

January 25, 2005

To the 2005 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the budget recommendation for the Minnesota Department of Agriculture (MDA) for the 2006-07 biennium. This budget includes \$76.4 million from the state General Fund, \$39.5 million from the Agricultural Fund (money collected from Ag-related fees), \$9.4 million in Federal money and \$11.2 million dollars from a variety of other sources. The Governor recommends maintaining current law funding levels.

Included in the General Fund recommendation is \$34 million for the continuation of the ethanol producer program at current payment rates. The cost of the program for the 2006-07 biennium will be lower than for the current biennium because some producers are leaving the program as they reach their ten-year limits.

Also included in the General Fund recommendation is a lease cost adjustment. In the fall of 2005, the Department will move into new facilities that will be jointly occupied with the Minnesota Department of Health. This move will greatly improve the Department's working space, the most important change being new lab facilities that can handle our increased challenges in protecting the food supply chain from the threats posed by disease and global terrorism.

Protection is one of MDA's core functions, and MDA's protection programs span the range of activities from the farm to your family. Because threats have increased in recent years, the governor's budget provides funding to keep our protection programs strong. Working with the industries involved, several fee structure changes are proposed that will keep regulatory programs responsive to the needs of the changing marketplace.

Another core function of the Department is promotion. Today's farmers face more complex challenges than ever as they adapt to the global marketplace of the 21st century. MDA is able to help farmers by working to expand access to international markets and to help producers maintain and enhance their ability to compete with producers in other countries. The Department can help to educate producers about new marketing strategies and risk management tools. We can also help farmers add value to raw commodities through assisting in the development of value-added enterprises such as renewable fuel production.

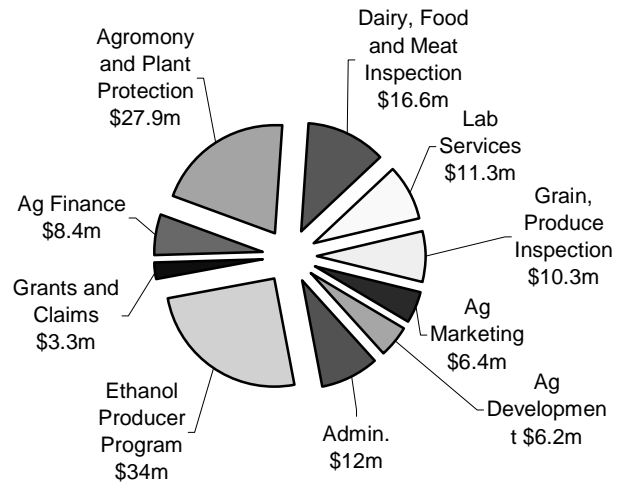
In all these ways and more, this budget will allow MDA to continue to work to make agriculture in Minnesota a safe, diverse, economically strong industry that enhances the lives of all Minnesotans. We look forward to discussing our budget, our programs and our mission with you as the session proceeds.

Sincerely,



Gene Hugoson
Commissioner

**Department of Agriculture
\$136.4 million 2006-07 Budget**



Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	156	154	154	154	308
Recommended	156	154	300	300	600
Change		0	146	146	292
% Biennial Change from 2004-05					93.5%
General					
Current Appropriation	41,828	40,194	40,194	40,194	80,388
Recommended	41,828	40,194	39,355	36,997	76,352
Change		0	(839)	(3,197)	(4,036)
% Biennial Change from 2004-05					-6.9%
Remediation					
Current Appropriation	353	353	353	353	706
Recommended	353	353	388	388	776
Change		0	35	35	70
% Biennial Change from 2004-05					9.9%
<u>Expenditures by Fund</u>					
Carry Forward					
Environment & Natural Resource	0	0	28	0	28
Direct Appropriations					
Environment & Natural Resource	58	243	300	300	600
General	39,935	41,409	39,355	36,997	76,352
Remediation	351	355	388	388	776
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	19,685	19,779	39,464
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	69,623	67,383	137,006
<u>Expenditures by Category</u>					
Total Compensation	27,150	29,256	30,740	31,628	62,368
Other Operating Expenses	13,421	20,449	16,824	16,573	33,397
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	69,623	67,383	137,006
<u>Expenditures by Program</u>					
Protection Services	29,608	37,053	33,434	32,932	66,366
Ag Marketing & Development	5,342	7,183	6,581	6,448	13,029
Ethanol Producer Payments	22,339	22,051	18,745	15,268	34,013
Admin & Financial Assist	15,239	9,105	10,863	12,735	23,598
Total	72,528	75,392	69,623	67,383	137,006
Full-Time Equivalents (FTE)	422.6	445.2	439.1	434.6	

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2005 Appropriations	154	154	154	308
Technical Adjustments				
One-time Appropriations		(154)	(154)	(308)
Subtotal - Forecast Base	154	0	0	0
Change Items				
LCMR Projects	0	300	300	600
Total Governor's Recommendations	154	300	300	600
<i>Fund: GENERAL</i>				
FY 2005 Appropriations	40,194	40,194	40,194	80,388
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
Forecast Open Appr Adjustments		(2,683)	(6,160)	(8,843)
Subtotal - Forecast Base	40,194	37,511	34,034	71,545
Change Items				
Apiary Fees	0	29	29	58
New Building Lease Costs	0	1,815	2,934	4,749
Total Governor's Recommendations	40,194	39,355	36,997	76,352
<i>Fund: REMEDIATION</i>				
FY 2005 Appropriations	353	353	353	706
Subtotal - Forecast Base	353	353	353	706
Change Items				
MERLA Administration	0	35	35	70
Total Governor's Recommendations	353	388	388	776

