Minnesota Agri-Growth Council
NEWSLETTER
Getting to the root of the matter.
Volume 45 • Issue 2 • March 2014

Farm Bill receives warm Minnesota reception

By Lucas Sjostrom, Contributing Editor

It took a few tries, but as of February 7, 2014, a farm bill was once again the law of the land.

Actually, when President Obama signed the bill making it law, it was the first such bill signed by a U.S. president in nearly 12 years. The entire 2008 farm bill was first vetoed by President George W. Bush, before being quickly passed through a on a veto-override by two-thirds of D.C. legislators.

The final vote tally for the 2014 bill was 251 to 166 in the House of Representatives and 68 to 32 in the Senate. Minnesota legislators voting for the bill included Senators **Al Franken (D)** and **Amy Klobuchar (D)**, as well as Representatives **John Kline (R-CD2), Betty McCollum (D-CD4), Rick Nolan (D-CD8), Erik Paulsen (R-CD3), Collin Peterson (D-CD1),** and **Tim Walz (D-CD7)**. Representatives **Keith Ellison (D-CD5)** and **Michelle Bachmann (D-CD6)** voted against the measure, reflecting the bi-partisan split in both houses.

The Republican House saw a coalition of 162 Republicans and 89 Democrats pass the bill. The Democrat-led Senate, partnered 48 Democrats and 20 Republicans to send it to the President.

We heard a chorus of positivity on the bill's passage from **Minnesota Agri-Growth Council (MAGC)** members we polled. Provisions for the 2014 farm bill will generally last until December 31, 2018.

EVENT CALENDAR: 2014

MARCH
5: Agri-Growth Legislative Reception
25: National Agriculture Day
25: Agri-Growth Policy Luncheon

APRIL
22: Agri-Growth Policy Luncheon

MAY
6: Agri-Growth Policy Luncheon

JUNE
4: Agri-Growth Legislative Wrap-Up

Learn more and register to attend at agrigrowth.org/events.

DAIRIES ASSURED, INSURED

Relief appeared to be one word on the minds of those producing Minnesota dairy products, including MAGC Vice Chair, **Pat Lunemann**, a Clarissa, Minn., dairy farmer and president of the **Minnesota Milk Producers Association**. "The process wasn't easy," Lunemann said.

The dairy industry had been operating without the counter-cyclical payment program named "MILC" –Milk Income Loss Contract – but the 2014 law reinstated it retroactively and until the new rules are worked out, although no payments would have been made and currently are not projected.

MILC paid producers in times of low milk-feed margin on up to 2.985 million pounds of milk, or about 150 cows. Because payments were counter-cyclical and based on national and changing markets, the amounts were hard to predict, and totaled anywhere from $0.02 to $2.11 per hundredweight since 2000, with no payment in most months. That's relative to national All-Milk prices that ranged from $9.90 to $23.20 per hundredweight during that time.

Once the dust settles from the rulemaking process of the 2014 Farm Bill, dairy producers will have the option to sign up for the new Margin Protection Program, which is modeled more after crop insurance than a counter-cyclical payment program. Dairy farmers can insure a national milk-feed margin of $4 to $8 on up to 90% of their milk by paying the respective premium.

Historically, margins between milk revenue and feed costs dipped below $6 during only two time periods since 2004. Both times, which were in 2009 and 2012, the margin calculated through the farm bill actually dropped below $4.

"The $4 level is a disaster level," Lunemann said. "If we get down there, our finances are going to be bleeding pretty badly. While MILC has been pretty good for the

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Member In Focus

Company: Red River Farm Network (RRFN)

Website: www.rrfn.com

Location: Headquartered in Grand Forks, ND, and heard on radio sets throughout Minnesota, North Dakota and South Dakota

RED RIVER FARM NETWORK
Reporting Agriculture's Business

The Red River Farm Network broadcasts across 18 network affiliates in Minnesota, North Dakota and South Dakota, was founded in 1995. They strive to "Report Agriculture's Business" by rising early to write and broadcast the news from 6:30 to 7:00 a.m. through their Country Morning program, four 5-minute morning market updates, Agriculture Today from 12:30 to 1:00 p.m., and a closing market summary at 1:30 p.m. We talked with Don Wick, co-owner and broadcaster at RRFN, and member of the Minnesota Agri-Growth Council Board of Directors.

What makes RRFN different?

