

Agency Purpose

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

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

Core Functions

The Protection Services Program provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products; and inspects grain and fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moth and Japanese beetle.

The Agricultural Marketing and Development Services Program helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. It gives farmers updated information on plant pests during the growing season, helping them determine how and when to take action to protect their crops. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, offering educational programs on risk management, and encouraging value-added activities.

The Ethanol Producer Payment Program was authorized by the 1986 legislature. Currently 13 ethanol plants located throughout Minnesota are eligible to receive producer payments, M.S. 41A.09 contains the formula for producer payments. Each plant submits a quarterly report of gallons of ethanol produced. These reports are independently audited, and payments are made in accordance with statute.

The Administration and Financial Assistance Program provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers financial assistance to producers. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important information on employment and benefits to employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry. The publications provide valuable information on crop conditions, production

At A Glance

Why is agriculture vital to 21st century Minnesota? In addition to providing us with the world's most abundant and wholesome food supply, agriculture remains a cornerstone industry.

- ◆ Agriculture and its related industries account for nearly 15% of all Minnesota jobs
- ◆ 80% of all agricultural jobs are off-farm, in processing, distribution, supply, and service sectors
- ◆ Every ag production job helps create another two jobs in other sectors
- ◆ The dairy sector alone employs more Minnesotans than Northwest Airlines, 3M and Target Corporation combined
- ◆ Exports of farm products bring in more than \$2 billion to the state each year
- ◆ Every dollar in agricultural and food export generates another \$2.5 in economic activities in other economic sectors
- ◆ More than half of the state's total land area is farmland

statistics, and forwards information on Minnesota agriculture to the U.S. Department of Agriculture (USDA). Producers and rural lenders benefit from the Rural Finance Authority loan programs. These loans help beginning farmers get started and they help producers upgrade existing production facilities.

Operations

The department's main office is at 90 West Plato Boulevard, in St. Paul. However, since most of the regulatory and promotion services we provide require face to face contact with our farmers, producers, and consumers, almost half of our staff is scattered throughout the state in the areas they serve. Our inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer we use on our lawns must meet quality standards just as the fertilizer used in production agriculture. The pesticides we use in our homes are regulated just as those used by farmers. Milk is inspected at many points, from the farm to the milk plant to our supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the shoppers in urban shopping malls.

In addition to ensuring the safety and integrity of products, the department helps farmers and agribusinesses market those products in an increasingly competitive global marketplace. The MDA encourages value-added activities and the development of new domestic markets for existing ag products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products. This is done to help keep Minnesota's agricultural community competitive in the world marketplace.

Budget

The MDA budget comes from multiple funds. These funds include General Funds for operations and for ethanol producer payments, dedicated revenue funds, federal funds, and loan funds.

Over half of all funds expended are appropriated from the General Fund. Of this amount, over half is for ethanol producer payments. The balance supports agency program operations.

Our regulatory programs collect various fees that defray the cost of services to the General Fund. These fees are deposited to the General Fund as non-dedicated revenues.

Our dedicated funds (Special Revenue and Ag Fund) provide operational costs for various programs. These funds recover 100% of the cost of services provided.

MDA continues to apply for federal funds that complement our area of programmatic responsibility.

MDA also administers several agricultural loan programs. Funding for these loan programs is provided through a variety of sources that include the user financed bonds.

Contact

For additional policy information, please contact Amy Sobieski at (651) 296-2880 or Paul Strandberg at (651) 284-3706, for more budget details, please contact Steve Ernest at (651) 215-5770.

MDA's web site is www.mda.state.mn.us Our web site contains additional information on each of the divisions in the agency, licensing information, food recalls information, and more.

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	156	154	154	154	308
Forecast Base	156	154	0	0	0
Change		0	(154)	(154)	(308)
% Biennial Change from 2004-05					-100%
General					
Current Appropriation	41,828	40,194	40,194	40,194	80,388
Forecast Base	41,828	40,194	37,511	34,034	71,545
Change		0	(2,683)	(6,160)	(8,843)
% Biennial Change from 2004-05					-12.8%
Remediation					
Current Appropriation	353	353	353	353	706
Forecast Base	353	353	353	353	706
Change		0	0	0	0
% Biennial Change from 2004-05					0%
<u>Expenditures by Fund</u>					
Carry Forward					
Environment & Natural Resource	0	0	28	0	28
Direct Appropriations					
Environment & Natural Resource	58	243	0	0	0
General	39,935	41,409	37,511	34,034	71,545
Remediation	351	355	353	353	706
Statutory Appropriations					
Public Facilities Authority	6,699	671	683	1,321	2,004
Special Revenue	2,751	3,230	3,181	3,240	6,421
Agriculture Fund	18,793	19,632	18,982	19,062	38,044
Federal	2,815	5,296	4,799	4,615	9,414
Remediation	550	4,222	955	500	1,455
Rural Finance Administration	29	130	130	130	260
Miscellaneous Agency	483	102	52	52	104
Gift	64	102	67	61	128
Total	72,528	75,392	66,741	63,368	130,109
<u>Expenditures by Category</u>					
Total Compensation	27,150	29,256	30,110	30,984	61,094
Other Operating Expenses	13,421	20,449	14,572	13,202	27,774
Payments To Individuals	545	833	680	665	1,345
Local Assistance	23,777	23,563	20,206	16,724	36,930
Other Financial Transactions	7,635	1,286	1,168	1,788	2,956
Transfers	0	5	5	5	10
Total	72,528	75,392	66,741	63,368	130,109
<u>Expenditures by Program</u>					
Protection Service	29,608	37,053	32,631	32,117	64,748
Promotion & Marketing	5,342	7,183	6,326	6,193	12,519
Ethanol Producer Payment	22,339	22,051	18,745	15,268	34,013
Admin & Financial Assist	15,239	9,105	9,039	9,790	18,829
Total	72,528	75,392	66,741	63,368	130,109
Full-Time Equivalents (FTE)	422.6	445.2	439.1	434.6	

Program Description

The purpose of the Protection Services Program is to protect the state's citizens and environment by ensuring the quality, integrity, and safety of agricultural and horticultural products that are produced and used in Minnesota.

Budget Activities Included:

- ⇒ Agronomy and Plant Protection
- ⇒ Dairy and Food Inspection
- ⇒ Laboratory Services
- ⇒ Grain and Produce Inspection

AGRICULTURE DEPT
 Program: PROTECTION SERVICE

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	9,864	9,864	9,864	9,864	19,728
Technical Adjustments					
Approved Transfer Between Appr			80	80	160
Forecast Base	9,864	9,864	9,944	9,944	19,888
Remediation					
Current Appropriation	353	353	353	353	706
Forecast Base	353	353	353	353	706
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,551	10,304	9,944	9,944	19,888
Remediation	351	355	353	353	706
Statutory Appropriations					
Special Revenue	8	132	9	9	18
Agriculture Fund	16,859	18,336	17,732	17,758	35,490
Federal	1,852	3,699	3,633	3,548	7,181
Remediation	550	4,222	955	500	1,455
Miscellaneous Agency	433	0	0	0	0
Gift	4	5	5	5	10
Total	29,608	37,053	32,631	32,117	64,748
<u>Expenditures by Category</u>					
Total Compensation	19,218	20,666	21,474	22,215	43,689
Other Operating Expenses	10,275	16,168	11,080	9,897	20,977
Local Assistance	42	37	0	0	0
Other Financial Transactions	73	182	77	5	82
Total	29,608	37,053	32,631	32,117	64,748
<u>Expenditures by Activity</u>					
Agronomy Services	12,081	18,008	13,587	12,877	26,464
Food Inspection	6,899	8,159	8,267	8,373	16,640
Laboratory Services	5,379	5,724	5,616	5,706	11,322
Grain & Produce Inspection	5,249	5,162	5,161	5,161	10,322
Total	29,608	37,053	32,631	32,117	64,748
Full-Time Equivalents (FTE)	304.0	322.8	319.6	317.9	

Activity Description

Agromony and Plant Protection (APP) regulates pesticides, fertilizers, seed, commercial feed, noxious weeds, nursery stock, exotic pests, apiaries, and agricultural export certification. This encourages fair competition, quality assurance for consumers, environmental and human health protection, and quality assurances for plant and grain exports.

