2	3

**DEFINITION :**

The number of producers is based on the number of farms reported by Minnesota Agriculture Statistics each year. The percent of producers who initiate change will be based on those who made sustainable changes during the survey period and who identify contact with this program as one stimulus for that change. The definition of "sustainable" will follow the definition given in statute (17.114 subd. 2a).

**RATIONALE :**

State law directs the Commissioner of Agriculture to promote adoption of sustainable agriculture and IPM practices (M.S. 17.114). The change to more sustainable practices is influenced by many sources and occurs for many reasons. Programs such as the demonstration grant program and the shared savings loan program are intended to provide both financial and technical support incentives to make changes to farming operations. Workshops, field days and farmer forums are other ways to influence change with information and contact with staff and innovative farmers. Surveys of program participants and recipients of information and staff contact will begin to measure program impacts on behavioral changes and retention of those changes over time.

**DATA SOURCE :**

Customer research surveys targeted at recipients of program publications and grant/loan funds, attendees at workshops/field days/forums will be used to gauge behavioral changes as a result of program activities. Surveys over time will measure retention of changes.

**DISCUSSION OF PAST PERFORMANCE :**

The program has funded, and supported with staff technical assistance, 113 demonstration grants and currently has 131 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 and have requested program publications. The program has also held farmer forums on whole farm planning and soil quality as well as cosponsored other workshops and educational events with other groups. Staff have assisted sustainable farming associations with technical and administrative matters.

Based on the scope of program activities, numerous farmers have been stimulated to change farming practices - 113 grant recipients and at least 131 loan recipients plus farmers who witnessed the changes occurring on those farms and were encouraged to make similar changes. The multiplier effect has not been measured. The influence of other program products has not been measured systematically.

**PLAN TO ACHIEVE TARGETS :**

Programs such as the grant and loan programs in combination with outreach activities are essential to accelerating sustainable changes to farming practices. The multiplier effect of farmers seeing or hearing about other farmers who have made successful, transferable changes to their farming operations is very effective at initiating change. The program plans continued emphasis on field days, workshops and information dissemination that showcases success stories and how-to information.

Better customer research to determine information and research needs and preferred methods of providing decision making support will aid the program in delivering appropriate product and programs. To compliment that form of customer research, effort will be directed to measuring and documenting impact of programs on behavioral change in those who are exposed to program activities and products. Customer research will provide an increased awareness of customers' reasons for considering changes or things that would elicit change so that program activities and products can targeted/adapted to meet those criteria.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Numerous factors influence the willingness of farmers to initiate changes in farming practices: commodity prices, weather, financial position, age, government programs and regulations, access to information, environmental awareness, stress. Many of these are beyond program control.

- Goal 5** : To encourage agricultural land stewardship and conservation while balancing agricultural development with environmental protection.
- Objective 1** : To protect 10 million acres of farmland and open space from unnecessary conversion to other uses, and to have one fourth of Minnesota counties integrating livestock farming into local land use plans and ordinances by the year 2000.

**Measure 1** : Acres protected for long-term agricultural use (in million of acres). \*

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	N/A	N/A	8.1			
<b>Target</b>	N/A	N/A	N/A	8.7	9.3	9.9

\* Change in measure from counties assisted to acres.

#### DEFINITION :

The measure, acres protected for long-term agricultural use, is the total of acres planned and zoned for long-term agricultural use in a manner consistent with the planning and zoning element provisions of the Minnesota Agricultural Land Preservation Program statute (M.S. 40A.05) or certified as eligible for metropolitan agricultural preserves pursuant to the Metropolitan Agricultural Preserves statute (M.S. Ch. 473H).

#### 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. Although the number of acres protected by planning and zoning are not always directly attributable to the program, they are the best measure of overall program impact toward the objective. It is impossible to measure the indirect impacts of educational or awareness activities, even though the measure would reflect them. Through the program, the Department of Agriculture coordinates with and supports agricultural land preservation and rural land use policy efforts of the Metropolitan Council, counties, townships, and cities.

#### DATA SOURCE :

Acres eligible for metropolitan agricultural preserves are from data collected by the Metropolitan Council. The measurement of acres planned and zoned for long-term agricultural use is an estimate for the 1996 Annual Performance Report, from telephone survey of counties conducted by the department. The department will develop methods to collect data to enable a more accurate measurement for the 1997 and subsequent reports.



**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 developing and implementing programs.

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 distributed 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." This year, the department published two new handbooks: "Planning for Agricultural Land Preservation in Minnesota: A Handbook for Planning Under Minnesota Statutes, Chapter 40A"; and "Planning And Zoning For Animal Agriculture In Minnesota: A Handbook For Local Government." Ten workshops were held in July and August, 1996, presenting information on the handbook contents to over 300 persons.

The animal agriculture parts of the Rural Land Use Technical Assistance Program have been operating for a year and a half. The planning handbooks mentioned above were released in July, 1996, and workshops were conducted in July and August, 1996. To the department's knowledge, one county has already undergone a planning process which explicitly addressed animal agriculture since the handbooks were distributed.

