

**Summary: Executive Budget Recommendation  
for Fiscal Years 2013-14 and 2014-15  
DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT**



Analyst: Susan Frey

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$519,300	\$524,300	\$5,000	1.0	\$524,300	\$0	0.0
Federal	11,199,600	9,720,900	(1,478,700)	(13.2)	10,035,500	314,600	3.2
Local	0	0	0	--	0	0	--
Private	175,800	96,900	(78,900)	(44.9)	117,600	20,700	21.4
Restricted	28,959,400	29,020,900	61,500	0.2	29,241,400	220,500	0.8
GF/GP	36,098,900	37,630,300	1,531,400	4.2	37,701,100	70,800	0.2
<b>Gross</b>	<b>\$76,953,000</b>	<b>\$76,993,300</b>	<b>\$40,300</b>	<b>0.1</b>	<b>\$77,619,900</b>	<b>\$626,600</b>	<b>0.8</b>
FTEs	431.0	434.0	3.0	0.7	434.0	0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally-binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

**Overview**

The Department's key programs and priorities include ensuring food safety and security, protecting animal health and welfare, managing invasive exotic species, regulating pesticide use, certifying agricultural commodities, ensuring environmental stewardship, protecting consumers, and promoting the state's agricultural economy.

**Executive Part 1 Appropriations:** The Executive proposes to roll-up the budget into 11 appropriation line items, a reduction from 45 line items in the current year budget.

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>	FY 2012-13 YTD (as of 2/7/13)	Executive Changes		
		FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
<b>1. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,764,400</b>	<b>\$1,226,600</b>
Reflects increased costs of \$1.8 million Gross (\$0.9 million GF/GP) for negotiated salary and wage amounts, insurance rate increases, actuarially-required retirement rate increases, building and other economic adjustments. Additional economics increase of \$1.2 million Gross (\$0.7 million GF/GP) is projected for FY 2014-15.	IDG	N/A	7,400	0
	Federal	N/A	230,300	314,600
	Private	N/A	3,400	20,700
	Restricted	N/A	618,700	220,500
	GF/GP	N/A	\$904,600	\$670,800
<b>2. Food Safety</b>	<b>Gross</b>	<b>\$10,667,500</b>	<b>(\$250,000)</b>	<b>\$0</b>
Includes net \$250,000 GF/GP reduction for food safety wholesale and retail sampling and followup and related laboratory testing with elimination of \$500,000 GF/GP one-time funding, offset by \$250,000 GF/GP increase in ongoing funding. The ongoing funding increase is allocated \$65,000 to food safety and \$185,000 to laboratory services. YTD shown is Food Safety and Quality Assurance line item, and one-time New Food Safety Requirements line item.	Federal	687,400	0	0
	Restricted	3,296,400	0	0
	GF/GP	\$6,683,700	(\$250,000)	\$0