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: ENVIRONMENT & NATURAL RESOURCE				
Planned Statutory Spending	0	28	0	28
Total Governor's Recommendations	0	28	0	28
Fund: PUBLIC FACILITIES AUTHORITY				
Planned Statutory Spending	671	683	1,321	2,004
Total Governor's Recommendations	671	683	1,321	2,004
Fund: SPECIAL REVENUE				
Planned Statutory Spending	3,230	3,181	3,240	6,421
Total Governor's Recommendations	3,230	3,181	3,240	6,421
Fund: AGRICULTURE FUND				
Planned Statutory Spending	19,632	18,982	19,062	38,044
Change Items				
Agronomy Program Fees	0	437	449	886
Nursery and Phytosanitary Fees	0	152	152	304
ACRRA Administration	0	50	50	100
Grain Buyer and Storage Fees	0	55	55	110
Ag BMP Loan Application Fees	0	9	11	20
Total Governor's Recommendations	19,632	19,685	19,779	39,464
Fund: FEDERAL				
Planned Statutory Spending	5,296	4,799	4,615	9,414
Total Governor's Recommendations	5,296	4,799	4,615	9,414
Fund: REMEDIATION				
Planned Statutory Spending	4,222	955	500	1,455
Total Governor's Recommendations	4,222	955	500	1,455
Fund: RURAL FINANCE ADMINISTRATION				
Planned Statutory Spending	130	130	130	260
Total Governor's Recommendations	130	130	130	260
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	102	52	52	104
Total Governor's Recommendations	102	52	52	104
Fund: GIFT				
Planned Statutory Spending	102	67	61	128
Total Governor's Recommendations	102	67	61	128

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<u>Revenue Change Items</u>				
Fund: GENERAL				
Change Items				
Apiary Fees	0	29	29	58
Fund: AGRICULTURE FUND				
Change Items				
Agronomy Program Fees	0	437	449	886
Nursery and Phytosanitary Fees	0	152	152	304
Grain Buyer and Storage Fees	0	55	55	110
Ag BMP Loan Application Fees	0	9	11	20

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Agricultural Fund				
Expenditures	\$437	\$449	\$449	\$449
Revenues	437	449	449	449
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends adjustments to six agronomy program fee structures. These changes will increase dedicated revenue and spending by approximately \$450,000 per year. These adjustments are needed in order to cover administrative costs of providing effective programs. The adjustments also allow for fees to be charged in a way that is more consistent and fair to the industries involved.

Background

Two core areas of the department’s agronomy and plant protection activities need fee increases to cover costs:

- ⇒ Most pesticide fees have not been increased since 1987 and revenues are not keeping up with the costs of providing key regulatory activities. Fees for pesticide dealer licenses, structural pesticide control company licenses, and aquatic pest control company licenses would be increased by \$100. Pesticide chemigation permit fees would be increased by \$200 and a reinspection fee of \$150 would be added. Late fees on commercial, noncommercial and aquatic pesticide licenses would be changed to 50% of the original fee, and late fees of \$100 per product would be added on pesticide registration gross sales fees.
- ⇒ The fertilizer inspection fee was last raised in 1989, from \$.10 to \$.15 per ton. Since then, costs of providing the program have increased and General Fund support for the program has been eliminated. The fee would be raised to \$.30 in order to support the core regulatory and environmental activities of this program.

Four activities would have new fees established or otherwise adjusted for consistency and fairness:

- ⇒ The Manure Analysis Proficiency (MAP) Program, which is important in certifying manure labs for farmers to use in meeting feedlot rules, received start-up funding from the U.S. Environmental Protection Agency. This funding ends in FY 2006. Fees would be charged to cover the \$47,000 cost of providing the MAP Program.
- ⇒ Free sale certificates are often necessary for the export of commercial feeds and are currently provided by the Department on request. A new \$75 application fee would cover the costs of providing this service.
- ⇒ Currently, any feed manufacturer that distributes feed interstate can request a tonnage fee exemption. Those who sell intrastate are not eligible for this exemption. Changes would require that a majority of an entity’s distribution be interstate/international and would charge a \$100 annual application fee to cover the cost of administration and oversight for the program.
- ⇒ Commercial feed license late fees are currently not charged for 15 days for newly-operational entities but are charged at twice the license fee for renewals that are one day late. Changes would make the late fee \$50 for all late licenses.

Relationship to Base Budget

New fee revenues (in thousands of dollars) would be as follows:

	FY 2006	FY 2007
Pesticide Fees	\$92	\$92
Fertilizer Inspection Fees	300	300
Manure Lab Certification Fees	35	47
Feed Free Sale Certificates	8	8
Feed Tonnage Fee Exemption	1	1
Commercial Feed Late Fees	1	1
Total	\$437	\$449

Key Measures

New federal fumigation label requirements are being implemented. The increase in structural pesticide control applicator fees would allow the department to increase fumigation inspections from 5 -10 inspections to 35 -40 fumigation inspections annually.

Approximately six pesticide chemigation site inspections are conducted annually. The increase in fees would allow an additional 30 inspections to be conducted in accordance with federal worker protection requirements.

Fertilizer spills are associated with approximately 50% of the 80-100 agricultural chemical emergencies the department responds to annually. In addition to response work, nitrogen fertilizer Best Management Practices guidelines need to be updated to incorporate new technology and agronomic practices. These BMPs were developed in 1992 to protect water quality and provide for maximum economic return.

Eighty-one laboratories have participated in the quality control manure check program in Minnesota.

Alternatives Considered

Maintaining inspections of pesticide chemigation and pesticide fumigation sites at current levels was considered. Reduction of regulatory and non-regulatory fertilizer activity, which would occur without the increased funding, was considered. Discontinuing the national quality control manure check sample program and the associated manure laboratory certification program was considered.