Population Served

All citizens of the state, producers, and agricultural industries benefit from APP activities. APP activities directly affect agriculture, and the protection of land and water resources affects all within the state. Also, a significant amount of the regulated activities occur in urban areas. In addition, the division works directly with other states and countries to facilitate global trade through regulatory and export certification programs.

Services Provided

APP has broadly diverse responsibilities in three broad categories:

- ◆ traditional farm input regulation;
- ◆ environmental regulation; and
- ◆ plant and plant pest regulation.

Regulatory strategies in all areas include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions.

The traditional mission of the division has been to ensure that seed, fertilizer, commercial feed, and other farm inputs were properly labeled and met legal criteria. This provided fair competition for the industry and guaranteed product quality for farmers and consumers. This mission is still important, but there is an increasing emphasis on product use and sale in urban areas and all tasks have become increasingly complex. For example, urban lawn and garden fertilizer has come under increasing scrutiny; the threat of Bovine Spongiform Encephalopathy (BSE), or "mad cow" disease requires more complex inspections at feed manufacturing facilities; and Minnesota's urban forests are potentially threatened by Gypsy Moth, Sudden Oak Death (SOD), and Emerald Ash Borers.

The division conducts a variety of fixed facility inspections for pesticides, fertilizers, seed, feed, and plant pests. Products are registered and individuals, companies, nursery stock and export products are certified, licensed or permitted. Education and compliance workshops update and communicate legal requirements or voluntary practices to clientele. Water quality and invasive species are extensively monitored. When necessary the division also directly protects Minnesota natural resources through the control of pests such as gypsy moth. The division also administers remediation and response to agricultural chemical incidents utilizing state superfund or an industry-supported reimbursement program. Additionally, the division facilitates property transfers by the oversight of environmental site assessments.

Historical Perspective

Since the mid 1980s, environmental concerns regarding pesticides and fertilizers have greatly increased. The revision of the Minnesota Pesticide Control Law in 1987 and the passage of the Comprehensive Groundwater Protection Act of 1989 resulted in significant and broad new responsibilities for the division. Programs such as waste pesticide collection, emergency response, superfund, ag chemical cleanup reimbursement, water quality monitoring, and increased applicator licensing and certification of applicators added not only a heavy workload but

Activity at a Glance

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

AGRICULTURE DEPT

Program: PROTECTION SERVICE

Activity: AGRONOMY SERVICES

Narrative

a changed focus to the services provided by the division. These programs also require highly technical and scientifically based regulatory action.

In 1996, regulatory responsibilities for plant protection were transferred to the division. Nursery inspection, plant pest monitoring and management, apiary regulation, and export certification require very different services and technical capabilities. With increased global trade, these programs must address new pests from other parts of the world, high demand for services to expedite the shipment of Minnesota plant products and regulate a rapidly expanding nursery industry. Staff entomologists, plant pathologists, and horticulturalists are increasingly challenged to protect Minnesota's industries and natural resources by monitoring for and combating plant pests such as gypsy moths and kernal bunt, as well as conducting field inspections and certifying the pest-free status of shipments of a wide variety of products for foreign markets.

MDA has been a leader in developing programs that respond effectively to new challenges. Programs such as Agriculture Chemical Response and Reimbursement Account (ACRAA) reimbursement program, waste pesticide collections, ground and surface water monitoring programs, and BSE inspections are nationally recognized for their effectiveness and innovation.

Key Measures

Performance measures used to evaluate effectiveness are:

- ◆ the division will develop real-time electronic data sharing capability by making forms and databases available through the internet to interested parties and regulated clientele.

Contact

For additional information on this activity, please contact Greg Buzicky, Division Director, at (651) 296-5639 or Greg.Buzicky@state.mn.us

Information on programs and staff can be found at the MDA website.

AGRICULTURE DEPT
 Program: PROTECTION SERVICE
 Activity: AGRONOMY SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,484	1,740	1,612	1,612	3,224
Remediation	351	355	353	353	706
Statutory Appropriations					
Special Revenue	8	123	0	0	0
Agriculture Fund	8,673	9,683	9,029	8,957	17,986
Federal	1,011	1,880	1,633	1,450	3,083
Remediation	550	4,222	955	500	1,455
Gift	4	5	5	5	10
Total	12,081	18,008	13,587	12,877	26,464
<u>Expenditures by Category</u>					
Total Compensation	6,816	7,295	7,555	7,849	15,404
Other Operating Expenses	5,155	10,494	5,955	5,023	10,978
Local Assistance	37	37	0	0	0
Other Financial Transactions	73	182	77	5	82
Total	12,081	18,008	13,587	12,877	26,464
Full-Time Equivalent (FTE)	102.6	107.7	106.6	106.3	

Activity Description

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

Population Served

The entire population of Minnesota, as well as visitors, and those outside Minnesota who consume dairy, food and meat products benefit from the service provided by these food protection programs. Minnesota businesses that export food and dairy products benefit from certificates of free sale issued by the Minnesota Department of Agriculture (MDA) as well.

Services Provided

Dairy inspectors routinely inspect and take samples from dairy farms, processing plants, and bulk milk trucks to make sure all milk and dairy products are produced and handled safely. Inspectors also test pasteurizer equipment for proper operation, certify bulk milk hauler-samples, review labels for accuracy, work with farmstead cheese processors, and provide information to dairy farmers and processors to help keep them current with the latest laws and regulations. Milk survey officers check that the dairy industry, milk laboratories, and the Dairy Program comply with the federal Pasteurized Milk Ordinance, allowing Minnesota dairy products to be shipped nationwide.

Food inspectors conduct routine and follow-up inspections at food manufacturing/processing plants, canneries, warehouses, salvage operations, concession stands, and retail food stores. They also conduct regulatory and surveillance food sampling to determine food safety trends and emerging pathogens and conduct inspections under contract with the U.S. Food and Drug Administration (FDA). Inspectors investigate complaints, conduct final inspections of new and remodeled facilities, and work with local health departments to ensure uniform inspection procedures across the state. In addition, they investigate food borne illness outbreaks to determine the cause, remedy the problem, and prevent similar problems in the future. They also work with the industry and the public on food recalls originating in Minnesota or elsewhere and work to verify that recalled products have been removed from sale. The inspectors respond to emergencies such as floods, fires, truck rollovers, and other emergencies to determine if the affected food is safe and wholesome, and to prevent damaged and contaminated goods from reaching the public.