**Executive Changes**

<b>Major Budget Changes From FY 2012-13 YTD Appropriations</b>		<b>FY 2012-13 YTD (as of 2/7/13)</b>	<b>FY 2012-13 to FY 2013-14</b>	<b>FY 2013-14 to FY 2014-15</b>
<b>3. Produce Assurance and Certification Program</b>	FTEs	77.0	4.0	0.0
Net funding loss of \$12,400 for Pesticide and Plant Pest Management includes increase of 8.0 FTEs and \$1.0 million GF/GP funding to maintain and enhance current inspection and certification programs to assure safety and integrity of agricultural products and commodities for export and for domestic purchase, including certificate requests, sampling and laboratory analysis, survey activities, and outreach to identify presence of exotic pests. GF/GP increase offsets reductions to the program of 4.0 FTEs and \$1.0 million, which includes \$435,600 federal USDA and EPA categorical grant funds, \$66,800 private funding and \$510,000 state restricted funds.	<b>Gross</b>	<b>\$10,610,100</b>	<b>(\$12,400)</b>	<b>\$0</b>
	Federal	2,049,300	(435,600)	0
	Private	86,800	(66,800)	0
	Restricted	4,837,400	(510,000)	0
	GF/GP	\$3,636,600	\$1,000,000	\$0
<b>4. Animal Industry - Disease Prevention and Response</b>	<b>Gross</b>	<b>\$8,956,700</b>	<b>(\$449,300)</b>	<b>\$0</b>
Recognizes revenue reductions to the animal disease prevention and response program including decline of \$336,200 from federal USDA grants, decline of \$113,100 from agriculture licensing and inspection fees.	Federal	880,400	(336,200)	0
	Restricted	332,700	(113,100)	0
	GF/GP	\$7,743,600	\$0	\$0
<b>5. Producer Security/Grain Dealer Program</b>	FTEs	4.0	1.0	0.0
Reflects increase of 1.0 FTE and \$150,000 of state restricted fee revenue from recently enacted grain dealer license fee and Farm Producer Insurance Fund reimbursement adjustments (PA 148 and PA 149 of 2012). Funds are used to provide regulatory oversight of grain dealers and administer the farm producer security program.	<b>Gross</b>	<b>\$574,200</b>	<b>\$150,000</b>	<b>\$0</b>
	Restricted	557,400	150,000	0
	GF/GP	\$16,800	\$0	\$0
<b>6. Farmland and Open Space Preservation</b>	<b>Gross</b>	<b>\$1,372,000</b>	<b>\$192,500</b>	<b>\$0</b>
Increases funding for administration of the Farmland and Open Space Preservation program by \$392,500 from the state restricted Agricultural Preservation Fund, an increase from \$872,000 to \$1.26 million; requires statutory amendment. Reduces capital outlay appropriation for farmland and open space development acquisition from \$500,000 to \$300,000 of funds from the state restricted Agricultural Preservation Fund.	Restricted	1,372,000	192,500	0
	GF/GP	\$0	\$0	\$0
<b>7. USDA Monitoring</b>	<b>Gross</b>	<b>\$2,548,700</b>	<b>(\$1,000,000)</b>	<b>\$0</b>
Recognizes \$1.0 million reduced funding for the USDA Monitoring Program from USDA federal grants. Program collects data on pesticide residue and microbiological pathogens in foods, and has food emergency response network capabilities in case of microbiological threat agents in food.	Federal	2,548,700	(1,000,000)	0
	GF/GP	\$0	\$0	\$0
<b>8. New Food and Agriculture Industry Growth Initiative</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,000,000</b>	<b>\$0</b>
Provides \$1.0 million GF/GP to fund a new competitive grant program to foster agriculture industry-wide development and growth through research, education, and technical assistance, focused on removing barriers and leveraging opportunities in food processing and other areas as identified by an advisory board formed by the Director. Initiative also includes \$2.0 million appropriation proposed in the Michigan Strategic Fund budget.	GF/GP	N/A	\$1,000,000	\$0
<b>9. Other One-Time Appropriations</b>	<b>Gross</b>	<b>\$1,970,300</b>	<b>(\$1,370,300)</b>	<b>(\$600,000)</b>
Discontinues one-time appropriations for lump-sum payments to state employees of \$470,300 Gross (\$235,300 GF/GP), and for rural development value-added grants of \$900,000 GF/GP. One-time private forestry \$600,000 GF/GP appropriation is retained in FY 2013-14, and eliminated in FY 2014-15.	IDG	2,400	(2,400)	0
	Federal	85,000	(85,000)	0
	Private	1,500	(1,500)	0
	Restricted	146,100	(146,100)	0
	GF/GP	\$1,735,300	(\$1,135,300)	(\$600,000)

## **Major Boilerplate Changes From FY 2012-13**

### ***Executive Boilerplate Deletions***

In general, the Executive Budget Recommendation deletes a large majority of boilerplate language included in the FY 2012-13 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted. For the Department of Agriculture and Rural Development, the Executive deletes 30 of 45 boilerplate sections.

**NOTE:** No boilerplate language proposed specific to FY 2014-15.

### **Sec. 231. Report on Ten Measurable Outcomes – DELETED**

Requires a report, by October 31, 2012, on ten principal measurable outcomes to be affected by the expenditure of funds in this budget; requires biannual updates starting on April 1, 2013.