Statutory Change: M.S. 18B.08, .26, .31, .315, .32, .33, .34 (pesticide fees); M.S. 18C.141 (manure lab analysis); M.S. 18C.425 (fertilizer fees); M.S. 25.341 (commercial feed licenses); M.S. 25.342 (feed free sale certificates); M.S. 25.39 (interstate tonnage exemption).

AGRICULTURE DEPT

Change Item: Nursery and Phytosanitary Fees

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Agricultural Fund				
Expenditures	\$152	\$152	\$152	\$152
Revenues	152	152	152	152
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends a revision of nursery and phytosanitary fees in order to support the inspection and export certification programs associated with Minnesota's growing nursery industry.

Background

In 2003, as part of the department's strategic plan, these two programs were removed from General Fund to be funded by user fees. However, revenues have been insufficient to cover the costs of the programs.

Relationship to Base Budget

Revenues from nursery and phytosanitary fees in FY 2004 were approximately \$700,000.

Key Measures

The Nursery Industry has grown 4% annually over the last decade to a \$2.1 billion industry. The department will conduct approximately 1,000 inspections for 350 growers and 460 dealers that receive stock from outside Minnesota to protect Minnesota from invasive pests and to ensure quality stock.

Export certification has increased so that the department now annually issues approximately 3,000 export documents to 140 companies, up from approximately 70 companies a decade ago. Complexity of the export certification process has also increased due to increasing concerns regarding pest movement across international borders.

Alternatives Considered

Reducing services for an expanding nursery industry would increase vulnerability to invasive pests. Ceasing export certification would delay international export capabilities for Minnesota companies. Meetings with industry representatives have achieved an agreement that fees need to be revised in order to provide adequate inspection and export certification programs.

Statutory Change: M.S. 18G.10 (phytosanitary), M.S. 18H.07 (nursery).

AGRICULTURE DEPT

Change Item: Apiary Fees

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$29	\$29	\$29	\$29
Revenues	29	29	29	29
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends an increase in the fees charged to apiarists (beekeepers) in order to continue to provide adequate inspection and protection activities.

Background

A \$10 fee per apiarist has been in existence since 1943. This fee is charged equally to commercial beekeepers that may own thousands of hives and hobbyists that may own only a few. Commercial beekeepers want to know that their bees are pest-free before they ship them to another state. Beekeepers and commercial pesticide applicators will benefit from having the locations of colonies known.

Relationship to Base Budget

Apiary fees are non-dedicated revenues deposited into the General Fund. The appropriation for this activity has been supplemented by additional General Fund dollars. The base budget for FY 2006 is \$76,000 supported by \$12,000 in non-dedicated fees. With the new fee structure, the appropriation would be supported by \$41,000 in non-dedicated fees, meaning apiarists would bear a larger share of the program.

Key Measures

Approximately 100 inspections of hobbyists and commercial beekeepers are conducted annually. In continuing this program, the department plans to develop a web-based geographic information system (GIS) for the location of the approximately 3,800 registered apiaries maintained by approximately 500 beekeepers.

Alternatives Considered

Elimination of the program was considered.

Statutory Change: M.S. 19.64.

AGRICULTURE DEPT

Change Item: MERLA Administration

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Remediation Fund				
Expenditures	\$35	\$35	\$35	\$35
Revenues	0	0	0	0
Net Fiscal Impact	\$35	\$35	\$35	\$35

Recommendation

The Governor recommends increasing the amount appropriated for the Agricultural Voluntary Investigation and Cleanup (AgVIC) program under the Minnesota Environmental Response and Liability Act (MERLA) to cover the cost of administrative functions and provide for more effective program delivery.

Background

One of the goals of MERLA (also known as the state Superfund) is to locate and cleanup sites contaminated by abandoned agricultural chemicals. This program also allows for expedited environmental assessment to enable property transfers. The department's appropriation to administer this activity was last increased in 2000. Increasing workload now calls for another increase.

Relationship to Base Budget

The base budget for this activity is \$353,000 per year. The change would increase the appropriation by 10%, to \$388,000 per year.

Key Measures

The AgVIC program receives approximately 25 requests for participation annually. In addition, the MDA is currently administering two large Superfund sites. Workload in both of these areas is expected to continue to increase.

Alternatives Considered

Maintaining the current level of funding would decrease the timely processing of AgVIC requests and thus delay clients' property transfers. Maintaining the current level of funding would also decrease the amount of staff resources that can be committed to superfund cleanup projects.

Statutory Change: Not Applicable (change amount appropriated in session law rider language).

AGRICULTURE DEPT

Change Item: ACRRA Administration

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Agricultural Fund				
Expenditures	\$50	\$50	\$50	\$50
Revenues	0	0	0	0
Net Fiscal Impact	\$50	\$50	\$50	\$50

Recommendation

The Governor recommends an increase in the maximum amount allowed for administrative costs from the Agricultural Chemical Response and Reimbursement Account (ACRRA).

Background

The administrative appropriation for this program has not been changed since 1993, when it was initiated. This increase is necessary to address the increasing workload and provide funds to upgrade outdated information technology for timely and accurate processing of applications.

Relationship to Base Budget

The maximum allowed for administrative costs would increase from \$175,000 per year to \$225,000 per year.

Key Measures

Applications for reimbursements, which are representative of the program workload, have increased from 57 in 2000 to 67 in 2002 and to 85 in 2004.

Alternatives Considered

Leaving the appropriation at its current level is likely to result in slower and less accurate processing of applications.

Statutory Change: M.S. 18E.03.

AGRICULTURE DEPT

Change Item: Grain Buyer and Storage Fees

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Agricultural Fund				
Expenditures	\$55	\$55	\$55	\$55
Revenues	55	55	55	55
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends changes be made to fees for licenses to buy grain, store grain, and store general merchandise to cover the costs of administrative functions and provide for more effective program delivery.