**PLAN TO ACHIEVE TARGETS :**

In the near-term, planned actions to address factors of performance include continuation and intensification of present technical assistance and awareness efforts using the recently published planning handbooks as primary tools. Planned actions for the 1998 biennium include conduct of additional cost of sprawl studies, evaluation of Minnesota's agricultural land preservation related programs and policies, and a financial assistance program for local rural planning and implementation.

In addition to the planned actions discussed under measure (1), the program plans to conduct regional clinics on land use issues of animal agriculture to provide advice to local governments tailored to local circumstances. A document summarizing land use regulatory approaches being used statewide and nationally is also planned. Plans for additional workshops are being developed.

**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.

Due to a rapidly changing livestock industry and an increasing percentage of the population living in rural settings engaged in nonfarm occupations, conflicts over feedlots have been particularly divisive in some areas of the state. Local government decision makers are sometimes under considerable pressure to react quickly to conflicts, and their situations are not always conducive to thoughtful, deliberate, and proactive problem solving.

- Goal 5** : To encourage agricultural land stewardship and conservation while balancing agricultural development with environmental protection.
- Objective 1** : To protect 10 million acres of farmland and open space from unnecessary conversion to other uses, and to have one fourth of Minnesota counties integrating livestock farming into local land use plans and ordinances by the year 2000.
- Measure 2** : Number of land use plans which explicitly address the siting of livestock facilities.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Actual</b>	N/A	N/A	1			
<b>Target</b>	N/A	N/A	1	5	10	15

**DEFINITION :**

The number of land use plans which explicitly address the siting of livestock facilities will be the result of responses to a survey conducted by the department which asks local government officials (county, township and city) whether their comprehensive plans explicitly address the siting of livestock facilities.

**RATIONALE :**

The survey has not been conducted for F.Y. 1996, but will be conducted in subsequent years. The survey results will provide a direct measure of whether livestock farming has been integrated into local land use plans. Adoption of explicit provisions relating to livestock into local land use ordinances will not be directly measured. This is because such a measure would not inform the department as to whether the purposes of the Rural Land Use Technical Assistance Program are being achieved; namely, planning/regulatory processes that are fair and objective; greater consistency among jurisdictions; and proactive approaches being taken. In contrast, knowledge that land use plans have been adopted which address livestock provides greater assurance that program purposes are being achieved.

**DATA SOURCE :**

Survey of local governments (to be conducted).

**DISCUSSION OF PAST PERFORMANCE :**

See Measure 1.

**PLAN TO ACHIEVE TARGETS :**

See Measure 1.

**OTHER FACTORS AFFECTING PERFORMANCE :**

See Measure 1.

- Goal 6** : To help maintain a vigorous, healthy plant environment while minimizing economic losses from pests.
- Objective 1** : To survey 65 counties and 30,000 acres for plant pests that are a threat to Minnesota crops by F.Y. 1999.
- Measure 1** : Survey for insects, diseases and weeds to provide a basis for control and certification.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Counties Survey</b>						
<b>Actual</b>	63	63	65			
<b>Target</b>	63	63	65	65	65	65
<b>Acres Survey</b>						
<b>Actual</b>	30,000	25,000	25,000			
<b>Target</b>	25,500	25,500	30,000	30,000	30,000	30,000
<b>Field Observations</b>						
<b>Actual</b>	6,000	6,500	6,500			
<b>Target</b>	6,000	6,000	6,500	6,500	6,500	6,500

**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 control applications. Special permits for chemical use are recommended based on the survey information.

**DATA SOURCE :**

Field reports from division survey personnel. The data are actual numerical counts based upon approved sampling procedures.

**DISCUSSION OF PAST PERFORMANCE :**

Turnover of seasonal staff hampered reaching targets. Budget constraints 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.

**Goal 6** : To help maintain a vigorous, healthy plant environment while minimizing economic losses from pests.

**Objective 2** : To research, develop and implement biological (non-chemical) strategies for urban, apple and gypsy moth pests during F.Y. 1998 and F.Y. 1999.

**Measure 1** : Release of biological control agents for pest insects and noxious weed control.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>European Corn Borer Parasites in Sweet Corn Releases (1)</b>						
Actual	1,500,000	2,000,000	1,500,00	0	0	0
Target	N/A	2,000,000	1,500,000	0	0	0
<b>Urban Pests (2)</b>						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	5,000	10,000	15,000
<b>Apple Pests-Releases (2)</b>						
<b>Orchardists</b>						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	18	21	24
<b>Apple Acres</b>						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	40	60	80
<b>Gypsy Moth Parasites-Releases (1)</b>						
Actual	1,000	3,500	4,100	0	0	0
Target	N/A	2,000	3,000	0	0	0
<b>Pupal Parasite Releases (1)</b>						
Actual	1,000	3,500	4,100	0	0	0
Target	N/A	2,000	3,000	0	0	0
<b>Egg Parasite Releases (2)</b>						
Actual	N/A	N/A	N/A			
Target	N/A	N/A	N/A	20,000	50,000	75,000
<b>Musk Thistle Weevils-Redistribution</b>						
Actual	5,000	5,000	14,500			
Target	N/A	8,000	10,000	10,000	10,000	10,000
<b>Purple Loosestrife Beetles</b>						
Actual	6,000	15,000	96,000			
Target	N/A	3,000	100,000	200,000	200,000	200,000

(1) This project ended on June 30, 1996.