The meat, poultry, and egg inspection section conducts inspections at small and very small meat and poultry processors that manufacture products for wholesale distribution. State inspected meat and poultry products are produced under a cooperative agreement with the United States Department of Agriculture (USDA). This program is referred to as having an "equal to" USDA inspection program. In addition, inspectors provide grading services for eggs packed in the state.

The Compliance Section supports the dairy, food and meat inspection programs in law enforcement and compliance activities. Compliance officers conduct special projects and investigations; work with delegated local health agencies, review plans for newly constructed and remodeled facilities, and train inspectors, industry, and consumers on the latest food safety issues. Many of the projects and training efforts are developed in partnership with the Minnesota Department of Health (MDH), the University of Minnesota (U of M), local health agencies and representatives of the food or dairy industry.

Activity at a Glance

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

Historical Perspective

The food and dairy programs are moving toward a risk-based inspection program, which allocates scarce resources to facilities that have a higher risk or potential of causing food borne illness. While ordinary operations still have oversight, more complex, high-risk operations (processing or preparing foods often involved in food borne outbreaks) receive more frequent inspections and, in many cases, assistance in developing and following Hazard Analysis Critical Control Point (HACCP) plans to address problems before they occur. Further, cross training among inspection groups develops a more efficient inspection program.

Dairy, food, and meat inspection has become a more complicated and expensive business. A food and dairy industry that is becoming more mechanized and computerized with more complex, engineered foods requires well-equipped, highly trained overseers. A global food supply with challenging import and export standards, lower detection limits for contaminants, and new concerns about antibiotics, pesticide residues and emerging pathogens makes a close working relationship with a state-of-the-art laboratory essential. Efficient inspection programs demand the best computer and information technology. Electronic inspections, access to summary data from anywhere in the state, and prompt electronic analysis of data are vital components of an effective program in the electronic age.

Finally, food biosecurity and terrorism vulnerabilities have added an entire new consideration for increased security, planning, and emergency response in case of a terrorist attack on our food supply. Food, meat, and dairy businesses, especially medium-sized and small businesses that don't have the resources themselves, look to the department for guidance in preparing for and responding to such events.

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ Total number of inspections completed versus total number of inspections required by risk category (high, medium, and low risk of causing foodborne illness.)
- ⇒ Total number of dairy and food samples collected and average number of tests done on each sample.
- ⇒ Number of partnerships, agreements, and grants initiated or continued to leverage resources.

Contact

For additional information on this activity, please contact Kevin Elfering, Division Director, at (651) 297-7453 or Kevin.Elfering@state.mn.us.

Additional information about dairy and food inspection activities are also available on the MDA's website and the Dairy and Food Inspection Information/Complaint desk at (651) 296-1592.

AGRICULTURE DEPT
 Program: PROTECTION SERVICE
 Activity: FOOD INSPECTION

Budget Activity Summary

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,349	5,469	5,423	5,423	10,846
Statutory Appropriations					
Special Revenue	0	9	9	9	18
Agriculture Fund	1,361	1,926	2,053	2,149	4,202
Federal	189	755	782	792	1,574
Total	6,899	8,159	8,267	8,373	16,640
<u>Expenditures by Category</u>					
Total Compensation	5,466	5,983	6,230	6,439	12,669
Other Operating Expenses	1,428	2,176	2,037	1,934	3,971
Local Assistance	5	0	0	0	0
Total	6,899	8,159	8,267	8,373	16,640
Full-Time Equivalents (FTE)	82.0	90.9	89.2	88.5	

Activity Description

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

Population Served

The laboratory protects all Minnesota citizens and those who use Minnesota agriculture or agricultural products by working to ensure a safe, secure food supply and protecting the environment from misuse of agricultural chemicals. Through partnerships, we serve the entire nation as we work with other states and federal agencies to identify and address problems of national concern and work to ensure the wholesomeness of Minnesota’s food exports.

Services Provided

Laboratory Services performs chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain. These tests support inspection and enforcement activities of the Minnesota Department of Agriculture’s (MDA’s) regulatory divisions. We also determine product quality and conformance to state and federal laws and regulations, and provide evidence in legal proceedings against violators.

The activity provides routine analyses to ensure that products meet legally mandated quality standards (such as analyzing a fertilizer to see if it is contaminated by heavy metals) and provides for forensic analysis to identify unknown agents in a suspect product. Our lab’s special analytical testing also gives the department rapid and accurate data to manage environmental and food-borne crises, such as E. coli contaminated ground beef and pesticide residues in produce. The Lab develops and maintains new analytical capabilities as problems or questions arise within the feed, food, and agrochemical industry. We also consult on analytical issues with inspectors, managers, private analytical laboratories, and regulated industries.

In addition to our services to MDA’s regulatory programs, the Lab provides analyses for the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and other federal and state agencies. It also administers a laboratory certification program for private and commercial testing laboratories as required by law.

Historical Perspective

Laboratory Services has served Minnesotans since 1887. The lab’s first duty was to oversee our state’s dairy industry. Over the years our services have grown to include seed quality analysis and more complicated analytical services such as microbiological, chemical, and plant analysis of seed, feed, food, and dairy products. The 1989 groundwater protection legislation created a special need to expand the lab’s analytical capabilities and technology to include testing for a wide variety of pesticides and other agricultural chemicals. In 1995, the MDA provided the state opportunity to integrate the Minnesota Department of Natural Resources (DNR) analytical services into MDA’s operations. This allowed the DNR to close two laboratories while still having access to the quality data required for decision-making. In 1999, the closure of the FDA Minneapolis lab led to the co-location of federal FDA staff with MDA staff, bringing additional expertise and partnerships to the laboratory. The newly funded lab facilities, co-located with the Minnesota Health Department’s (MDH) laboratory, will help expand this unique partnership and give Minnesota the capacity to better address emerging food security concerns.

Activity at a Glance

The Laboratory Services Division is structured to provide diverse analytical services to help ensure food safety/security while protecting the agriculture industry and our environment.

Laboratory Structure:

Biological Analyses

- ◆ Microbiology
- ◆ Plant Pathology/Seed

Chemical and Toxicological Analyses

- ◆ Environmental Chemistry
- ◆ Toxicology and Chemistry

AGRICULTURE DEPT

Program: PROTECTION SERVICE

Activity: LABORATORY SERVICES

Narrative

The laboratory will face growing pressures and challenges to address the significant changes occurring in analytical technology, laboratory information systems, ISO accreditation requirements, and laboratory safety and security concerns. In 2004 the laboratory entered into a unique partnership with the University of Minnesota supporting their role as a Department of Homeland Security Center of Excellence for the protection and defense of the nation's food supply. The Laboratory Services will bring applied science validation of new technologies developed by the Center and ensure they are integrated into the National Food Emergency Response Network (FERN).