### **Sec. 232. Department Online Scorecard and Metrics – NEW**

Requires that the Department maintain a public scorecard on a publicly accessible website which updates key metrics used to monitor and improve the agency's performance.

### **Sec. 402. Food Safety – DELETED**

Requires report on food-borne outbreaks and emergencies related to food safety by April 1.

### **Sec. 453. Indemnification Payments – DELETED**

Authorizes department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; requires report on reason for, amount of, and person to whom indemnification is to be paid. Subsection (2) authorizes department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) indicates that the appropriation in Part 1 for indemnification is for indemnification under Subsection (2) and related department costs. Provides for a report, due March 1.

### **Sec. 552. Clean Sweep Program – DELETED**

Encourages department to work with local public health departments and the USDA to maintain and expand Clean Sweep program, including disposal of prescription drugs; requires report.

### **Sec. 601. Environmental Stewardship – DELETED**

Clarifies intent that line item funding be used to support department agriculture pollution prevention programs, including groundwater and freshwater protection programs under Part 87 of the Michigan Natural Resources and Environmental Protection Act, 1994 PA 451, and technical assistance in implementing conservation grants available under the federal Farm Bill of 2008.

### **Sec. 608. MAEAP and Lake St. Clair Water Quality – DELETED**

Directs the department to address water quality issues affecting Lake St. Clair, including non-point source pollution, from the funds appropriated for the Michigan Agriculture Environmental Assurance Program.

### **Sec. 706. Agricultural Development – DELETED**

Requires report due April 1 on agricultural development and export market development activities.

### **Sec. 803. Thoroughbred Program Escrow – DELETED**

Provides for "escrowing" of funds for thoroughbred program if there is no live thoroughbred race meet in 2011 or 2012.

### **Sec. 804. Michigan Gaming Control Board – DELETED**

Requires the Michigan Gaming Control Board to use actual expenditure data in determining regulatory costs of conducting racing dates.


### **Sec. 1101. Rural Development Value-Added Grant Program – REVISED**

Provides criteria for Rural Development Value-Added Grant Program, and provides for reports. Subsection (5) work project language is deleted and the remaining language is moved from One-Time Basis Only Appropriations section to Agriculture Development and renumbered as Sec. 701.

House ARD SC 2-19-13  
 2/16/2013  
 Ken Nobis

**House Agriculture and Rural  
 Development Subcommittee**  
**Meeting Feb. 19, 2013**

Ken Nobis, President  
 Michigan Milk Producers Association



### Top Ten Dairy States

2011 Milk Production

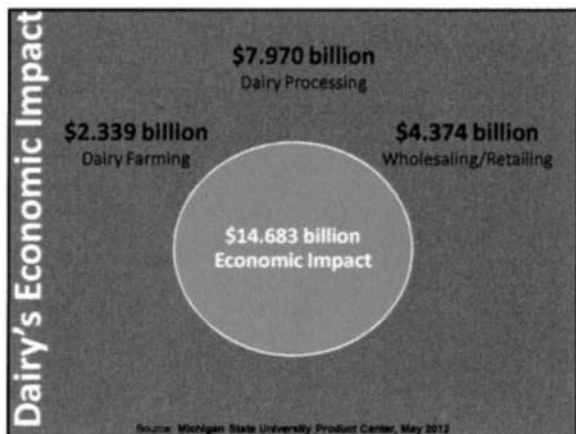
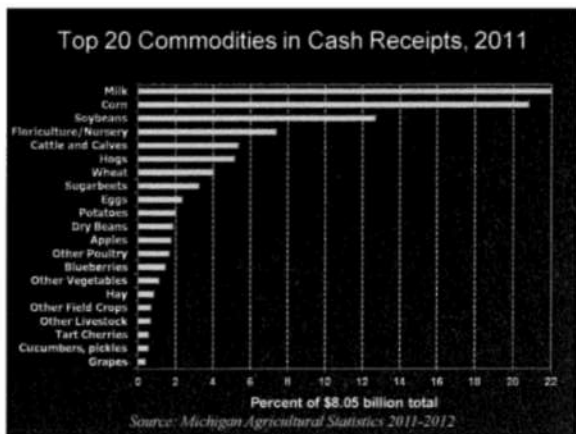
1.	California	41.5 billion lbs	+ 2.7%
2.	Wisconsin	26.1	+ 0.3
3.	Idaho	13.3	+ 3.7
4.	New York	12.8	+ 0.9
5.	Pennsylvania	10.6	- 1.2
6.	Texas	9.6	+ 8.5
7.	Minnesota	8.9	- 2.3
8.	Michigan	8.5	+ 1.7
9.	New Mexico	8.2	+ 3.8
10.	Washington	6.2	+ 4.5