(2) This project began on July 1, 1996.

**DEFINITION :**

Number of insect parasites and predators released.

**RATIONALE :**

The screening, introduction and release of biological control agents is the first step in developing biological pest control. Working with apple orchardists and homeowners provides hands-on and educational experiences. Allows for implementation of biological control and reduction or elimination of pesticide use.

**DATA SOURCE :**

MDA reports, inspection field experiments and observational records.

**DISCUSSION OF PAST PERFORMANCE :**

The Minnesota Legislature, as recommended by the LCMR, appropriated funds to MDA for the 1986-87, 1988-89, 1990-91, 1992-93 and 1994-95 bienniums to develop biological, non-chemical strategies for controlling pests. MDA, in cooperation with the University of Minnesota (Department 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.

The successful establishment of biological control agents and evidence of control has been documented in projects involving European corn borer (ECB), gypsy moth, musk thistle, purple loosestrife, and leafy spurge. (The leafy spurge project was conducted principally by the University of Minnesota.) The department has completed developmental activities regarding the ECB and gypsy moth projects (except for egg parasite releases). Accordingly, the projects are being discontinued.

Work continues on projects involving purple loosestrife beetles and musk thistle weevils.

**PLAN TO ACHIEVE TARGETS :**

State, LCMR and private funding together will help integrate biological control efforts; expand communications effort by increasing electronic media, educational brochures, worksheets and displays at grower meetings; and increase the number of on-site implementation programs.

In addition to continuing the purple loosestrife and musk thistle activities, the department initiated efforts in F.Y. 1997 regarding urban pests and apple pests. The urban pest effort will be focused on indoor pests, and will be directed at mites, aphids, mealy bugs, and scales. The apple pest project will be located in orchards and address the following pests: codling moths, leafminer, leafrollers, and aphids.

**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.

Agency : AGRICULTURE DEPT

Program : ADMIN & FINANCIAL ASSISTANCE

**EXPENDITURES AND STAFFING :**

	<u>(\$ in Thousands)</u>	<u>Percent of Department</u>
Total Expenditure	\$18,808	32.34%
From Federal Funds	\$179	
From Special Revenue Funds	\$10,489	
General	\$4,014	
Revolving	\$4,067	
From Gift Funds	\$59	
Number of FTE Staff:	77	15.12%

**GOALS :**

- To develop the state's rural resources by providing affordable financing to farmers and small agribusinesses. (M.S. 41B)
- To preserve the financial strength of the state's investment and meet debt service on general obligation bonds. (M.S. 41B)
- To provide low interest loans for water quality improvement projects through the Agriculture Best Management Practices loan program. (M.S. 17.117)
- To protect water resources through promotion of economically and environmentally balanced management practices for nutrients derived from livestock manure. (No Statutes Cited)

**DESCRIPTION OF SERVICES :**

**AG FINANCE**

The Rural Finance Authority (RFA) objective is accomplished by purchasing participations in farm real estate loans originated with agricultural lenders. The RFA provides 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 program assists eligible borrowers through low interest (3%) funds for a period of up to 10 years, depending on the practice. The maximum loan is \$50,000 to an individual or practice. The borrower applies for the proposed practice by contacting the local SWCD or county office that administers the program and then contacting a local lender to obtain financing.

Staff also administers the Family Farm Security Program (FFSP). The FFSP does not accept new participants. The Family Farm Security Program assisted eligible applicants through making a portion of the interest rate the participant was to pay the lender or seller for the purchase of the farm real estate. The state would pay 4% on the contract or mortgage. This is handled as an interest free loan and is to be paid back. The program also provided a 90% guarantee. The FFSP also certifies and records corporations and partnerships in accordance with the Corporate Farm Law (M.S. 500.24).

At the end of F.Y. 1996, the program had 103 participants of which 65 are still receiving the 4% payment adjustment (Participants net worth less than \$135,000). The interest adjustment account balance according to Administrative Services totals \$5,538,226 as of June 30, 1996. Present loan balance for the 103 participants is \$5,060,681. There is one special assistance account in the amount of \$1,340. The state is receiving \$100 per month dairy assignment to satisfy this debt.

#### **AGRICULTURE NONPOINT SOURCE POLLUTION**

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 accelerates the development and promotion of enhanced feedlot and manure management BMP practices and related nutrient management training.

Staff develops manure best management practices, promotes the BMPs and evaluates the ineffectiveness in controlling ground and surface water impacts. Promotion of feedlot and manure management practices is accomplished through the Minnesota Extension Service and other state and local programs. In addition, manure testing is being evaluated and a laboratory certification program under development to standardize and promote use of manure nutrient analysis.