Key Measures

Performance measures used to evaluate effectiveness are:

- ◆ provide end users ready access to laboratory data through the new Laboratory Information Management system, so that analysts, decision makers, and interested individuals get the information they need.
- ◆ percent of required real time Analytical Quality Control available to analysts in the laboratory.
- ◆ minimize effort and resources when identifying analytical methods and trends in food safety and security through participation in the E-LexNet data and method indexes.
- ◆ percent of defined priority food safety and security agents reported to the new federal E-LexNet system.

Contact

For additional information on this activity, please contact William Krueger, Division Director, at (651) 296-1572 or William.Krueger@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICE
Activity: LABORATORY SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,313	2,686	2,501	2,501	5,002
Statutory Appropriations					
Agriculture Fund	1,981	1,974	1,897	1,899	3,796
Federal	652	1,064	1,218	1,306	2,524
Miscellaneous Agency	433	0	0	0	0
Total	5,379	5,724	5,616	5,706	11,322
<u>Expenditures by Category</u>					
Total Compensation	2,973	3,200	3,379	3,476	6,855
Other Operating Expenses	2,406	2,524	2,237	2,230	4,467
Total	5,379	5,724	5,616	5,706	11,322
Full-Time Equivalents (FTE)	47.5	51.0	50.6	49.6	

Activity Description

The Grain and Produce activity has three program areas:

- ◆ Grain inspections and sampling analysis;
- ◆ Fruit and Vegetable inspections services; and
- ◆ Certified Seed Potato inspection services.

The inspection services provided are a combination of voluntary and mandatory activities to ensure fair marketing and appropriate end use of the product. This facilitates fair pricing of healthy produce and grain products. It also is used by clients to determine conformance with contract specifications of quantity and quality, which promotes fair trade practices.

Population Served

Grain Inspection:

- ◆ consumers around the world;
- ◆ elevators;
- ◆ exporters;
- ◆ processors;
- ◆ livestock feeders and grain farmers; and
- ◆ trading firms and those involved in the grain trade and transportation industry throughout the U.S. and worldwide.

Fruit and Vegetable Inspection:

- ◆ consumers;
- ◆ produce brokers;
- ◆ wholesalers;
- ◆ processors;
- ◆ retailers; and
- ◆ exporters.

Certified Seed Potato Inspection:

- ◆ seed potato growers;
- ◆ processors and wholesalers of any kind, whether in or out of the state;
- ◆ consumers; and
- ◆ potato producers.

Services Provided

The Grain Inspection program provides neutral, accurate, repeatable, rapid quantity, and quality determinations on grains. This service is provided under agreements with the U.S. Department of Agriculture's (USDA) Federal Grain Inspection Service. Services facilitate the marketing, storage and use of grain as well as promoting fair and competitive trade. Providing consistent professional weighing, sampling, testing, and grading services allows voluntary domestic and mandatory export customers the ability to trade with certainty of grain quality and quantity.

The Fruit and Vegetable program provides an unbiased third-party determination of the quality and quantity of produce, ensuring that both are fairly reflected in the price to consumers. It allows shippers and receivers to operate in a fair market, with commodities that further ripen during shipment. Inspections are made wholesale and delivery points, at the producer's sites for shipping point, and at the processing plants to determine market value and end use potential.

Activity at a Glance

Grain Inspection:

- ◆ More than 105,000 official inspections in FY 2003. (This does not count grain presented for submitted tests, commercial inspections, or other tests.)

Produce Inspection:

- ◆ Staff are licensed to inspect 85 different fruits and vegetables
- ◆ 42 million pounds of produce inspected in FY 2004

Minnesota Certified Seed Potato:

- ◆ 10,500 acres enrolled in program in 2004 with an estimated value of seed crops up to \$20 million
- ◆ 43 million pounds of certified seed potatoes given shipping point inspections

AGRICULTURE DEPT

Program: PROTECTION SERVICE

Activity: GRAIN & PRODUCE INSPECTION

Narrative

The Certified Seed Potato program is responsible for marketing, inspecting, and testing seed potato lots to determine compliance with disease tolerance levels, freedom from certain diseases, and varietal purity of 75 different varieties of potatoes. It also increases market share by promoting the quality of the Minnesota Seed Potatoes.

Historical Perspective

Grain inspection revenue fluctuates with the level of commodity exports. The table below reflects Minnesota exports for the past three crop years.

Commodity	1999 Million Dollars	2000 Million Dollars	2001 Million Dollars
Feed Grains & Products	689.6	628.2	552.0
Soybeans & Products	681.4	727.6	724.8
Wheat & Products	64.5	84.3	175.5

Adding to the volatility of the program is the increasing demand for services in sampling and inspecting rail car shuttle trains with a 12-15 hour completion requirement.

Seed Potato acreage enrolled in the Certified Seed Potato Program has fluctuated over the last five years. Acreage enrolled has gone from a high of 14,712 acres in 1998, to a low of only 9,030 acres in 2001. Current acreage is 10,500 acres.

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ Fruit and Vegetable Inspection provides inspection services within six hours of request or on-line as requested at processing facilities.
- ⇒ Grain Inspection provides services within six hours of customer request.

Contact

For additional information on this activity, please contact Jim Boerboom, Assistant Commissioner, at (651) 297-3395 or Jim.Boerboom@state.mn.us

AGRICULTURE DEPT
Program: PROTECTION SERVICE
Activity: GRAIN & PRODUCE INSPECTION

Budget Activity Summary

Dollars in Thousands

	Current		Forecast Base		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	405	409	408	408	816
Statutory Appropriations					
Agriculture Fund	4,844	4,753	4,753	4,753	9,506
Total	5,249	5,162	5,161	5,161	10,322
<u>Expenditures by Category</u>					
Total Compensation	3,963	4,188	4,310	4,451	8,761
Other Operating Expenses	1,286	974	851	710	1,561
Total	5,249	5,162	5,161	5,161	10,322
Full-Time Equivalents (FTE)	71.9	73.2	73.2	73.5	

Program Description

The purpose of the Ag Marketing and Development Program is to bolster our agricultural sector's economic and environmental health by providing quality marketing services, technical resources, and economic stimulus.

Budget Activities Included:

- ⇒ Ag Marketing Services
- ⇒ Resources Management and Development

AGRICULTURE DEPT

Program: PROMOTION & MARKETING

Program Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	156	154	154	154	308
Technical Adjustments					
One-time Appropriations			(154)	(154)	(308)
Forecast Base	156	154	0	0	0
General					
Current Appropriation	4,177	4,177	4,177	4,177	8,354
Technical Adjustments					
Approved Transfer Between Appr			(80)	(80)	(160)
Forecast Base	4,177	4,177	4,097	4,097	8,194
<u>Expenditures by Fund</u>					
Carry Forward					
Environment & Natural Resource	0	0	28	0	28
Direct Appropriations					
Environment & Natural Resource	58	243	0	0	0
General	3,425	4,178	4,097	4,097	8,194
Statutory Appropriations					
Special Revenue	165	280	259	259	518
Agriculture Fund	1,166	1,276	1,205	1,205	2,410
Federal	448	1,046	625	526	1,151
Miscellaneous Agency	50	100	50	50	100
Gift	30	60	62	56	118
Total	5,342	7,183	6,326	6,193	12,519
<u>Expenditures by Category</u>					
Total Compensation	3,584	4,139	4,173	4,226	8,399
Other Operating Expenses	1,610	2,555	1,880	1,714	3,594
Payments To Individuals	0	283	130	115	245
Local Assistance	98	106	93	88	181
Other Financial Transactions	50	100	50	50	100
Total	5,342	7,183	6,326	6,193	12,519
<u>Expenditures by Activity</u>					
Ag Marketing Services	2,843	3,313	3,166	3,160	6,326
Ag Resources Mgmt & Dev	2,499	3,870	3,160	3,033	6,193
Total	5,342	7,183	6,326	6,193	12,519
Full-Time Equivalent (FTE)	58.0	60.9	60.5	59.0	

Activity Description

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

Population Served

AMS serves grain, livestock, vegetable, fruit, poultry, dairy producers, agri-businesses, manufacturers, processors, distributors, retailers, and exporters by protecting and promoting Minnesota agriculture. Consumers and end users benefit from the introduction and promotion of high quality fresh Minnesota agricultural products.