### Michigan's Dairy Industry


- Ranks 8<sup>th</sup> nationally
- Dairy is the top ranking segment of Michigan's number two industry: **Agriculture.**
- Dairy contributes **22%** of Michigan's cash receipts for Agriculture.
- Represents more than **4.0%** of total U.S. milk production.

### Milk Production Per Cow Top 10 States - 2011


State	Milk Produced Per Cow
1. New Mexico	24,854 pounds
2. Washington	23,727 pounds
3. Arizona	23,468 pounds
4. California	23,438 pounds
5. Colorado	23,430 pounds
6. Michigan	23,164 pounds
7. Idaho	22,934 pounds
8. Nevada	22,897 pounds
9. Texas	22,232 pounds
10. Iowa	21,309 pounds



## 38,637 Dairy Industry Related Jobs in Michigan

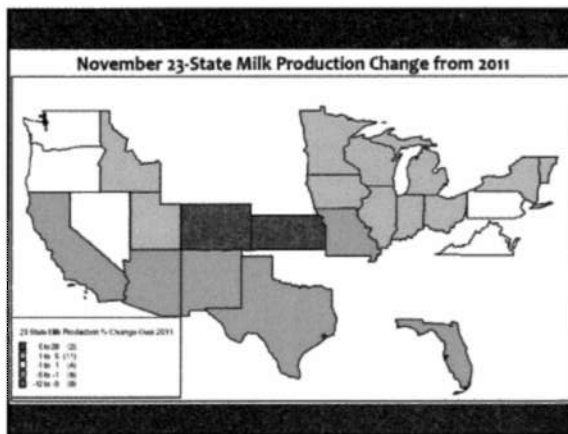
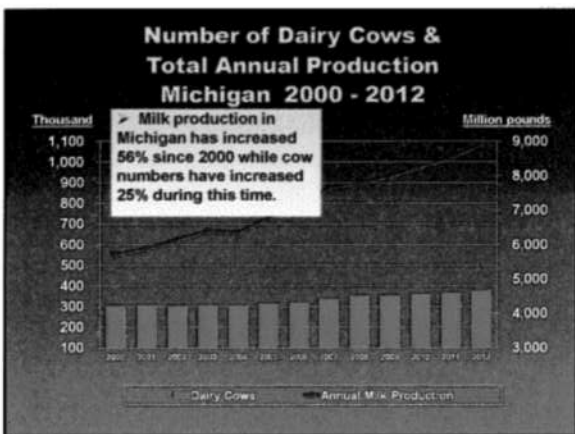
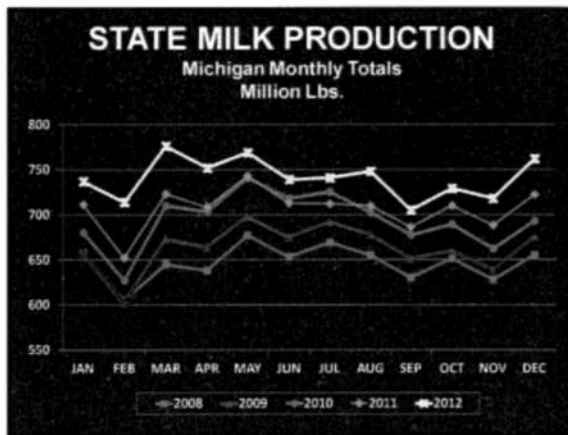
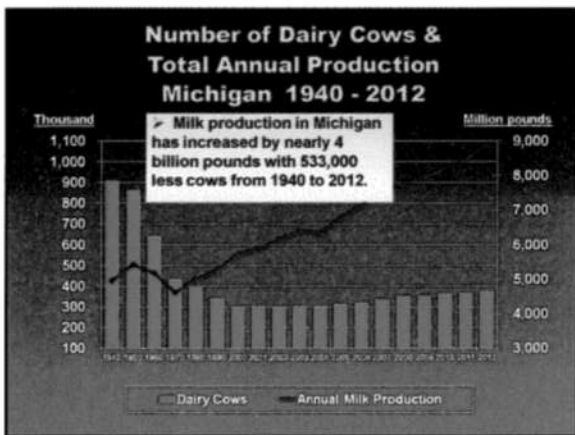
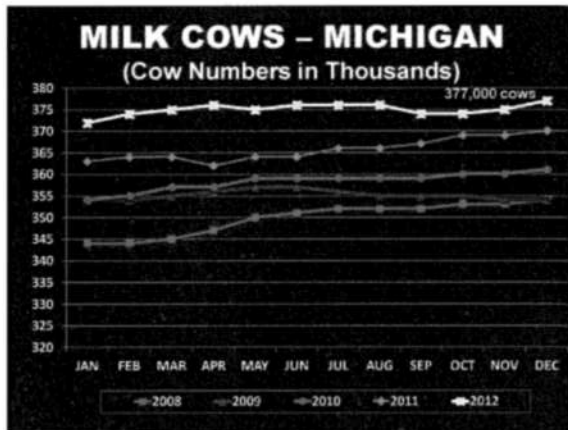