The program provides for the participation of livestock producers in state policy and program development. The major vehicle for this is the Feedlot and Manure Management Advisory Committee, which the department assists through staff support, in partnership with the Minnesota Pollution Control Agency (MPCA). In addition, customer research is being conducted among livestock producers to identify needs and priorities. The program is also developing a list of needs regarding applied and basic research on animal waste systems and management practices.

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 nonpoint source pollution (NPS) 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 Agriculture Best Management Practices Loan Program (AgBMP) objective is accomplished by allocating funding to counties for the purpose of providing low interest loans to farmers, rural landowners, and agribusinesses.

## BACKGROUND INFORMATION :

MEASURE TYPES: ACTIVITIES (A), EFFICIENCY (E), OUTPUT (O), OUTCOMES (OC),  
OTHER DATA (OD), UNIT COSTS (UC), WORKLOAD (W)

DATA BASED ON: CALENDAR YEAR (CY), FISCAL YEAR (FY), FEDERAL FISCAL YEAR  
(FFY), BIENNIUM YEARS (BY)

<u>Type</u>	<u>Based</u>	<u>Measure</u>	<u>1994-95</u>	<u>1995-96</u>
	FY	Rural Finance Authority		
A	FY	Number of Aggie Bonds Closed	43	23
OD	FY	Dollars of Aggie Bonds Closed	\$5,153,000	\$3,115,000
A	FY	Number of Farm Loans Closed	321	148
OD	FY	Dollars of Farm Loans Closed	\$18,645,000	\$8,621,000
W	FY	Number of Stock Loans Closed	38	31
W	FY	Dollars of Stock Loans Closed	\$236,000	\$269,000
		Energy and Sustainable Agriculture		
W	FY	Outstanding Loan Balance	\$750,350	\$748,098
W	FY	Active Number of Loans	133	131
W	FY	Dollars of Loans Closed	\$304,548	\$296,347
W	FY	Number of Loans Made	33	29
W	FY	Loans Paid in Full	28	28
		Family Farm Security		
W	FY	Number of Participants	128	103
W	FY	Participants/Rec. Interest Adjustments	89	65
W	FY	Participant Early Withdrawals	16	22
W	FY	Outstanding Guarantees (000)	\$7,342	\$5,060
		Agriculture Best Management		
A	FY	Signed Contracts		85
A	FY	Loans Closed		\$18,790.00
A	FY	Funds Disbursed		\$3,745,000
A	FY	Number Counties/Applying for Ag BMP Loan Program Funds	50	68
OD	FY	Amount of Ag BMP Loan Funds Requested	\$32,000,000	\$25,000,000
OD	FY	Amount of Ag BMP Loan Funds Allocated	\$9,540,000	\$10,460,000
OD	FY	Number of Counties with Ag BMP Loan Program Allocations	43	68

## PROGRAM DRIVERS :

## AG FINANCE

Availability of bond proceeds. The Agricultural Improvement, Restructure II, and Livestock Expansion Loan programs were placed on hold in July, 1995 in order to preserve remaining bond authority from the original \$50 million. The programs were reopened in June of 1996 with the \$41 million bond authorization passed by the 1996

Minnesota Legislature. The Aggie Bond program was temporarily closed in May, 1996 when Federal bond allocations were exhausted.

The weather plays a major role in the volume of potential loans. A large crop raises income levels and optimism for the industry. Adverse conditions like frost, flooding, or storm damage brings about more refinancing and restructuring.

Interest rates on bond proceeds. Taxable bond proceeds have a higher interest cost and accordingly the RFA must charge a higher interest rate. Borrowers experience better cash flow coverage when interest rates are two to three percent lower than the bank's loan rate.

Liquidity of agricultural lending institutions. Lending institutions that have high levels of liquidity may retain a real estate loan rather than sell a portion of the loan to the RFA.

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 RFA.

State and federal laws and regulations relating to gasoline and air pollution linking the use or nonuse 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 continuing education of both those who aspire to become full-time farmers and retiring farmers to provide a cost effective intergenerational transfer of farming operations.

#### **AGRICULTURE NONPOINT SOURCE POLLUTION**

Control of Nonpoint 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.

**Clientele Interest/Adoption of Practices.** Agricultural producers and other rural landowners who are potential participants in the Agricultural BMP Loan Program sometimes tend to gravitate to those practices that are more attractive from a financial, regulatory-driven or convenience or labor - saving feature. These practices may or may not coincide with a local government's agriculturally related NPS reduction needs. In order to be most effective, a significant effort is needed at both the state and local levels to target the funds to those practices or geographic areas that will result in the greatest water quality benefits, while also addressing other needs

**Goal 1** : To develop the state's rural resources by providing affordable financing to farmers and small agribusinesses.

**Objective 1** : To direct more than fifty percent (50%) of the RFA loan participations to the Basic Beginning, Seller Assisted, and Agricultural Improvement loan programs on an annual basis.

**Measure 1** : Annual loan participations closed for the Basic Beginning, Seller Assisted, and Agricultural Improvement loan programs as a percent of the total.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Percentage of Loans Closed</b>						
<b>Actual</b>	88%	56%	64%			
<b>Target</b>	>50%	>50%	>50%	>50%	>50%	>50%

**DEFINITION :**

Number of loans closed in the Basic Beginning, Seller Assisted, and Agricultural Improvement Loans expressed as a percent of the total loan participations closed by the Rural Finance Authority each year.