Services Provided

AMS helps diversify agriculture in Minnesota by promoting:

- ◆ Minnesota-Certified and Identity-Preserved Products, so producers can maximize their profits by differentiating what they produce with ISO certification mechanisms where producers agree on an external set of principles.
- ◆ Oversees market development with the collaborative efforts of United States Department of Agriculture (USDA) and other state and regional trading groups that promote both branded and generic activities at international trade exhibitions.
- ◆ Bio-science development by providing assistance to Minnesota stakeholders on bio-processing/bio-manufacturing projects. AMS is partnering with the University of Minnesota and Department of Employment and Economic Development on bio-energy initiatives.
- ◆ Minnesota agricultural products in international markets and establishing, through research and direct contact, relationships with possible product end users in global markets.
- ◆ Risk Management, so producers can protect themselves from market swings.
- ◆ Dairy and Livestock development, so the state can maintain productivity in animal agriculture and maintain a diverse agricultural economy.
- ◆ Renewable fuel production and use, so Minnesota grain can help reduce air pollution and dependence on imported fossil fuels.
- ◆ Farmers markets, so producers can maximize their profits in the sale of fresh farm produce.
- ◆ Minnesota-Grown labeled products, so consumers can more easily identify and buy Minnesota Grown produce and products.

AMS protects producers by licensing, bonding, inspecting, and auditing:

- ◆ grain buyers and grain storage elevators;
- ◆ livestock dealers, markets and agents; and
- ◆ wholesale produce dealers.

AMS helps commodity growers by overseeing the operations of the state's 12 commodity promotion and research councils.

Activity at a Glance

This activity:

- ◆ Helps producers and agribusinesses add value to agricultural products by facilitating and capitalizing on marketing opportunities.
- ◆ Improves the global reach of Minnesota agricultural products by researching international markets and establishing contacts with end users in those markets.
- ◆ Protects producers of agricultural products by licensing, bonding, and auditing of persons and companies that buy grain, livestock and wholesale produce; and accurately weighing of livestock.
- ◆ In F.Y. 2004, Agricultural Marketing Services received 291 visitors from 36 countries at 48 events.

Historical Perspective

As farmers' productivity has outpaced Minnesota's population needs, the need for stronger efforts to add value and effectively market Minnesota's agricultural products has also increased. The globalization and consolidation of agriculture means that family farmers and local agri-businesses need help to sell their quality products locally, nationally, and internationally, and prosper in a changing economy. AMS helps Minnesota consumers and producers connect locally through the Minnesota Grown program and connect Minnesota producers and agri-businesses with the world through the increased export of high value food and agricultural products. Licensing, bonding, and auditing programs are more important than ever when sellers and buyers are no longer neighbors but strangers. Producers in a changing landscape receive education on their rights under Minnesota and federal law, and Minnesota Certified Farm Risk Management Consultants help producers make fully informed business decisions. AMS was given the responsibility to promote Minnesota agricultural products in global markets.

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ Ensure the orderly marketing of agricultural products through the licensing, bonding, and auditing of grain elevators, grain buyers, wholesale produce dealers, and livestock dealers.
- ⇒ New or expanding domestic and international markets are identified, analyzed, and developed.

Contact

For additional information on this activity, please contact Kurt Markham, Division Director, at (651) 296-6382 or Kurt.Markham@state.mn.us

AGRICULTURE DEPT
Program: PROMOTION & MARKETING
Activity: AG MARKETING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,414	1,499	1,465	1,465	2,930
Statutory Appropriations					
Special Revenue	124	235	235	235	470
Agriculture Fund	1,166	1,276	1,205	1,205	2,410
Federal	66	175	175	175	350
Miscellaneous Agency	50	100	50	50	100
Gift	23	28	36	30	66
Total	2,843	3,313	3,166	3,160	6,326
<u>Expenditures by Category</u>					
Total Compensation	1,902	2,001	1,932	1,961	3,893
Other Operating Expenses	832	1,116	1,096	1,066	2,162
Local Assistance	59	96	88	83	171
Other Financial Transactions	50	100	50	50	100
Total	2,843	3,313	3,166	3,160	6,326
Full-Time Equivalents (FTE)	30.2	29.4	27.9	27.1	

Activity Description

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

Population Served

This activity serves producers and agricultural professionals, processors, suppliers, and the general public. We partner with researchers, producer organizations, local governments and state, local and federal environmental protection and conservation agencies to jointly address issues or opportunities.

Services Provided

Services include the following:

- ⇒ Inform and involve producers and stakeholders in environmental policy and program development, such as Total Maximum Daily Loads (TMDL), drainage and feedlots.
- ⇒ Organize research and development partnerships with producers, researchers and others to address environmental protection, overcome production barriers and create opportunities.
- ⇒ Provide Agriculture Best Management Practices and Sustainable Ag Loans to producers that make investments to enhance environmental performance.
- ⇒ Sponsor on-farm research and pilot projects to evaluate practices and transfer information and technology.
- ⇒ Survey for agronomic pests and provide integrated pest management (IPM) and bio-control strategies.
- ⇒ Assist local governments and producers with rural planning and land management.
- ⇒ Provide information to producers on profitable diversification options, such as small scale livestock production and niche markets.
- ⇒ Provide information, training and financial assistance to organic growers and processors.
- ⇒ Coordinate a statewide approach to promote and use integrated pest management in agronomic and horticultural crops.

Activity at a Glance

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

Historical Perspective

The Resources Management and Development division administers or supports several state laws that affect resources management and development:

- ◆ Development of agricultural industries and cooperation with the University of Minnesota;
- ◆ Environmental Policy Act (environmental review);
- ◆ Agricultural Land Preservation and Conservation;
- ◆ Sustainable Agriculture and Integrated Pest Management (including biological control);
- ◆ Agricultural Diversification;
- ◆ Sustainable Agriculture Loans;
- ◆ Agricultural Best Management Practices (BMP) Loans; and
- ◆ Organic Production and Certification.

Some trends affecting the division's clientele and mission include:

- ◆ impact of federal and state implementation of the Clean Water and Safe Drinking Water Acts on farming operations;
- ◆ rapidly growing producer interest and consumer demand for organic, natural, and eco-labeled food products;
- ◆ demand from small and medium-sized producers for diversification options which help them manage enterprise risk and access growing specialty markets;
- ◆ impact of TMDLs on agricultural profitability (i.e. working lands) and economic growth;
- ◆ emergence of potential opportunities for producers in environmental credit trading, such as carbon and water quality credits;
- ◆ rising consumer expectations about environmental and food quality;
- ◆ increase in international commerce results in cost competitiveness, and emergence of significant new economically destructive pests, such as soybean aphid and rust; and
- ◆ increasing opportunities to address state resources issues, such as TMDLs, with increased funding through federal farm conservation programs.

