

Agri-Business Community Work Group 2014- 2015

Meeting Notes

January 12, 2015

Location: 300 Monroe Avenue N.W.

Members Present: Commissioners Saalfeld (Chair), Jones, and Ponstein; Patty Birkholz, Bryan Harrison, Ed Robinette, Dr. Paul Isely, Steve Wilson, and Rick Baker

Members Absent: Steve Grimm, Bryan Posthumus, Bert Bleke, Rick Chapla, and Mimi Fritz

Staff Present: Assistant County Administrator Mary Swanson; Executive Assistant to the Board of Commissioners Conni Mutchler

Media Present: *None*

Public Present: Russ Slater, Commissioner Harold Mast

- I. Chair Saalfeld called the meeting to order at 4:30 p.m.
- II. **Approval of the Minutes:** The work group approved the December 8, 2014 meeting notes.
- III. **Presentation by Mike DiBernardo and Jodi Gruner, Michigan Department of Agriculture and Rural Development**

Chair Saalfeld welcomed Mike DiBernardo, Economic Development Specialist, and Jodi Gruner, Economic and Community Development Analyst, of the Michigan Department of Agriculture and Rural Development.

Ms. Gruner is part of a team, reporting to Mr. DiBernardo, within the Department which does economic development in the agriculture sector, and focuses on the west side of the State. They work to facilitate companies' growth and development in the State.

Mr. DiBernardo explained that the Department has two main functions. The first is regulatory (e.g., animal health, invasive species, restaurants, FDA inspections, etc.), but the second is to advocate for agriculture. They want to help the industry grow. Mr. DiBernardo stated that agriculture is a \$100 billion industry with food processing representing \$25 billion. One million people are employed in the industry. The goal of the department is to grow and enhance the fresh market, but also to build value with the processed market. He noted that the best farmland preservation program is one with a strong value-added processing market. If the product has more value, the market will dictate more value to the land. Localizing or regionalizing product processing is a key sustainable piece of promoting farmland preservation.

If there is a local processing plant, a product has more value than if it has to be put on a truck and shipped a distance to be processed. Transportation, time, and spoilage are all added costs.

Mr. DiBernardo stated that one of the biggest local challenges to agriculture is making sure that every department of local government, such as zoning and tax assessment, is on the same page. To address the challenge, we need to educate and create a good system. Support from local government is key for agricultural development. Michigan is ripe for exploiting value added processes.

Mr. DiBernardo encouraged local government to look at the area's vocational training programs. Giving young people a different path other than just college will increase the number of trained workers for the large number of well-paying jobs in the agricultural industry. Internships are another way to get young people interested in agri-business.

Mr. Ponstein asked about the other side of the processing issue, in which a local processing company can't get enough local product, such as wheat. Mr. DiBernardo stated that for a long time, wheat growers were not united. The growers have formed a wheat check-off group, which is a legislatively authorized group which collects money from growers. That money is earmarked for research for breeding wheat which is disease resistant, because the biggest problem in wheat today is disease, vomitoxin, and diseased wheat has no value to the milling company.

Mr. Ponstein asked if the Department is looking at transportation issues.

Mr. DiBernardo responded that the Department is looking at all elements to make a farm business successful, including rail spurs, as well as gas and electric lines, waste water management, and road service. They have used USDA rural development money to enhance waste water treatment in small communities. Ms. Gruner added that transportation is always the number one issue in the food or agri-business, because it costs money to move products.

Mr. DiBernardo stated that not only are communities interviewing companies, but companies are interviewing communities to determine what kind of partnerships and support there is for agri-business, including workforce development and access to training. This is one of the biggest changes from prior years. Tax incentives are actually less important to companies than a skilled workforce, infrastructure, and a "grower" base. He noted that Kent County is known for a good workforce development.

Mr. Harrison asked if there is a tax policy to help preserve agricultural land, or if there should be. Mr. DiBernardo answered that the State typically defers to the counties and townships on taxes.

Ms. Gruner added that there are agri-businesses that do not operate on traditional farmland, such as hydroponics, and are taxed at a much higher rate than farmland. She stated

it is important to look at the use of the property and how taxes are assessed. There is a lot of grey area.

Questions were raised about Kent County's hand in taxing the industry. Mr. Saalfeld noted that land assessment is done by townships and cities, and equalization is done by the County. He stated that it might be helpful to understand how the County Board of Equalization looks at property and its usage, and suggested that the County's Director of Equalization address the group at its next meeting.

Mr. Saalfeld asked about how the State of Michigan rates as far as local governmental units being on the same page for agricultural preservation. Mr. DiBernardo answered that before Governor Snyder took office, Michigan was 49th. The Governor has made a lot of strides with new tax structures. Many agri-businesses are coming back to Michigan. The natural resources Michigan has are also a draw for agri-business. He gave the example of Mastronardi, a hydroponic greenhouse operation in Coldwater, Michigan. It began with 30 acres, expanded to 60 acres, and will soon be up to 90 acres. He stated that hydroponics is the next wave of technology, with an extended growing season. At one time, the Mastronardi property was taxed at a higher rate than the Walmart distribution facility that was almost three times the size. The assessor looked at the infrastructure, which had a very high value, so it was taxed at a higher rate, even though it was classified as production agriculture. There is legislation waiting on the Governor's desk that looks at hydroponics and recirculating aquaculture systems the same, and taxes them at 25 percent of the market value. This was done at a State level because there was not consensus at the local level.