Our philosophy is to do everything we can to deliver information to our audience. Radio is our bread and butter, but we've expanded into other mediums to get information to farmers. You can see that through our weekly e-newsletter, the two magazines we produce – North Dakota Soybean Grower and Northarvest Bean Growers Association's Bean Grower – and, more recently, our smartphone app. Farmers are more mobile now than they were 11 years ago when I started at RRFN, so we need to be able to serve that need.

To do this, we utilize four farm broadcasters, including myself, Mike Hergert, my partner as co-owner of Red River Farm Network, Randy Koenen, and Jody Heemstra. We put in a lot of windshield time to make events in Minnesota, North Dakota, and South Dakota, and travel nationally and internationally. We need to be where the news is happening.

Our focus is pocketbook issues. Our stories concentrate on market-sensitive news, the policy news coming out of places like St. Paul and Washington, DC.

How do you choose what to cover?

Farmers are information junkies, so our philosophy on 'Reporting Agriculture's Business' determines the agricultural journalism we produce. It's all about content.

Why is Minnesota Agri-Growth Council membership important to the Red River Farm Network?

The Minnesota Agri-Growth Council is the "big-tent" where you can find everyone in Minnesota agriculture. For that reason, we've always attended the MAGC's annual meeting each fall. It's a newsworthy event with the who's who in Minnesota agriculture. As I said before, our content creation quality is based on relationships. We saw joining MAGC as an investment to network with Minnesota agriculture's thought leaders.

REMINDER - WE'VE MOVED!

Please update your address books, as our offices have moved. The new address was current as of February 1, 2014.

Minnesota Agri-Growth Council
400 Robert Street North
Suite 1520
St. Paul MN 55101

Upper Midwest, although the payments helped, if we had a severe disaster I don't know that MILC would have bailed the water out of the boat. I was glad to see the new insurance provision stayed mostly in-tact as originally proposed."

"Going into these discussions three years ago, we all thought we needed a broader safety net with more producer options, and I think the new insurance program gives us that," said **Ed Welch**, President and CEO of **Associated Milk Producers Inc** (AMPI). AMPI is a 2,900 member dairy cooperative based in New Ulm, Minn., with members also in Wisconsin, Iowa, Nebraska, South Dakota and North Dakota.

Also gone is the effective price floor for milk prices called the Dairy Product Price Support Program. Although usually irrelevant, prices dipped to near the mark during 2009. As a new market-clearing mechanism, the 2014 Farm Bill includes a dairy product donation program instead.

"The support price just doesn't work anymore," Lunemann insisted.

Welch agreed, "We knew the support price hadn't been effective the past few years anyway. We're starting pretty much with a clean slate. MILC had been a good safety net and served its purpose."

Dairy may have been some of the reason for a farm bill delay, based partially on the need to remove a supply management component that was originally in the bill.

Welch explained, "We thought we had a farm bill last year, but politics are all about compromise, and getting something everyone can swallow. In the end, we needed a farm bill with a little disappointment for everyone."

VEGETABLE PENALTY DROPPED

"It's like any other big piece of legislation that costs billions of dollars," explained **Nick George** with the **Midwest Food Processors Association (MWFPA)**, explaining they were generally happy with the new legislation. MWFPA is an association of food processors based in Madison, Wisc., but represents firms in Wisconsin, Minnesota and Illinois. "You have to take the bad with the good. But it finally came together like it should have, and we think there are a lot of positives in it."

For MWFPA, the issue of focus is historically called "FarmFlex." The program was derived after soybeans were included as program crops, joining corn, in the 2002 farm bill. At the time, farms paid a penalty to grow vegetables on program acres. As result of the 2002 change, vegetable processors couldn't find enough contract growers to meet their demand. A national coalition of vegetable processors and growers worked to include a pilot program in the 2008 farm bill, and succeeded by freeing up many acres, including 34,000 in Minnesota alone, with another 38,000 acres across 6 other Upper Midwest states.

With the 2014 bill, the pilot label has been scrapped from the program, which MFVPA is very pleased about. The joined members across the nation to form the American Fruit and Vegetable Processor and Grower Coalition (AFVPGC) to push for the issue. "If you're a farmer that wants to grow vegetables for processing, there is no longer a penalty," George said.

Vegetable processors can now approach producers to contract acres with no penalty, unlike under the old formula.