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ Limited growers' losses to \$80 million in 2003 while preventing \$270 million in losses or expenses by use of the soybean aphid infestation data. Surveyed agronomic crops and provided real time pest data to growers, advisors and the University of Minnesota scientists.
- ⇒ Provided \$8 million annually in Ag BMP Loans that protect water quality while keeping producers economically viable, such as feedlot upgrades, conservation tillage, or structural erosion control.
- ⇒ Informed over 400 farmers, technical advisors, and others of emerging practices or technologies that would protect water quality (co-sponsored Watershed Hero's Conferences in 2002 and 2003).
- ⇒ Commissioned the Biological Control Quarantine Facility, which provides scientists a research facility to accelerate biological control efforts on plants pests.
- ⇒ Trained approximately 200 agricultural support staff on organic practices and certification standards, and implemented nine research projects to demonstrate and evaluate organic production practices. Assisted 42 processors and 186 producers with certification costs.
- ⇒ Initiated a cooperative effort with Minnesota Pollution Control Agency to inform producers and their advisors of TMDLs and the TMDL process. Staffed TMDL information booths at 13 statewide meetings of agricultural organizations.
- ⇒ Collaborated with commodity groups and the U of M in evaluating and demonstrating innovations to agricultural drainage systems that improve environmental performance while conserving subsurface water for growing crops.
- ⇒ Provided agronomic, fruit, and vegetable crop pest and IPM information during the growing season to over 1,200 producers and growers, crop consultants, scientists, industry representatives and processors through electronic and paper publications. Collaborate with agencies and scientists to provide over 350 land managers with weed IPM information.

Contact

For information regarding the division's overall mission and programs, agricultural resource issues, please contact Gerald F. Heil, Division Director at (651) 296-1486 or Gerald.Heil@state.mn.us

For information regarding Ag BMP loans, environmental review, agricultural land preservation, and animal agricultural issues, please contact Paul Burns, Assistant Director at (651) 296-1488 or Paul.Burns@state.mn.us

For information regarding sustainable agriculture, integrated pest management, pest surveys and organic programs, please contact Mary Hanks, supervisor, Sustainable Agriculture, IPM, and Biological Control at (651) 296-1277 or Mary.Hanks@state.mn.us

Division Website: www.mda.state.mn.us/agdev

AGRICULTURE DEPT

Program: PROMOTION & MARKETING

Activity: AG RESOURCES MGMT & DEV

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Carry Forward					
Environment & Natural Resource	0	0	28	0	28
Direct Appropriations					
Environment & Natural Resource	58	243	0	0	0
General	2,011	2,679	2,632	2,632	5,264
Statutory Appropriations					
Special Revenue	41	45	24	24	48
Federal	382	871	450	351	801
Gift	7	32	26	26	52
Total	2,499	3,870	3,160	3,033	6,193
<u>Expenditures by Category</u>					
Total Compensation	1,682	2,138	2,241	2,265	4,506
Other Operating Expenses	778	1,439	784	648	1,432
Payments To Individuals	0	283	130	115	245
Local Assistance	39	10	5	5	10
Total	2,499	3,870	3,160	3,033	6,193
Full-Time Equivalent (FTE)	27.8	31.5	32.6	31.9	

Program Description

The Minnesota Department of Agriculture (MDA) makes Ethanol Development Payments to Minnesota ethanol producers based on a formula found in M.S. 41A.09.

Population Served

Currently 13 ethanol plants located throughout Minnesota are eligible to receive producer payments.

One plant no longer receives payments, and two more have their payments limited due to reaching the 10-year limitation on part of their production.

Services Provided

Each plant submits a quarterly report of gallons of ethanol produced to the MDA. These reports are independently audited, and payments are made in accordance with the statute. Payments are made November 15, February 15, May 15, and August 15.

Historical Perspective

This program was authorized by the state legislature in 1986. Each plant enrolled in the program is eligible for payment based on gallons of ethanol produced up to a maximum amount of \$3 million for each of the ten years they may participate in the program. The program expires June 30, 2010.

Key Measures

Key measures for this program are specified in M.S. 41A.09, which provides for an annual production of ethanol from Minnesota plants of at least 480 million gallons by 2008. Current annual production capacity is in excess of 400 million gallons.

⇒ MDA reviews audited claims and makes payments to producers eligible for payment under M.S. 41A.09.

Program Funding

Sources of funds for this program are:

Funds:

	FY 2002	FY 2003	Biennium
General Fund	100%	100%	100%
Total	100%	100%	100%

Expenditures by Category by Fund:

	Salaries	Operating	Pass Thru
General Fund	0%	0%	100%
Total	0%	0%	100%

Contact

For additional information on this activity, please contact Alan Dupay at (651) 296-1686 or Alan.Dupay@state.mn.us

Program at a Glance

Ethanol plants in Minnesota receiving producer payments:

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

AGRICULTURE DEPT

Program: ETHANOL PRODUCER PAYMENT

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	22,962	21,428	21,428	21,428	42,856
Technical Adjustments					
Forecast Open Appr Adjustments			(2,683)	(6,160)	(8,843)
Forecast Base	22,962	21,428	18,745	15,268	34,013
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	22,339	22,051	18,745	15,268	34,013
Total	22,339	22,051	18,745	15,268	34,013
<u>Expenditures by Category</u>					
Local Assistance	22,339	22,051	18,745	15,268	34,013
Total	22,339	22,051	18,745	15,268	34,013
<u>Expenditures by Activity</u>					
Ethanol Producer Payment	22,339	22,051	18,745	15,268	34,013
Total	22,339	22,051	18,745	15,268	34,013

Program Description

The purpose of the Administration and Financial Assistance Program is to provide leadership and direction to the functions of the agency, and to provide Minnesota agriculture with financial assistance.

Budget Activities Included:

- ⇒ Grants and Claims
- ⇒ Rural Financing
- ⇒ Administrative Services

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Program Summary

Dollars in Thousands

	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	4,825	4,725	4,725	4,725	9,450
Forecast Base	4,825	4,725	4,725	4,725	9,450
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,620	4,876	4,725	4,725	9,450
Statutory Appropriations					
Public Facilities Authority	6,699	671	683	1,321	2,004
Special Revenue	2,578	2,818	2,913	2,972	5,885
Agriculture Fund	768	20	45	99	144
Federal	515	551	541	541	1,082
Rural Finance Administration	29	130	130	130	260
Miscellaneous Agency	0	2	2	2	4
Gift	30	37	0	0	0
Total	15,239	9,105	9,039	9,790	18,829
<u>Expenditures by Category</u>					
Total Compensation	4,348	4,451	4,463	4,543	9,006
Other Operating Expenses	1,536	1,726	1,612	1,591	3,203
Payments To Individuals	545	550	550	550	1,100
Local Assistance	1,298	1,369	1,368	1,368	2,736
Other Financial Transactions	7,512	1,004	1,041	1,733	2,774
Transfers	0	5	5	5	10
Total	15,239	9,105	9,039	9,790	18,829
<u>Expenditures by Activity</u>					
Grants & Claims	1,655	1,713	1,647	1,647	3,294
Rural Financing	7,913	1,416	1,453	2,145	3,598
Administrative Services	5,671	5,976	5,939	5,998	11,937
Total	15,239	9,105	9,039	9,790	18,829
Full-Time Equivalents (FTE)	60.6	61.5	59.0	57.7	

Activity Description

Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis due to a natural disaster or financial problems. Farm Advocates understand the needs of agricultural families. They are trained and experienced to deal with agricultural lending practices, mediation, lender negotiation, farm programs, crisis counseling and disaster programs, and to recognize the need for legal and social services.