Mr. Baker asked what other communities are saying about Kent County. Ms. Gruner answered that other communities think of Kent County as a manufacturing, rather than agriculture area. She has not heard negative things, though, about what Kent County is doing for agri-business. Mr. DiBernardo added that Kent County has done really well with workforce development. Community feedback is generally positive. The number of food processing operations in Kent County is a testament to the good relationship between growers and processors.

Mr. DiBernardo encouraged the members to think about exporting as the population, and especially the middle class, increases. The Department has a strong export program, which adds value to companies. There are expenses and bureaucracy associated with exportation, which the Department can help companies navigate.

Farmers markets are the fastest way for entrepreneurs to get into the market, to determine if their product will sell. Farmers markets drive opportunity, and the community needs to generate excitement about these local markets. The local food hub system is a good local training ground to get young people into agri-business. They are areas to sell the processed products. Public/private partnerships can be formed to develop commercial kitchens

where farmers can rent space to process, for example, the fruit they don't sell fresh into jams. Mr. Saalfeld pointed out that Kent County is already doing this type of thing.

Mr. Ponstein observed that a school system in Kalkaska worked with a local dairy to purchase their product.

Aggregating the products through co-ops or distributors would help to bring local products to buyers, such as restaurants and school systems. Farm Link is a way of doing that.

Mr. Ponstein asked what role the Department has in water resource management. Mr. DiBernardo answered that the Governor arranged pods of State agencies: Department of Agriculture and Rural Development, Department of Environmental Quality (DEQ), and the Department of Natural Resources (DNR). All three departments have ownership in water quality. The departments work with the universities and the industry to balance efficiency and safety. Ms. Gruner added that waste water management is a huge determinant for companies when choosing new locations.

Mr. Ponstein asked about aquaculture in the Great Lakes.

Mr. DiBernardo replied that recirculating aquaculture is the right answer, as far as sustainability and environmentally. Hydroponics is also a good solution for the region. Produce can be grown and sold locally in the winter months, rather than importing produce from Mexico. It is a big investment for companies to do this. The department is encouraging a company in Canada, which is already in the hydroponic industry, to come to Michigan, to add production in some environmentally sound ways.

The Department holds a summit in conjunction with the Pure Michigan team each year, with all of the big food distribution companies in the area in attendance. One of the biggest items these companies are looking for in local products is animal proteins: eggs, fish, meat, and dairy. He noted this points out a gap in the supply chain.

Mr. DiBernardo said two major goals of the Department are value added processing and filling supply chain gaps. Mr. Saalfeld asked if the export market can help fill these gaps. Mr. DiBernardo answered that yes, it could.

The Department has published *Michigan Agriculture* magazine, which can be found on-line at www.MIagriculture.com. It is a guide to the State's farms, food and commerce, and shows modern farming in Michigan. Mr. Ponstein pointed out that the airport would be a great place to display these magazines.

Ms. Birkholz made a statement about preserving Michigan's water quality, and how over-fertilizing and fertilizing at the wrong times can be harmful to the State's water supply. It is her opinion that the government needs to be looking at solutions. Mr. DiBernardo stated that

the Department is working with conservation teams and the DEQ to fix issues with the water supply.

Mr. Saalfeld asked if there is anything government is doing to hinder agri-business in Kent County, or is there is anything the government can do more of to help agri-business.

Mr. DiBernardo stated again that Kent County has done a good job with workforce development. Promoting interesting ag jobs to high school and vocational tech students is the number one thing the County can do to help agri-business. He also felt that the County has good relationships with food processing companies, and establishing hub infrastructures, such as roads, waste disposal, and broadband. However, when moving away from those hubs, roads and other infrastructure areas, such as broadband and gas lines, may need work. Rural areas need the same kind of support that the urban areas have.

Mr. Saalfeld also asked what other tools or methods or programs are used to promote agriculture.

Mr. DiBernardo answered that the most used program with the most money available for land preservation is through Natural Resources Conservation Service (NRCS) and USDA rural development. These work on a cost-share basis.

Mr. Ponstein asked about the road tax which may pass, and if this money will be utilized for upgrading roads necessary for agri-business.

Mr. DiBernardo stated that his team meets regularly with MDOT. MDOT approves five-year road plans, submitted by the counties.

Mr. Baker stated that the business community has a voice with the Road Commission in planning and pointed out that it is important that agricultural interests voice their needs regarding road planning. Mr. Saalfeld noted that there is a very good relationship between the Road Commission and the townships in Kent County.

IV. Public Comment

Russ Slater of the Kent County Agricultural Preservation Board said that he attended a City of Wyoming meeting that morning, in which they discussed Site 36, a heavy industrial park which they are looking to use to attract new business to the area. He looks at the ACWG as similar to that group, in that it is working to figure out an idea that is simple, which becomes the driver for policy.

V. Adjournment: Mr. Saalfeld adjourned the meeting at 5:50 p.m.

VI. Next Meeting: Monday, February 9, 2015, at 4:30 p.m.