**RATIONALE :**

The legislative intent is to direct a majority of the loan activity to entry level or first time Minnesota farmers. This directive was formalized in the 1996 legislative session. The eligibility is at the same net worth level for the three loan programs (currently at \$230,000) and the maximum loan participation is at \$100,000.

**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 an economic incentive activity currently administering seven loan programs for farmers. In addition to the Basic, Seller Assisted, and Ag. Improvement program, the RFA administers the Aggie Bond, Stock Loan, Livestock Expansion, and Restructure II loan programs. At the end of F.Y. 1996, the RFA had closed \$46 million in total loan participations to more than 1,000 Minnesota farmers. In F.Y. 1995, the RFA closed 321 total loan participations compared to 135 in F.Y. 1994. The primary factor contributing to this was the level of Restructure II loans. One hundred sixteen (116) out of three hundred twenty one (321) farmers receiving loans in F.Y. 1995 were for Restructure II participations. This was in response to adverse weather conditions in 1993 and 1994. Also, interest rates on the RFA participations averaged three percent below prevailing bank rates offering a greater cash flow advantage to borrowers.

Loan activity in the Aggie Bond program in F.Y. 1994 and F.Y. 1995 was \$4.7 and \$5.0 million respectively, serving 42 farmers each year. The RFA closed \$3.1 million loans in F.Y. 1996 serving 32 Minnesota farmers. The decline in F.Y. 1996 was due to limited availability of federal bond funds. The RFA closed 67 Stock Loans in the 1995-96 Biennium.

**PLAN TO ACHIEVE TARGETS :**

Continued marketing of the programs to inform eligible farmers of the availability of these programs. The RFA networks with 360 agriculture lenders, 169 Farm Management Instructors, and attend 10 to 20 conferences and workshops annually to promote the program.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Prevailing interest rates on agricultural real estate loans.

Comparative opportunities for rural young people to enter non-farm businesses.

**Goal 2** : To preserve the financial strength of the state's investment and meet debt service on general obligation bonds.

**Objective 1** : To maintain an annual loan loss reserve greater than one percent of outstanding loan balance on RFA loan participations.

**Measure 1** : To maintain an annual loan loss reserve greater than one percent of outstanding loan balance on RFA loan participations.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Reserve for Loan Loss</b>						
<b>Actual</b>	1.75%	1.11%	1.37%			
<b>Target</b>	>1.00%	>1.00%	>1.00%	>1.00%	>1.00%	>1.00%

**DEFINITION :**

Balance in an administrative reserve for loan loss expressed as a percent of outstanding loan balance.

**RATIONALE :**

Pursuant to administrative policy, amounts collected as administrative charges, amounting to 1/2% of the loan principal outstanding has been designated to a loan loss reserve. The statewide average for loan loss reserve among Minnesota banks is one and one-half percent according to the Minnesota Department of Commerce. The one percent reserve is adequate given the satisfactory level of loan performance and minimum level of delinquencies.

**DATA SOURCE :**

Agency loan files.

**DISCUSSION OF PAST PERFORMANCE :**

The Rural Finance Authority (RFA) has closed over \$46 million in loan participations. Total charges to date to the loan loss reserve equal \$8,313. This represents less than two hundredths of one percent of the total participation loans. The RFA shares the credit risk with a local agricultural lender, and has a pro-rata share of the mortgage. Credit applications are evaluated by participating lenders as well as RFA staff for creditworthiness or ability to perform on a loan. These loan procedures and the borrower funded reserve for loan losses help to preserve the state's investment.

**PLAN TO ACHIEVE TARGETS :**

Continue to review loan applications for borrower liquidity, solvency, profitability and repayment capacity. Underwrite secured credits that show acceptable liquidity, and debt service capacity. Applicants should show positive earnings history and collateral margins that are consistent with permanent rules of the loan programs.

**OTHER FACTORS AFFECTING PERFORMANCE :**

A decline in farm profitability and/or a collapse in farm real estate values would adversely affect the reserve for loan loss. Agricultural lenders that were unable to receive scheduled term debt payments would be authorized to sell mortgaged property to satisfy the outstanding loan balance. Any shortfall in sale proceeds relative to the loan balance would be charged against the loan loss reserve.



**Goal 2** : To preserve the financial strength of the state's investment and meet debt service on general obligation bonds.

**Objective 2** : To maintain loan delinquencies over 90 days at less than one percent per year.

**Measure 1** : Number of noncurrent loans past due 90 days or more.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Non-Current Loans</b>						
<b>Actual</b>	0.1%	0.1%	0.1%			
<b>Target</b>	<1.0%	<1.0%	<1.0%	<1.0%	<1.0%	<1.0%

#### DEFINITION :

Number of noncurrent loans past due 90 days or more expressed as a percent of total loans.