Background

Fees for licenses were last changed in 2001. Fee changes are requested for two reasons: to offset increased legal expenses for administering claims against grain bonds and to offset declining license numbers. This initiative places fees that were previously set by rule into statute.

Relationship to Base Budget

The department currently collects approximately \$540,000 per year in grain buyer and storage fees. This change would increase revenues by approximately 10%.

Key Measures

This program is required to pay for attorney general and administrative law judge costs when a contested case hearing is requested in grain bond cases. There have been more of these cases of late, partly due to difficulties small operators have in competing with the large consolidated grain companies. At the same time, consolidation in the grain industry has seen an overall reduction in the number of grain licenses applied for, with the biggest drop associated with small operators. An example of this is the grain buyer's license. Since 1998 there has been an 11% decrease in the number of licenses issued. The department has five levels of license fees, based on the dollar volume of grain purchased each year. The biggest decrease (32%) has been in the number of buyers who have purchased less than \$100,000. A telling sign is that it is not just small buyers getting bigger but also big buyers getting bigger. License fees, on the other hand, do not increase after an entity reaches \$3 million in annual volume. Also, there are fewer buyers overall.

Alternatives Considered

Leaving the fees as they are could hinder the effective and timely regulation of buying and storing activities.

Statutory Change: M.S. 223.17, M.S. 231.16, M.S. 232.22, M.S. 236.02.

AGRICULTURE DEPT

Change Item: Ag BMP Loan Application Fees

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Agricultural Fund				
Expenditures	\$9	\$11	\$14	\$18
Revenues	9	11	14	18
Net Fiscal Impact	0	0	0	0

Recommendation

The Governor recommends the establishment of an application fee for the Agricultural Best Management Practices (BMP) Program. The fee will be set at \$50 to cover the cost of administrative functions and provide for more effective program delivery.

Background

The Ag BMP loan program is a revolving loan program which has received \$51 million in capitalization to date. The purpose of the program is to provide low interest loans to producers and others to adopt practices that protect the environment. Statutory changes, made to the program in 2001, streamlined and simplified the program for local governments and lenders, while shifting more of the responsibility for administering the program to the department. With these changes, the number of loans processed by the department will increase from 200 to 800 per year and there will be additional participating lending institutions. Additional staff are needed to handle the increased workload.

Relationship to Base Budget

Administration for the Ag BMP loan program is currently supported by an appropriation of \$164,000 per year from the General Fund.

Key Measures

The key performance measure is the length of time it will take the department to process disbursement requests for lenders. Currently these take five to seven days. We intend to reduce the processing time to no more than one week, a standard that is acceptable to the lenders. These additional resources will allow us to maintain that standard as we experience the increase in volume of transactions due to the growth and evolution of the program.

Alternatives Considered

Budgetary constraints preclude the appropriation of additional General Fund dollars to this program. Another fee that could be assessed would be a loan origination fee.

Statutory Change: M.S. 17.117.

AGRICULTURE DEPT**Change Item: New Building Lease Costs**

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$1,815	\$2,934	\$2,934	\$2,934
Revenues	0	0	0	0
Net Fiscal Impact	\$1,815	\$2,934	\$2,934	\$2,934

Recommendation

The Governor recommends adjusting the General Fund appropriation to the department to cover the increased lease costs associated with relocation to new buildings near the Capitol in St. Paul. This move will take place during FY 2006.

Background

Laws of 2002, Chapter 393, provided for the construction of joint office and laboratory facilities for the Departments of Health and Agriculture and the Board of Animal Health. For the Department of Agriculture, the strongest driving factor was that existing lab facilities were inadequate and could not be upgraded to meet the increasing needs associated with food safety and other significant activities. The new laboratory building is being constructed with state general obligation bond proceeds. The new office building is being constructed through a lease-purchase agreement with the St. Paul Port Authority. These new facilities will meet the increased needs of the two departments and the board but will require larger lease payments than the existing budgets can support.

Relationship to Base Budget

The Department of Agriculture currently pays \$1.965 million in rent for the two locations it will vacate in St. Paul. The department will move out of these locations during a two to three month period in FY 2006. Total rent for FY 2006 (all locations with overlap) is estimated to be \$4.273 million and for FY 2007 is estimated to be \$4.899 million.

	FY 2006	FY 2007
New Rent	\$4.273	\$4.899
Base Budget	(1.965)	(1.965)
Transition Rent (Deficiency Bill)	(0.493)	0
Difference	\$1.815	\$2.934

Included in a separate request is \$493,000 to cover rent costs at existing locations for the period the department is moving into the new buildings.

Alternatives Considered

Upgrading the existing leased laboratory facilities was ruled out due to limitations of the current building. Co-locating lab facilities with more state lab facilities was considered, but it was determined that the best fit for co-location would be just the labs of departments of Health and Agriculture. During the 2002 legislative session, financing options for construction of the new facilities were discussed and the agreement with the St. Paul Port Authority was agreed upon for the office building.

Preliminary Proposal

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
Environment and Natural Resources Trust Fund				
Expenditures	\$300	\$300	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$300	\$300	0	0

Recommendation

The projects recommended by the Legislative Commission on Minnesota Resources (LCMR) are displayed as part of the Department’s Biennial Budget Request. The Governor is not making specific recommendations on these projects.

Background

Improving Impaired Watersheds: Conservation Drainage Research \$300,000

To analyze conservation drainage systems at the University of Minnesota research and outreach centers and for opportunities to retrofit drainage infrastructure with water quality improvement technologies.