**16,781**  
Dairy Farming



**22,856**  
Dairy Processing

Source: Michigan State University Product Center, May 2012



### The Michigan Advantage

- Agricultural Land
- Climate
- Water
- Infrastructure
- Access to Population Centers

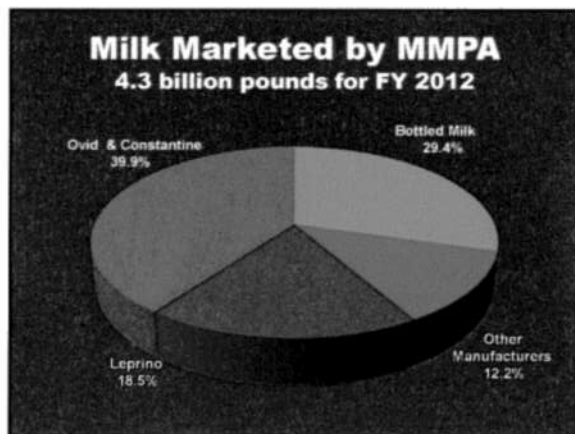
### MMPA Locations

Products made at Ovid & Constantine Plants: **Butter, Cream, Condensed Milk, Non-Fat Dry Milk Powder, Whole Milk Powder, Specialty Blends.**

Ovid  
Constantine  
Novi, MI

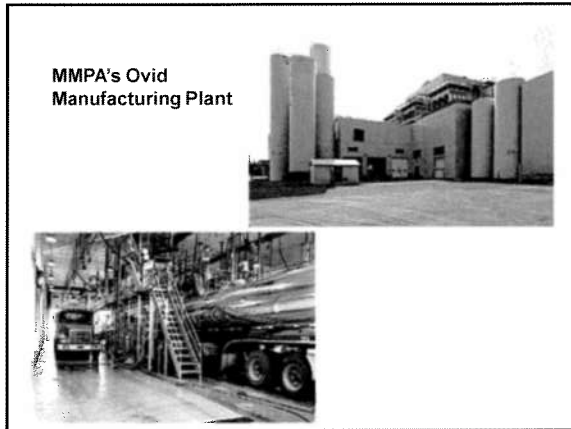
### Michigan Milk Producers Association

- Formed in 1916
- 1,300 member farms in Michigan, Ohio, Indiana and Wisconsin.
- Markets 4 billion pounds of milk annually.
- 11<sup>th</sup> largest dairy cooperative in the United States.