#### RATIONALE :

Level of noncurrent loans is an indicator of loan quality. A level of noncurrent loans below one percent is an acceptable industry standard according to the Minnesota Department of Commerce.

#### DATA SOURCE :

Agency loan files.

#### DISCUSSION OF PAST PERFORMANCE :

Loan delinquencies during the past two years averaged less than 0.1 percent.

#### PLAN TO ACHIEVE TARGETS :

Continue to review loan applications for borrower liquidity, solvency, profitability and repayment capacity. Underwrite secured credits that show acceptable liquidity, and debt service capacity. Applicants should show positive earnings history and collateral margins that are consistent with permanent rules of the loan programs.

#### OTHER FACTORS AFFECTING PERFORMANCE :

A collapse in farm profitability would have a negative impact on ability of producers to meet term debt obligations carried by the Rural Finance Authority. This event would increase loan delinquencies.

- Goal 2** : To preserve the financial strength of the state's investment and meet debt service on general obligation bonds.
- Objective 3** : To maintain an annual asset value in revolving loan accounts equal to or greater than the total general fund appropriation.

**Measure 1** : Asset value of revolving loan accounts compared to the total general fund appropriations.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
(\$1,000,000 = \$1,000)						
<b>Ethanol Loan Program</b>						
Actual	\$2,517	\$2,679	\$3,213			
Target	\$2,475	\$2,475	\$2,825	\$2,825	\$2,825	\$2,825
<b>Stock Loan Program</b>						
Actual	\$0	\$307	\$522			
Target	\$0	\$250	\$450	\$450	\$450	\$450
<b>Sustainable Loan Program</b>						
Actual	\$NA	\$1,088	\$1,077			
Target	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

**DEFINITION :**

Asset value equals cash balance plus principal balance of outstanding loans in good standing.

**RATIONALE :**

The Ethanol Loan Program, Stock Loan Program and the Sustainable Agriculture Loan Program were initially funded from general fund moneys. These are direct loan programs administered by the Agricultural Finance Division. Future loan applications will be funded from cash balances in the revolving loan account capitalized from principal and interest receipts of outstanding loans and investment earnings from cash balances.

**DATA SOURCE :**

Agency loan files.

**DISCUSSION OF PAST PERFORMANCE :**

Asset values of loan programs funded from revolving loan accounts have been maintained at a level greater than the general fund appropriations.

**PLAN TO ACHIEVE TARGETS :**

Continue to review loan applications for borrower liquidity, solvency, profitability and repayment capacity. Underwrite credits that show acceptable levels of capital, liquidity, and debt service capacity. Applicants should show positive earnings history and collateral margins that are consistent permanent rules of the loan programs.

- Goal 2** : To preserve the financial strength of the state's investment and meet debt service on general obligation bonds.
- Objective 3** : To maintain an annual asset value in revolving loan accounts equal to or greater than the total general fund appropriation.
- Measure 1** : Asset value of revolving loan accounts compared to the total general fund appropriations.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
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Actual	\$NA	\$1,088	\$1,077			
Target	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000

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Asset value equals cash balance plus principal balance of outstanding loans in good standing.

**RATIONALE :**

The Ethanol Loan Program, Stock Loan Program and the Sustainable Agriculture Loan Program were initially funded from general fund moneys. These are direct loan programs administered by the Agricultural Finance Division. Future loan applications will be funded from cash balances in the revolving loan account capitalized from principal and interest receipts of outstanding loans and investment earnings from cash balances.

**DATA SOURCE :**

Agency loan files.

**DISCUSSION OF PAST PERFORMANCE :**

Asset values of loan programs funded from revolving loan accounts have been maintained at a level greater than the general fund appropriations.

**PLAN TO ACHIEVE TARGETS :**

Continue to review loan applications for borrower liquidity, solvency, profitability and repayment capacity. Underwrite credits that show acceptable levels of capital, liquidity, and debt service capacity. Applicants should show positive earnings history and collateral margins that are consistent permanent rules of the loan programs.

**OTHER FACTORS AFFECTING PERFORMANCE :**

Excessive charge off on revolving account due to non performing loans. Loan losses are charged against the cash balance in the revolving account. Non performing loans may result from adverse economic conditions experienced by value-added processing plants or mismanagement of a value-added facility.

- Goal 3** : To provide low interest loans for water quality improvement projects through the Agriculture Best Management Practices loan program.
- Objective 1** : To provide low interest loans to agricultural producers, agricultural supply businesses or rural landowners that result in the adoption of 10,000 agricultural BMPs that mitigate or prevent NPS, by the year 2000.
- Measure 1** : The number of practices adopted, percent of allocated funds under binding commitments and average number of days to make payments.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Number/Practices Adopted</b>						
<b>Actual</b>	N/A	N/A	288			
<b>Target</b>	N/A	N/A	300	1,000	700	700
<b>% Allocated Funds Under Binding Commitments</b>						
<b>Actual</b>	N/A	N/A	50%			
<b>Target</b>	N/A	N/A	50%	80%	95%	95%
<b>Average # Days/Make Payment</b>						
<b>Actual</b>	N/A	N/A	5-6 days			
<b>Target</b>	N/A	N/A	5-6 days	5-6 days	5-6 days	5-6 days

**DEFINITION :**

The number of practices adopted is a simple tally of BMPs financed through the program.