Manure Methane Digester Compatible Wastes and Electrical Generation \$100,000

To research the potential for a centrally located, multi-farm digester and the potential use of compatible waste streams with manure digesters.

Minnesota Children’s Pesticide Exposure Reduction Initiative \$200,000

To reduce children’s pesticide exposure through parent education on alternative pest control methods and safe pesticide use.

Relationship to Base Budget

Project funding is available for FY 2006-07.

Key Measures

See LCMR website at <http://lcmr.leg.mn/lcmr.htm>

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		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	156	154	154	154	308
Recommended	156	154	300	300	600
Change		0	146	146	292
% Biennial Change from 2004-05					93.5%
General					
Current Appropriation	41,828	40,194	40,194	40,194	80,388
Recommended	41,828	40,194	39,355	36,997	76,352
Change		0	(839)	(3,197)	(4,036)
% Biennial Change from 2004-05					-6.9%
Remediation					
Current Appropriation	353	353	353	353	706
Recommended	353	353	388	388	776
Change		0	35	35	70
% Biennial Change from 2004-05					9.9%
<u>Expenditures by Fund</u>					
Carry Forward					
Environment & Natural Resource	0	0	28	0	28
Direct Appropriations					
Environment & Natural Resource	58	243	300	300	600
General	39,935	41,409	39,355	36,997	76,352
Remediation	351	355	388	388	776
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	19,685	19,779	39,464
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	69,623	67,383	137,006
<u>Expenditures by Category</u>					
Total Compensation	27,150	29,256	30,740	31,628	62,368
Other Operating Expenses	13,421	20,449	16,824	16,573	33,397
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	69,623	67,383	137,006
<u>Expenditures by Program</u>					
Protection Services	29,608	37,053	33,434	32,932	66,366
Ag Marketing & Development	5,342	7,183	6,581	6,448	13,029
Ethanol Producer Payments	22,339	22,051	18,745	15,268	34,013
Admin & Financial Assist	15,239	9,105	10,863	12,735	23,598
Total	72,528	75,392	69,623	67,383	137,006
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 SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
LCMR Projects		0	100	100	200
Total	0	0	100	100	200
General					
Current Appropriation	9,864	9,864	9,864	9,864	19,728
Technical Adjustments					
Approved Transfer Between Appr			80	80	160
Subtotal - Forecast Base	9,864	9,864	9,944	9,944	19,888
Governor's Recommendations					
Apiary Fees		0	29	29	58
Total	9,864	9,864	9,973	9,973	19,946
Remediation					
Current Appropriation	353	353	353	353	706
Subtotal - Forecast Base	353	353	353	353	706
Governor's Recommendations					
MERLA Administration		0	35	35	70
Total	353	353	388	388	776
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	0	0	100	100	200
General	9,551	10,304	9,973	9,973	19,946
Remediation	351	355	388	388	776
Statutory Appropriations					
Special Revenue	8	132	9	9	18
Agriculture Fund	16,859	18,336	18,371	18,409	36,780
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	33,434	32,932	66,366
<u>Expenditures by Category</u>					
Total Compensation	19,218	20,666	22,050	22,803	44,853
Other Operating Expenses	10,275	16,168	11,307	10,124	21,431
Local Assistance	42	37	0	0	0
Other Financial Transactions	73	182	77	5	82
Total	29,608	37,053	33,434	32,932	66,366
<u>Expenditures by Activity</u>					
Agronomy Services	12,081	18,008	14,390	13,692	28,082
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	33,434	32,932	66,366
<u>Full-Time Equivalents (FTE)</u>					
	304.0	322.8	319.6	317.9	

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07

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 SERVICES
Activity: AGRONOMY SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	0	0	100	100	200
General	1,484	1,740	1,641	1,641	3,282
Remediation	351	355	388	388	776
Statutory Appropriations					
Special Revenue	8	123	0	0	0
Agriculture Fund	8,673	9,683	9,668	9,608	19,276
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	14,390	13,692	28,082
<u>Expenditures by Category</u>					
Total Compensation	6,816	7,295	8,131	8,437	16,568
Other Operating Expenses	5,155	10,494	6,182	5,250	11,432
Local Assistance	37	37	0	0	0
Other Financial Transactions	73	182	77	5	82
Total	12,081	18,008	14,390	13,692	28,082
Full-Time Equivalents (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 SERVICES
 Activity: FOOD INSPECTION

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		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 SERVICES
Activity: LABORATORY SERVICES

Budget Activity Summary

Dollars in Thousands

	Current		Governor's Recomm.		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 SERVICES

Activity: GRAIN & PRODUCE INSPECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<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 Equivalent (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: AG MARKETING & DEVELOPMENT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		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)
Subtotal - Forecast Base	156	154	0	0	0
Governor's Recommendations					
LCMR Projects		0	200	200	400
Total	156	154	200	200	400
General					
Current Appropriation	4,177	4,177	4,177	4,177	8,354
Technical Adjustments					
Approved Transfer Between Appr			(80)	(80)	(160)
Subtotal - Forecast Base	4,177	4,177	4,097	4,097	8,194
Total	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	200	200	400
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	1,260	1,260	2,520
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	6,581	6,448	13,029
<u>Expenditures by Category</u>					
Total Compensation	3,584	4,139	4,218	4,271	8,489
Other Operating Expenses	1,610	2,555	2,090	1,924	4,014
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	6,581	6,448	13,029
<u>Expenditures by Activity</u>					
Ag Marketing Services	2,843	3,313	3,221	3,215	6,436
Ag Resources Mgmt & Dev	2,499	3,870	3,360	3,233	6,593
Total	5,342	7,183	6,581	6,448	13,029
Full-Time Equivalents (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: AG MARKETING & DEVELOPMENT
Activity: AG MARKETING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		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	1,260	1,260	2,520
Federal	66	175	175	175	350
Miscellaneous Agency	50	100	50	50	100
Gift	23	28	36	30	66
Total	2,843	3,313	3,221	3,215	6,436
<u>Expenditures by Category</u>					
Total Compensation	1,902	2,001	1,977	2,006	3,983
Other Operating Expenses	832	1,116	1,106	1,076	2,182
Local Assistance	59	96	88	83	171
Other Financial Transactions	50	100	50	50	100
Total	2,843	3,313	3,221	3,215	6,436
Full-Time Equivalent (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: AG MARKETING & DEVELOPMENT