-Nick George

"The importance of the pilot program was to demonstrate to other growers that they weren't going to lose acreage or money from program crops. This year, with help from Representatives Frank Lucas (R-OK), Collin Peterson, and Tim Walz, along with others in the Minnesota and Wisconsin delegations, we were able to make the program permanent."

To reiterate, "Processors can now approach producers to contract acres with no penalty, unlike under the old formula." George said. "A few years ago, one of our processors said they would have grown a few hundred more acres of peas, but they couldn't find anyone who could do it for them. This is a big deal."

Opposition on the measure came mostly from the fresh produce industry in California and Florida, where similar crops are grown without the program acre competition.

Outside of the flexible acreage program, AFVPGC has long advocated for equal treatment of processed fruit and vegetables with fresh in USDA programs. An example is the School Snack Program, which only allows fresh fruits and vegetables to be served. AFVPGC fought to broaden the program by permitting schools access to

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GUEST COLUMNIST FEATURE:
Federal Immigration Reform is Needed Now

By: Jeffrey M. Ettinger, Hormel Foods chairman of the board, president and chief executive officer; Miguel Garate, counselor, Riverland Community College; Bonnie Rietz, former Austin mayor and Hormel Foundation member; Father Dale Tupper, pastor, Queen of Angels Catholic Church; and Jake Vela, director of the Welcome Center. They are pictured at right in front of the White House.

Our nation was built by people who came here in search of a better life. The five of us, as Austin, Minn., community members and leaders, traveled to Washington, D.C., this past spring to discuss immigration reform with U.S. legislators and White House staff. We represented the many different aspects of our community and explained why federal immigration reform needs to happen now. Subsequent to our visit, the Senate passed a comprehensive immigration reform bill; we now urge House leadership and our own Minnesota congressional delegation to make the passage of immigration reform a priority.

This is a topic that affects everyone — through people we know and through the broader economic impacts on our communities and businesses. As of 2011, Minnesota is home to nearly 400,000 immigrants , and they are vital contributors to our local economy. As our population ages and baby boomers retire, immigrants will only become more important to our workforce and communities. In fact, the minority and immigrant population is increasing in every region of Minnesota, helping to keep small towns and urban communities vibrant and rural schools open. In 2013, the Minnesota legislature enacted the Minnesota Dream Act making college possible for many immigrant students who would not have had the opportunity in the past.

Moreover, immigrants not only contribute to businesses — they also help Minnesota's economy grow. Immigrants are highly entrepreneurial and often start their own businesses. Additionally, they are consumers who help support local businesses. In Minnesota alone immigrants have an annual buying power (income after taxes) of more than $5 billion.

Undocumented immigrants in our communities often live their lives in fear. Many came here as children. If their immigration status is discovered, they face deportation to a country they may not remember. Their decisions are impacted by fear of deportation — decisions that many of us take for granted such as applying for a job, enrolling in school, going to the doctor, driving, or purchasing a car or home. They are also reluctant to contact or interact with local law enforcement, to the detriment of efforts to protect the safety of our communities.

Additionally, many are reluctant to participate and engage fully in local communities. This is a loss for Minnesota as many talents, gifts and perspectives go unrecognized because this population hides in the shadow of fear.

Immigration reform with pathways for earned legalization, permanent residency or citizenship will enable the positive contributions of undocumented immigrants, making our communities stronger for everyone. We need and urge House leadership and our congressional delegation to prioritize the passage of immigration reform — to make a positive impact for those residing in Minnesota and for the rest of the individuals and businesses that call Minnesota home.

all nutritionally appropriate fruits and vegetables.

"Within the 2014 Farm Bill, we've been given a one-year pilot program to try it out," George said. "While we're disappointed that it's only one year, we had to take what we could get to keep it in this bill."

With two big wins, MWFPA is working to achieve the narrow focus it fights for:

- Enough acres for growers to grow the processors' crops
- The ability to have equal treatment of fresh, processed, and dried fruits and vegetables under the School Snack Program

"From our perspective, it was a very positive farm bill," George explained. "We are thankful that we had some legislators as real champions fighting for us."

PUBLIC-PRIVATE RESEARCH FOUNDATION CREATED

While the cows and crops garner much farm bill fanfare, our nation's land grant colleges, Extension programs, and agricultural experiment stations would have trouble operating without the farm bill. **Bev Durgan,** Dean of Extension at the **University of Minnesota**, says that there are both annual operating funding measures and competitive funding processes within the scope of title 7, the "Research Title." There is also the McIntire-Stennis funding for forestry, another important sector of Minnesota's agriculture industry.