Farmers' Market Nutrition Programs (FMNP) promote farmers' markets and improve the diets of low-income children, pregnant women, and seniors. The program aims to increase direct sales of locally grown produce and encourage consumption of fresh produce among low-income and nutritionally at-risk people.

The Dairy Development Profitability and Enhancement program is a grant program to assist dairy producers in the enhancement of their operations. This is accomplished through grants to dairy producers across the state in collaboration with local representatives of the University of Minnesota (U of M), Minnesota State Colleges and Universities (MnSCU), and industry. There are currently seven regional teams involved in assisting producers including Sustainable Farming Association.

Population Served

Farm Advocates assist farmers who are entering negotiations with a lender, liquidating assets of the farming operation, seeking financial assistance, and/or are receiving an adverse decision from a state or federal agency.

Farmers' Market Nutrition Program helps program vendors (farmers who sell at local farmers' markets) and program recipients (low-income, nutritionally at-risk pregnant or post partum women, children under the age of five, and low-income seniors).

Dairy Development Profitability and Enhancement program provides assistance to dairy producers of Minnesota who wish to improve their management skills and their operations through a grant program funding local teams. Local teams are composed of U of M Extension and MnSCU employees as well as local veterinarians, feed nutritionists and financial lenders. Through this cooperative effort producers have been able to eliminate bottlenecks on their operations and accomplish business and family goals.

Services Provided

Key farm advocate services include: financial planning; lender negotiations; farm program advice; referrals for legal services; and referrals for Social and Human Services.

FMNP issues checks to FMNP-WIC recipients through the local WIC (Women, Infant and Children) agencies that can only be redeemed at authorized farmers' markets for locally grown, fresh, unprocessed fruits and vegetables. Seniors receive checks from the agencies that distribute NAPS (Nutrition Assistance Program for Seniors) commodities. The department authorizes markets and vendors to accept the checks and investigates to ensure that vendors comply with program requirements and redeem checks only for eligible items.

The Dairy Development Profitability and Enhancement program has two facets: Dairy Enhancement Team Grants and Dairy Business Planning Grants.

Activity at a Glance

Farm Advocates Program

- ◆ Offer one-on-one assistance to farmers
- ◆ Offer expertise and referral services to farmers facing adversity due to a natural disaster or financial programs.
- ◆ Assisted 366 families in FY 2002

Farmers Market Nutritional Programs

- ◆ Number of authorized farmers' market vendors: 335
- ◆ Number of FMNP-WIC recipients: 42,000
- ◆ Number of FMNP senior recipients: 2,765

Dairy Development Profitability and Enhancement Program

- ◆ 1,200 farms served to date
- ◆ Teams consistently produce a four to one return on grant funds
- ◆ 49 business planning grants closed in FY 2002

The Dairy Development Profitability and Enhancement Teams work one-on-one with producers to help them achieve greater profitability, productivity, and efficiency. This grant is available to all dairy producers, but the program prioritizes small to medium-sized producers.

The Dairy Business Planning Grant provides a 50% cost share, up to \$5,000 per producer, of the cost of completing a business plan. Options explored by these producers have included on-farm processing, expansion, transferring the farm to the next generation, and environmental upgrades.

Historical Perspective

The Farm Advocate program was founded in the mid-1980s.

Minnesota has had state funded FMNP since FY 1989 and has received federal funds since federal FY 1994. The senior FMNP started in Minnesota in federal FY 2001, the first year federal funds were available.

The Dairy Diagnostic program was established in 1996 to address low profitability on dairy farms. During the 2001 legislative session, funding was increased and the Dairy Business Planning Grants were added.

Key Measures

Performance measures used to evaluate effectiveness are:

Farm Advocate

⇒ Four hundred farm families will be served annually by 15 Farm Advocates.

Farmers' Market Nutrition Programs

⇒ Fifty percent of all first time check recipients who spend FMNP checks will be new market customers.

Dairy Profitability

⇒ A minimum of 350 producers served annually by a Dairy Profitability and Enhancement Team.

Contact

For additional information on:

Farm Advocate-Jim Boerboom, Assistant Commissioner at (651) 297-3395 or Jim.Boerboom@state.mn.us

Farmers' Markets Nutrition Programs-Carol Milligan at (651) 296-6906 or Carol.Milligan@state.mn.us

Dairy Development Profitability and Enhancement-David Weinand at (651) 215-3946 or

David.Weinand@state.mn.us

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Activity: GRANTS & CLAIMS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,625	1,681	1,647	1,647	3,294
Statutory Appropriations					
Gift	30	32	0	0	0
Total	1,655	1,713	1,647	1,647	3,294
<u>Expenditures by Category</u>					
Total Compensation	74	80	82	85	167
Other Operating Expenses	294	265	197	194	391
Local Assistance	1,287	1,368	1,368	1,368	2,736
Total	1,655	1,713	1,647	1,647	3,294
Full-Time Equivalents (FTE)	1.5	1.5	1.5	1.5	

Activity Description

The Agricultural Finance division administers programs designed to enhance Minnesota's agricultural production and processing capacity, provide opportunities for renewable energy, and protect the environment.

The Rural Finance Authority (RFA), a separate public body created under M.S. Chapter 41B and authorized to utilize state bonds to develop the state's agricultural resources, is included in this activity.

Activity at a Glance

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

Population Served

Eligible farmers who wish to purchase a farm, construct improvements on their farm, participate in value added activities, reduce production costs or protect the environment; and rural land owners with septic system needs.

Services Provided

Four primary activities are administered by the Ag Finance division. They include:

- ◆ Rural Finance Authority;
- ◆ Sustainable Agriculture Loan Program, jointly with Ag Development division;
- ◆ Agricultural Best Management Loan Program, jointly with Ag Development division; and
- ◆ Minnesota Corporate Farm Law.

The RFA may purchase a participation interest in a financial institution's agricultural loan when the loan is made to an eligible farmer for an eligible purpose, such as purchasing a farm or constructing new production buildings. A 45% interest in the loan may be purchased; up to \$200,000 under the Basic, Seller Assisted, and Ag Improvement programs; \$225,000 under Restructure II; and \$275,000 under Livestock Expansion. The loan must be secured by a first real estate mortgage. The RFA participation is structured on a reduced interest rate that is fixed for up to 10 years to improve the farmer's cash flow and reduce risk. The RFA has signed participation agreements that establish a partnership with over 400 qualified lenders. As of August 1, 2004, the RFA manages a loan portfolio of more than \$45 million, serving 905 farmers. A loan loss reserve greater than 1% of outstanding loan balances is maintained to preserve the financial strength of the state's investment.