Activity: AG RESOURCES MGMT & DEV

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		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	200	200	400
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	3,360	3,233	6,593
<u>Expenditures by Category</u>					
Total Compensation	1,682	2,138	2,241	2,265	4,506
Other Operating Expenses	778	1,439	984	848	1,832
Payments To Individuals	0	283	130	115	245
Local Assistance	39	10	5	5	10
Total	2,499	3,870	3,360	3,233	6,593
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 PAYMENTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		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)
Subtotal - Forecast Base	22,962	21,428	18,745	15,268	34,013
Total	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

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		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
Subtotal - Forecast Base	4,825	4,725	4,725	4,725	9,450
Governor's Recommendations					
New Building Lease Costs		0	1,815	2,934	4,749
Total	4,825	4,725	6,540	7,659	14,199
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	4,620	4,876	6,540	7,659	14,199
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	54	110	164
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	10,863	12,735	23,598
<u>Expenditures by Category</u>					
Total Compensation	4,348	4,451	4,472	4,554	9,026
Other Operating Expenses	1,536	1,726	3,427	4,525	7,952
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	10,863	12,735	23,598
<u>Expenditures by Activity</u>					
Grants & Claims	1,655	1,713	1,647	1,647	3,294
Rural Financing	7,913	1,416	1,462	2,156	3,618
Administrative Services	5,671	5,976	7,754	8,932	16,686
Total	15,239	9,105	10,863	12,735	23,598
Full-Time Equivalent (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

AGRICULTURE DEPT

Program: ADMIN & FINANCIAL ASSIST

Activity: GRANTS AND CLAIMS

Narrative

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		Governor's Recomm.		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		Governor's Recomm.		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	47	103	150
Rural Finance Administration	29	130	130	130	260
Miscellaneous Agency	0	2	2	2	4
Total	7,913	1,416	1,462	2,156	3,618
<u>Expenditures by Category</u>					
Total Compensation	343	344	353	355	708
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	1,462	2,156	3,618
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.

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.

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

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		Governor's Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,645	2,839	4,537	5,656	10,193
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	7,754	8,932	16,686
<u>Expenditures by Category</u>					
Total Compensation	3,931	4,027	4,037	4,114	8,151
Other Operating Expenses	1,195	1,393	3,162	4,263	7,425
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	7,754	8,932	16,686
Full-Time Equivalents (FTE)	54.3	55.2	52.7	51.4	

AGRICULTURE DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2004	Budgeted FY2005	Governor's Recomm.		Biennium 2006-07
			FY2006	FY2007	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	3,106	3,185	3,214	3,214	6,428
Remediation	0	92	92	92	184
Other Revenues:					
General	42	3	1	1	2
Other Sources:					
General	662	230	69	69	138
Total Non-Dedicated Receipts	3,810	3,510	3,376	3,376	6,752
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Special Revenue	76	128	128	128	256
Agriculture Fund	18,947	18,836	19,469	19,368	38,837
Rural Finance Administration	0	1	1	1	2
Grants:					
Special Revenue	124	112	94	94	188
Federal	3,583	5,630	5,399	5,235	10,634
Other Revenues:					
Special Revenue	2,742	2,677	2,677	2,677	5,354
Agriculture Fund	708	332	321	321	642
Rural Finance Administration	3,224	3,474	3,445	3,445	6,890
Gift	14	61	61	61	122
Other Sources:					
Public Facilities Authority	1,005	671	683	1,321	2,004
Special Revenue	224	189	189	189	378
Agriculture Fund	62	3	38	92	130
Rural Finance Administration	10,697	10,488	10,988	10,988	21,976
Miscellaneous Agency	533	52	52	52	104
Total Dedicated Receipts	41,939	42,654	43,545	43,972	87,517
Agency Total Revenue	45,749	46,164	46,921	47,348	94,269

The Minnesota Department of Agriculture (MDA) receives funding from many federal sources, including the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the U.S. Environmental Protection Agency (EPA), the U.S. Department of Commerce (USDC) and Homeland Security among others. Some funding comes directly from the federal agency and other federal funding is received from another state agency as part of a larger federal grant.

Federal funds are received through: 1.) cooperative agreements, which provide reoccurring funding for a variety of federal programs that MDA administers; 2.) contracts where MDA provides specific services for a fee (i.e. meat inspections); and 3.) project grants where the funds were awarded on a competitive basis for specific activities.

MDA has several cooperative agreements that provide reoccurring funding. The largest of these are the EPA Pesticide Programs Grant and the Farmers Market Nutrition Program Grant.

The EPA Pesticide Programs Grant funds core activities such as pesticide enforcement, applicator certification and training, groundwater monitoring, urban initiative and endangered species activities. MDA matching funds are provided through special revenue funds from the Pesticide Regulatory Account. Matching funds greatly exceed the federal requirements because the federal funds support only a small portion of the state's pesticide program and those activities are eligible as match.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. It requires a 30% state match. Matching funds are General Fund dollars. Additional federal funding is provided for a Farmers Market Nutrition Program for Senior Citizens.