**RATIONALE :**

Ideally, good performance measures would include improvements in water quality monitoring results or from projections based on water quality models. Other measures might include reductions in nutrient or sediment loading, again based on monitoring or modeling results. However, these measures are not yet developed to the point of being able to indicate the benefits of this program. Until they are, the best measures available are the actual number of practices installed through the program. Target numbers of practices are also difficult to get accurately until we have more experience with the types and cost of practices founded, repayment schedules, federal funding levels, etc. In addition, when the \$40 million authorized under the program is all loaned to borrowers, approximately by the year 2000, the annual number of practices will drop because the amounts available to make new loans will be limited to amounts on hand from loan repayments. Percent of allocated funds under binding commitments is the amount of money actually tied up by loan agreements, compared to the amount of money allocated to local governments. The average number of days to make a payment refers to the time taken for a local lender to receive a check after submitting a payment request.

While the water quality benefits of BMPs can vary significantly by type of practice, their setting and cost, the measure of number of practices adopted is a tangible, quantifiable measure of the effectiveness and level of effort and undertaken under the program.

**Goal 4** : To protect water resources through promotion of economically and environmentally balanced management practices for nutrients derived from livestock manure.

**Objective 1** : During each year of the biennium, increase the number of livestock manure samples collected and submitted for analysis by farmers to 6,000 samples annually by year 2002.

**Measure 1** : Number of manure tests from Minnesota farmers performed by six selected private laboratories.

	<u>F.Y.1994</u>	<u>F.Y.1995</u>	<u>F.Y.1996</u>	<u>F.Y.1997</u>	<u>F.Y.1998</u>	<u>F.Y.1999</u>
<b>Number of Manure Tests</b>						
<b>Actual</b>	845	1,165	1,340			
<b>Target</b>	N/A	1,000	1,500	2,000	3,000	4,000

#### DEFINITION :

Manure tests are specific analyses offered by commercial laboratories for samples submitted by farmers or consultants to determine the nutrient content of the manure supply prior to application. It is estimated that by the year 2002, 60% of the potential livestock operations will voluntarily submit manure samples every three (3) years for analysis. Approximately, 30,000 farms produce enough manure to warrant testing.

#### RATIONALE :

The lack of confidence in and knowledge of this test leads to improper and usually over application of manure. Farmers who base their livestock manure applications on laboratory test results are able to more efficiently use manure derived nutrients in crop production while minimizing adverse environmental impacts. The testing of manure is a best management practice (BMP).

#### DATA SOURCE :

The six commercial laboratories surveyed annually by MDA staff account for an estimated 75% of the manure tests performed for Minnesota growers. An estimated 20 laboratories conduct business in the state.

#### DISCUSSION OF PAST PERFORMANCE :

Very few livestock producers sampled manure before 1994. Focus in the early '90s on general manure management practices resulted in efforts to promote manure testing and manure BMPs. However, the number of producers submitting samples for analysis still represent a rather small percentage of those who could benefit from this information.

#### PLAN TO ACHIEVE TARGETS :

Promotion of BMPs is ongoing and rules for a manure laboratory certification program will be published in F.Y. 1997. The rules will provide the basis for a sample exchange program designed to standardize analytical procedures and reporting of results. Once growers gain confidence in test results from certified laboratories it is anticipated that a larger percent of producers will routinely test manure as recommended.

**OTHER FACTORS AFFECTING PERFORMANCE :**

A key component to manure testing is the sampling done by the farmer. Failure of farmers to adopt recommended sampling practices and the decision not to collect samples would have major impact on target. A component of the rule is the delivery of a standard sampling procedures. It is anticipated that through standardization and simplification of sampling protocols farmers will be more willing to properly sample, resulting in increase participation.

## APPENDIX

### DAIRY AND FOOD INSPECTION

#### Program Goals:

The combining of the Dairy and Food Inspection Divisions established a uniform goal of providing safe and wholesome dairy and food products but the protection for livestock producers was moved to the new Agricultural Certification Division.

#### Objectives and Measures:

The objectives and measures remained the same for both the dairy and food as they continue to reflect the service and protection the new division offers to it's clientele. Measures have been separated to more clearly define the targets for dairy inspection.

### AG CERTIFICATION

#### Changes from the 1994 Report:

Program description and drivers: Narrative on 1996 report consolidates narratives from the separate divisions and units that now make up the Agricultural Certification Division [Grain Inspection Division; Grain Licensing and Auditing Division; Apiary Inspection unit, Fruit and Vegetable Inspection unit, Seed Potato Certification unit, and Wholesale Produce Dealer Licensing unit from Plant Protection Division; Dairy Trade Practices unit, Livestock Dealer Licensing unit and Livestock Weighing unit from Dairy Inspection Division].

#### Goals:

For Grain Inspection : Changed to reflect different, measurable focus.

For Grain Licensing and Auditing: Reduced the number of goals from three to one to reflect the over all mission of the new division.