The Agricultural Development Bond (Aggie Bond) Program creates a federal tax exemption for banks, and a federal and state tax exemption on interest income to an individual seller in exchange for offering below-market interest rates to the buyer. No state funds go into these loans.

In 1988, the Minnesota Legislature established the Shared Savings Loan Program within the Sustainable Agriculture statutes. The loan program is supported by a \$1 million revolving fund, and is designed to accomplish two goals. First, to demonstrate and publicize agricultural practices that are energy efficient, protect the environment, and reduce production costs. Second, the program provides low-interest loans to farmers to help cover the costs of adopting such practices.

The Agricultural Best Management Program (AgBMP) was created by the 1994 State Legislature to provide low interest financing to farmers, agribusinesses, and rural landowners for the implementation of agricultural best-management practices that reduce or mitigate non-point source pollution. The program assists an eligible borrower through low-interest (3%) loans to purchase conservation tillage, seal abandoned wells, install agricultural waste facilities, erosion control systems, and septic systems.

The division also enforces and facilitates compliance with the Corporate and Alien Farm laws. The law's stated purpose is to protect the family farm as a basic economic unit and promote the stability and well being of rural society by ensuring that non-farm corporations and foreign entities do not own farm land or engage in production agriculture. The Corporate Farm Law (M.S. 500.24) was recodified in 1997 and amended substantially in 2000.

Historical Perspective

The Rural Finance Authority was established in 1986 to administer a program under which state bonds are issued to develop the state's agricultural resources. The initial program was designed to help lenders and borrowers restructure farm real estate loans that had become undersecured. In response to identified financing needs for agriculture, additional programs were initiated. They included the Basic Farm Loan (1987) and Seller-Assisted (1989) to help finance beginning and low-equity farmers to purchase farm real estate, Agricultural Improvement (1992) for existing farmers that needed to make improvements to their property, Restructure II for existing farmers who were in good standing with their local lender but having cash flow problems due to an imbalance in their debt structure, and Livestock Expansion (1994) to create affordable financing for new, state-of-the-art improvements for livestock production; the Value-Added "Stock" Loan Program (1994) and the Methane Digester Loan Program (2002).

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ To direct more than 60% of the RFA loan participation to Basic, Seller-Assisted, and Agricultural Improvement loan programs.
- ⇒ To underwrite credits that show capital, liquidity, and debt service capacity comparable to industry standards.

Contact

For additional information on this activity, please contact Jim Boerboom at (651) 297-3395 or Jim.Boerboom@state.mn.us

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Activity: RURAL FINANCING

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	350	356	356	356	712
Statutory Appropriations					
Public Facilities Authority	6,699	671	683	1,321	2,004
Special Revenue	76	244	244	244	488
Agriculture Fund	759	13	38	92	130
Rural Finance Administration	29	130	130	130	260
Miscellaneous Agency	0	2	2	2	4
Total	7,913	1,416	1,453	2,145	3,598
<u>Expenditures by Category</u>					
Total Compensation	343	344	344	344	688
Other Operating Expenses	47	68	68	68	136
Local Assistance	11	0	0	0	0
Other Financial Transactions	7,512	1,004	1,041	1,733	2,774
Total	7,913	1,416	1,453	2,145	3,598
Full-Time Equivalents (FTE)	4.8	4.8	4.8	4.8	

Activity Description

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

M.S. 17 provides the statutory authority for the commissioner of MDA.

Minnesota's agriculture industry is the 6th largest in the nation.

Population Served

In addition to supplying essential assistance to MDA employees and programs, Administrative Services also works with the legislature, producers and processors in the agricultural industry, citizens of Minnesota, and partner-state and federal agencies.

Activity at a Glance

- ◆ Commissioner's Office oversees and directs the activity of the 10 divisions in MDA
- ◆ Human Resources and Diversity assist over 500 employees with personnel matters
- ◆ Finance and Budget works to build and manage an \$83 million annual budget
- ◆ Information Services provides, maintains and updates MDA's hardware, software and network computer assets
- ◆ Agricultural Statistics is a state/federal partnership that collects, correlates, and analyzes agricultural data
- ◆ MDA has 317 employees located in the Minneapolis/St. Paul metro area, and 220 employees located throughout Minnesota in the areas they serve

Services Provided

Services are provided through the:

- ⇒ Commissioner's Office—provides leadership for the department, sets policy, and interacts with our stakeholders—federal, state, local, and international.
- ⇒ Human Resources –provides employee safety and health program, labor relations program, training program, and diversity program in order to maintain a flexible and diverse workforce that can meet the needs of a changing and demanding workplace.
- ⇒ Finance and Budget—provides centralized accounting, payroll, budgeting, mail, and copying services to the employees of MDA.
- ⇒ Information Services—provides services to all divisions for computer systems analysis, technical support, programming, project management, web design, graphic arts, and centralized licensing service and prepares for future technology needs.
- ⇒ Agricultural Statistics—a joint federal/state division that collects, analyzes, and disseminates statistical information useful to not only agricultural producers and processors, but also to economists.

Historical Perspective

In recent years, there have been many executive challenges and opportunities. Farm production and the economy continue to face formidable challenges; food safety and agriculture security requirements are at the highest level in recent history; the department's budget and human resources have been obligated to respond to numerous critical situations.

The department has made significant advances to align business needs with technology support, moving from a fragmented information technology infrastructure to a highly integrated system providing improved support/services to our employees, customers, and Minnesota citizens. The department has a proven track record of successfully managing and completing complex information technology projects on time and within budget.

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Activity: ADMINISTRATIVE SERVICES

Narrative

Key Measures

Performance measures used to evaluate effectiveness are:

- ⇒ MDA will partner with other state departments of agriculture to increase our presence at the national level to ensure Minnesota's agriculture is represented and heard.
- ⇒ MDA is designing and completing technology projects that will ensure that the projects goals are defined by business practices. Our projects will be completed on time and within budget.

Contact

For additional information on budgets, please contact Steve Ernest, Budget Director, at (651) 215-5770 or Steve.Ernest@state.mn.us

For additional information on policy, please contact Amy Sobieski, Legislative Liaison, at (651) 296-2880 or Amy.Sobieski@state.mn.us

Additional information, such as the Commissioner's Column is also available on the MDA's web site.

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Activity: ADMINISTRATIVE SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Forecast Base		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,645	2,839	2,722	2,722	5,444
Statutory Appropriations					
Special Revenue	2,502	2,574	2,669	2,728	5,397
Agriculture Fund	9	7	7	7	14
Federal	515	551	541	541	1,082
Gift	0	5	0	0	0
Total	5,671	5,976	5,939	5,998	11,937
<u>Expenditures by Category</u>					
Total Compensation	3,931	4,027	4,037	4,114	8,151
Other Operating Expenses	1,195	1,393	1,347	1,329	2,676
Payments To Individuals	545	550	550	550	1,100
Local Assistance	0	1	0	0	0
Transfers	0	5	5	5	10
Total	5,671	5,976	5,939	5,998	11,937
Full-Time Equivalent (FTE)	54.3	55.2	52.7	51.4	