The USDA Forest Service and Animal Plant Health Inspection Service (APHIS) funds Invasive Species Program activities through both cooperative agreements and competitive project grants. These funds are for core activities and invasive pest surveys and eradications of pests such as the Gypsy Moth. MDA matching funds are largely provided through state General Funds.

Federal contracts include the Meat Inspection Program, funded in partnership with USDA, Food Safety and Inspection Service. The program receives 100% in General Funding, with up to 50% in federal reimbursement being returned to the General Fund on a quarterly basis. Also the FDA funds Feed Inspection activities (medicated feeds, tissue residue). Egg and Poultry lab analysis by USDA-Ag Marketing Services and Egg and Poultry inspection by USDA.

Competitive project grants are funded both directly from federal agencies and through other state agencies. Examples of competitive grants directly funded are USDA-Ag Marketing Services, USDA-Federal State Marketing Improvement Program, and USDA-Rural Development. Currently, six projects are being funded through the federal 319 (nonpoint source water protection) Program through the Minnesota Pollution Control Agency (MPCA).

Federal government assessments indicate that there is a high probability that agriculture and the food supply will be subject to a terrorist attack. A terrorist attack on food, farm or agriculture industries has high potential to cause illness, fear, and panic, loss of public confidence in the food supply and severe economic losses. In such an event, the Minnesota Department of Agriculture and its partners need to communicate and respond decisively to limit the extent of the damage and protect public health. Additional resources through bio-terrorism funding are being sought to help prepare our response to a terrorist attack. Currently MDA is receiving Homeland Security funding through the Minnesota Public Safety-Homeland Security and the University of Minnesota relating to funding for Centers for Excellence.

Federal Program (\$ in Thousands)	Related SFY 2004 Spending	Primary Purpose	SFY 2004 Revenues	SFY 2005 Revenues	Estimated SFY 2006 Revenues	Estimated SFY 2007 Revenues
11/F09 Medicated Feed Ins FDA-DHHS, ongoing contract for inspections of licensed feed mills and Tissue Residue Inspections (no match required)	\$0	SO	\$98	\$143	\$141	\$141
11/F36 319 PCA Grants MPCA, ongoing contract for nutrient management & Nitrate clinics (Match nitrate G36 for 7.5K & local 93.5K) and "Red Top" Farm Demonstration Concept (MDA 2005 match 65K from 133, 52K local match)	17	SO	45	191	191	100
11/F37 Brownsfield PCA/ CERCLA MPCA, Incident Response (no match)	0	SO	160	70	0	0
11/F50 Pest Record Keeping Ongoing contract with USDA for education & inspection of private applicator records for compliance (match appr 133 dedicated)	4	SO	46	50	50	50
11/F52 Nat'l Fish & Wildlife "Pulling Together" initiative to create a national data base (not funded 05-07)	0	SO	19	0	0	0
11/F54 Source Water Prot Interagency with MPCA for response to 1996 amendments to federal safe drinking water act. Develop educ materials, coordinate wellhead protection program, collect data and provide technical assistance to public water suppliers. (no match/more like contract for services)	0	SO	40	111	40	40
11/F56 Gypsy Moth STS USDA-Forest Service survey work to detect & stop the Spread of the Gypsy Moth and other invasive pests. (match from General appr G06)	245	SO	139	167	200	200
11/F59 Nat Lab Manure A US-EPA to build the framework and establish a "National Laboratory Proficiency Testing Program for Manure Analysis". Gen match from G36.	0	SO	132	222	40	0
11, 16, 25 /F60, 61, 51, 57 EPA office of Pesticide Programs * Ongoing grant with US EPA for pesticide enforcement/ groundwater protection, other core programs and EPA competitive pest grants. Match is 85/15 grantee from various funds. Match from Appr 133 for 11, 16/G45 for 25/Gen	1,584	SO	509	1,005	1,005	1,005

Federal Program (\$ in Thousands)	Related SFY 2004 Spending	Primary Purpose	SFY 2004 Revenues	SFY 2005 Revenues	Estimated SFY 2006 Revenues	Estimated SFY 2007 Revenues
11, 16, 17, 25/F62, 63 USDA APHIS Grt * CAPS consolidated base, surveys and emergency funding for priority pests (i.e. Gypsy moth). Varied match dollars required. Match from general funds G06, G45	101	SO	122	300	270	270
11, 16/F84 Fed Reg Seed Sampling-Training USDA-AMS funds for biotechnology training and supplies. Cooperative Agreement/no match	0	SO	10	7	7	7
14/F02 Poultry Inspection USDA ongoing contract for poultry inspections	0	SO	101	110	110	120
14/F03 Egg Inspection USDA ongoing contract for egg inspection	0	SO	23	34	34	34
14, 23/F08 FDA Fd Inspection* FDA-DHHS ongoing contract for food inspections.	0	SO	122	180	205	205
14./F15 Meat Grading/ Certification USDA-AMS cooperative agreement for meat grading and certification services.	0	SO	0	26	26	26
14/F32 Fish Inspection USDC-NOAA ongoing contract for fish & fish products inspections	0	SO	24	30	35	35
14/F52 Homeland Security Homeland Security funds thru Public Safety for risk assessment of the fluid milk supply in Minnesota.	0	SO	0	200	200	200
14/F55 Food Safety Task Includes new funding to establish a state food safety Task Force in meat & poultry processing at retail level.	0	SO	13	110	80	80
14/F83 St Meat Inspection This is a reimbursement account for General Funds appropriated for State Meat Inspections. USDA-FSIS reimburses 50% of costs. (G83)	1,013	SO	507	650	750	750
14/F97 Retail Fd SAF Ins Includes new funding for "Turn Key" training package for implementation of FDA's Electronic Insp System.	9	SO	9	85	85	85
16/F07 Innovative Food Safety FDA-DHHS –Grant award for the detection of Shigella in raw vegetables and salads	0	SO	42	6	0	0
16/F21 Egg/Poultry Analysis USDA-AMS ongoing contract for lab analysis of egg & poultry products.	0	SO	104	125	125	125