For Livestock Dealer Licensing: Changed goal to reflect the over all mission of the new division.

#### Objectives:

For Grain Inspection: Changed to reflect different focus.

For Grain Licensing and Auditing: Objectives reduced from three to one to reflect the over all mission



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of the division.

Measures:

For Grain Inspection: One measure deleted, second measure rewritten.

Laboratory Services:

Laboratory services information has been deleted from the 1996 Performance Report because it is believed that the lab's performance will be reflected in the performance measures of the regulatory divisions.

### AGRONOMY AND PLANT PROTECTION

Changes from the 1994 Report

Program Description and Drivers:

The narrative on the 1996 report consolidates narratives from the former Agronomy Services Division and two (2) program areas of the former Plant Protection Division; the Plant Pest Regulatory Section and the Pest Management Section.

Goals:

Goal statements were added to reflect the purpose of all the activities. Goal statements were prepared according to guidance instructions for the 1996 Annual Performance Report.

Objectives:

Objective statements were developed or modified for each measure to clearly reflect a distinct objective including a time factor and quantitative measure.

Measures:

A long-term agricultural chemical incident measure was replaced by three (3) descriptive measures: An Emergency Agricultural Chemical Incident measure, a Voluntary Cleanup Technical Assistance Program measure, and a Comprehensive Site measure. The compliance rate of non-bulk facilities measure was deleted. The compliance rate of agribusiness facilities were modified and two measures were deleted.

A distinct measure for nitrogen applied per acre, replaced the development of Best Management

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Practices (BMPs). The measure for Gypsy moths was modified to reflect the number of infestations treated annually and the inter-state nursery stock shipments measure was modified to reflect the percentage of shipments inspected with an additional measure added.

### **AGRICULTURAL NONPOINT SOURCE POLLUTION**

A goal, objective and measure were developed for livestock manure management.

### **AGRICULTURAL MARKETING AND DEVELOPMENT**

#### **PROMOTION AND MARKETING**

Objective 3: "To increase annual aquaculture sales to \$10,000,000 by F.Y. 1997." Deleted because of significant changes in the aquaculture industry.

### **AGRICULTURE PLANNING AND DEVELOPMENT**

Objective 1: "To provide information, education or other assistance to producers and agri-professionals on sustainable management practices and technologies." The objective and measure were substantially rewritten, along with the addition of a new objective and measure, to better measure impact of activities.

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." Objective rewritten to be more measurable. Measures replaced more quantifiable indicators.

Objective 3: "To inform and involve producers and agri-businesses in the nonpoint pollution (NPS) planning and implementation efforts of state and federal agencies." This objective was deleted. The expenditure of resources for this activity compared to others does not justify its retention.

### **AGRICULTURE NONPOINT POLLUTION SOURCE**

Goals: The goal: "To assist local governments to accommodate livestock uses of land and facilities within their jurisdiction (chapter 40A)" was eliminated. This goal is addressed elsewhere in the report.

Description of Services: The paragraph describing the technical assistance to local government

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activities on feedlot land use issues was deleted. This activity is described in another section.

Background Information: All new measures or measures previously reported under other program areas. This either reflects new programs or results of reorganization.

Program Drivers: A new driver describing the issue of clientele interest versus program goals was added.

Objectives: Old Objective 2, "To conduct customer research to identify, develop and maintain a list of manure management research and monitoring needs and priorities" was deleted - internal operating data no longer reported. Objective 4 was deleted. Activities in this area are described elsewhere in the report.

Measures: Under Goal 3, Objective 1 a measure was added. None existed in the last report.

### AGRICULTURAL FINANCE

The 1996 Performance Report outlines services offered by the Agricultural Finance Division established by the MDA reorganization in November 1995. This includes the loan programs offered through the Rural Finance Authority (RFA), the Energy and Sustainable Agriculture Loan Program (ESAP), the Agricultural Best Management Loan Program (AgBMP), and the Family Farm Security (FFSP).

#### RURAL FINANCE AUTHORITY (RFA)

New goal: "To preserve the strength of the state's investment and meet debt service on general obligation bonds" was added.

New objectives were added under this goal concerning a loan loss reserve, the level of noncurrent loans, and the asset value of revolving loan accounts.

New measures to each objective were added to evaluate the fiscal soundness of the loan programs.

The goal: "To develop the state's rural resources by providing affordable financing to farmers and small businesses" was redefined.

New objective: "To direct more than fifty percent (50%) of the RFA loan participations to the Basic Beginning, Seller Assisted, and Agricultural Improvement loan programs on an annual basis" was added.

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New measure reflects the 1996 legislative changes to M.S. 41B stating that priority for loans must be given first to basic beginning farmer loans; second, to seller-sponsored loans; and third, to agricultural improvement loans.

Old measure: "Farmers Assisted" is stated under activities in the background information.

New measure represents expected level of loan receipts generated from the current loan balance.

Old objective: "To connect aspiring young farmers with retiring farmers to facilitate farm asset transfers" was deleted. This program was transferred to the Southwest Technical College.