### MMPA Product Customers

- Butterball Farms
- Good Humor / Breyer's
- Kraft
- Edy's Ice Cream
- Old Europe Cheese
- Nestle Foods
- Dannon
- Dawn Foods
- General Mills
- Big Boy Food Group

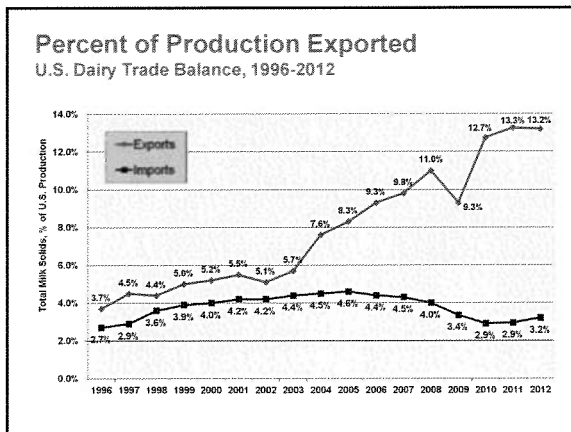
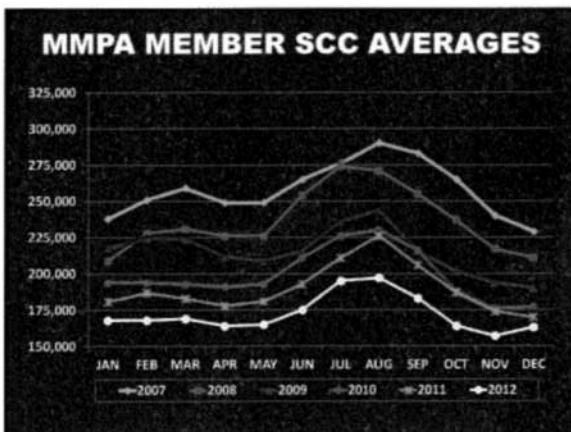
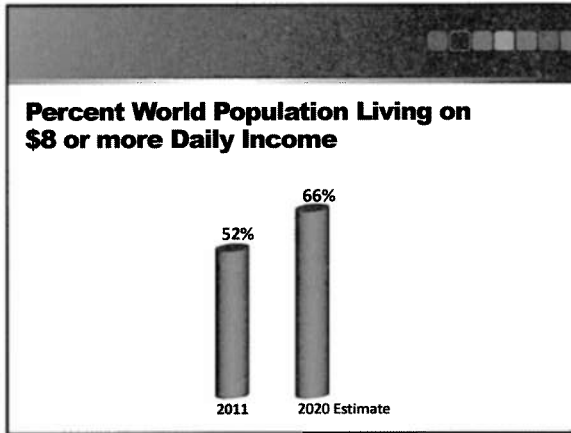


### Export Market's Importance

- Exports now represent a major segment of the commercial market for U.S.-produced milk, and the fastest growing one
- Exports used over 13 percent of U.S. milk in 2012.
- Growth in commercial exports is contributing about twice as much new market growth for U.S. milk production as growth in domestic sales of the major consumer dairy products.

**Whole Milk Powder**  
Global demand is growing. China largest customer. Asia has high demand.

Usage focuses on Infant formula and consumer consumption in countries that lack the infrastructure to support fresh milk.



## 2012 MMPA Exports

625,005 Unsalted Butter	Egypt
791,673 Unsalted Butter	Saudi Arabia
1,500,012 Unsalted Butter	Bahrain
3,272,500 Nonfat Dry Milk	Chile
171,961 Whole Milk Powder	Columbia

➤ Represents 10.6% of MMPA butter production and 5.3% of MMPA NFDM production

### House Agriculture and Rural Development Subcommittee Meeting Feb. 19, 2013

Ken Nobis, President  
Michigan Milk Producers Association