Federal Program (\$ in Thousands)	Related SFY 2004 Spending	Primary Purpose	SFY 2004 Revenues	SFY 2005 Revenues	Estimated SFY 2006 Revenues	Estimated SFY 2007 Revenues
16/F52 Homeland Security* Homeland Security funds through the U of M to collaborate with the U on coordination for Homeland Security-Center for Excellence.	0	SO	0	100	250	250
16/F55 FERN (policy note apprvd2/3/04) Anticipation of New Funding to participate in a network capable of responding to a terrorism incident.	0	SO	0	50	200	200
16/F81 Microbiological Data Program Cooperative agreement with USDA-AMS Science & Technology to perform methods development and analytical trials.	0	SO	60	200	200	200
16/F96 Pesticide Data Program Cooperative agreement with USDA-AMS Science & Technology to collect pesticide data residues, perform evaluation analysis publication.	0	SO	167	135	100	100
23/F20 Mkt Imprv-FSMIP New Funding from USDA-FSMIP to develop direct marketing.	38	GI	33	80	80	80
23/F42 Asst Sm Farmers USDA-FSMIP contract to develop new markets. (Match G45)	14	GI	0	40	40	40
23/F82 Tech Assistance – FSMIP USDA-Rural Development business enterprise grants to expand sales and marketing.	0	GI	28	50	50	50
25/F18 USDA NRCS* Conservation Drainage Demo Grant-NCRS Equip funding for innovative projects on conservation.	0	SO	0	105	105	106
25/F21 USDA-AMS Certification Cost Share	0	SO	205	0	0	0
25/F11, F13, F14, F36 EPA 319 Grants Completion of Management on farm demonstration. Funding for Field Testing & training of users on the Minnesota Phosphorus Index, Impaired Waters/TMDL and Riparian Grazing. Funds received from MPCA	94	SO	214	289	104	75
25/F45 Organic Outreach * USDA-Risk Mgmt-Fed Crop Ins-partnership agreement for organic strategy implementation assessment.	0	SO	47	41	35	35

Federal Program (\$ in Thousands)	Related SFY 2004 Spending	Primary Purpose	SFY 2004 Revenues	SFY 2005 Revenues	Estimated SFY 2006 Revenues	Estimated SFY 2007 Revenues
25/F46 USDA NRCS * Provide Grazing Land Tech Assistance for resource conservation management. New funding in partnership with BWSR to accelerate CSP readiness.	19	SO	9	50	50	35
25/F90 USDA SARE Prog * Elementary Organics Multi-Track training and Livestock "Your Way" Series Publications plus new funding for NCR Sustainable Agriculture Research and Education-Ag Diversity Outreach	0	SO	38	127	50	50
69/F01 Ag Stats Fed Coop USDA-Nat Agric Statistics Service for ongoing contract for collection, analysis & publication of primary crop & livestock statistical data.	0	SO	45	45	45	45
69/F17 Farmrs Mkt Nutrition USDA-FNS ongoing contract for food coupons reimbursement for Farmers' Markets. (Match from General fund G35 & G53)	167	GI	398	396	396	396
69/F95 Sr Frmrs Mkt Nutriton USDA-FNS ongoing contract for reimbursements of food coupons for Senior Citizens at Farmers' Markets	4	GI	74	100	100	100
Agency Total	\$3,309		\$3,583	\$5,630	\$5,399	\$5,235

Key:

Primary Purpose

SO = State Operations

GPS = Grants to Political Subdivision

GI = Grants to Individuals

GCBO = Grants to Community Based Organizations

Program Name Federal or State or Both (citation)	Purpose	Recipient Type (s) Eligibility Criteria	Budgeted FY 2005	Most Recent Federal Award (cite year)
Ethanol Producer Payments	It is a goal of the state that ethanol production plants in the state attain a total annual production level of: (1) 240,000,000 gallons in 2003; (2) 300,000,000 gallons in 2004; (3) 360,000,000 gallons in 2005 and 2006;	Ethanol producers within the State of Minnesota	22,051,000	N/A
Dairy Diagnostic & Business Plan Grants	To fund Dairy Diagnostic Profit Teams and Dairy Business Plans	Dairy Diagnostic Teams and Dairy Farmers	940,000	N/A
County Fair & Agriculture Association Grants	Assistance to Fair Boards and Agricultural Societies for prize costs	Fair Boards and Minnesota Agricultural Societies	359,000	N/A
Farmer's Market Nutrition Program Coupons-State	State Match for Farmer's Market Nutrition Coupons	Low income, nutritionally at risk children, pregnant women and elderly	121,000	2005
Farmer's Market Nutrition Program Coupons-Federal	Federal Grant for Farmer's Market Nutrition Program Coupons	Low income, nutritionally at risk children, pregnant women and elderly	329,234	2005
Sustainable Ag & IPM Demonstration Grants	Grants to demonstrate the energy efficiency, environmental benefit, and profitability of sustainable agriculture, organic, and Integrated Pest Management practices on working farms.	Farmers and Higher Education Institutions.	80,000	N/A
Organic Cost Share	Provide partial reimbursement for producer's organic certification	Certified Minnesota Organic producers	50,000	N/A
Northern Crops Institute Grant	To fund continued research into hardy varieties of crops for use in the Northern Tier of States	Northern Crops Institute	50,000	N/A
Minnesota Livestock Breeder's Association Grant	Promote Minnesota Livestock	Minnesota Livestock Breeder's Association	19,000	N/A