"Overall, I think it was a good farm bill. We're fairly pleased with it," Durgan explained. "One pleasant surprise was the reauthorization of SNAP Education funding."

SNAP, previously known as Food Stamps, stands for Supplemental Nutrition Assistance Program.

"We receive some very devastating cuts in our nutrition program last January," Durgan said. With the farm bill ending and the sequester following, Minnesota's SNAP Education program came to a halt. "This funding is the main vehicle we use to create our nutrition programs in Minnesota, working with low-income families and within school systems. We were very happy to see that it was reauthorized as mandatory funding for the next 5 years."

Another exciting program for Durgan is the new Foundation for Food and Agriculture Research created to develop industry partnerships for agricultural research. The model was based on similar foundations developed by the National Science Foundation and the National Institutes for Health.

"We were surprised that the Foundation was created, which is hopefully a public-private investment to really look at some of the bigger issues around food and agriculture," Durgan said. "I think that's a good opportunity to look at creative partnerships with land grants in a different way, as opposed to just the traditional funding through the National Institutes of Food and Agriculture.

SUGAR SUPPORTS CONTINUATION

The nation's sugar industry wanted nothing coming into the 2014 farm bill, and that's exactly what they got. This is "nothing" in terms of no changes, and continuing the current sugar program as it ran in the 2008 farm bill.

"We hoped the current program was extended, and that's exactly what happened," explained Nick Sinner, executive director of the Red River Sugarbeet Growers Association (RRSGA).

The Fargo-based organization represents the shareholder-owners of the Moorhead, MN-based **American Crystal Sugar Company**, but also works closely with other beet and cane growers across the country. These include Minn-Dak Farmers Cooperative and Southern Minnesota Beet Sugar Cooperative, both of whom have growers with Minnesota acreage. "In the market we're all fierce competitors, but in Washington the U.S. sugar industry has one voice," Sinner said.

COMMODITY PROGRAMS SEE BIG CHANGES

Although the farm bill has many components, the vast majority (about 79%) of the $966 billion in funding heads to food stamps and nutrition. Of the remaining dollars, 96% are available to farmers and landowners in forms of crop insurance ($89.8 billion), conservation ($56 B), and commodity programs ($44.4 B). The 2014 bill consolidated 23 conservation programs into 13, and for the first time ever conservation funding actually exceeds commodity programs as result of the elimination of direct payments.

"One of the top areas we're getting questions about is the new safety net programs that will replace direct payment and the options farmers have within the new programs," explained **Staci Martin**, director of legislative and regulatory affairs with **AgStar Financial Services**. "In addition to that, we have many questions about enhancements made to the crop insurance program."

Martin says the biggest change for farmers will be the many options they have in the new programs. "You're going to have to make a decision in a short amount of time. Since we're still waiting for the rules and guidance to be written around all these new programs, there are

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going to be some unanswered questions."

The changes are not a big surprise for those in the field.

"We knew we were going to lose direct payments," said John Mages, chair of Minnesota Corn Growers Association's government relations committee, and a Belgrade, Minn., farmer. "We needed a program that would work without those, and I think we made the best program that we could without a lot of money."

> You're making a decision for 5 years. It's going to take some time to sit down and look at how each of the programs interacts with your farm.
>
> -Staci Martin

One continuation is that the new programs are tied to conservation compliance, as they were with direct-payments in the past. But otherwise the new Price-Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) are going to be vastly different and new compared to old systems.

"Because the farm bill created two new programs through ARC and PLC, individual farmers are going to need to sit down to determine what fits best for their farm," Martin said. "That's different than in the past, when we had direct payments with a formula in-place. Now it's less straight-forward and far more individually based."

Mages noted, "We're glad to see that they set up the programs so farmers can determine what works best for their own operations."

"And this is a one-time irrevocable decision," Martin continued. "You're making a decision for 5 years. Now, this is a decision farmers are positioned well to make, but it's going to take some time to sit down and look at how each of the programs interacts with your farm."

The programs can be used on either a commodity-by-commodity or whole farm basis starting for crop year 2014. There's another provision that pairs PLC with the supplemental crop insurance option through the crop insurance program beginning with crop year 2015. Martin suspects that rules will be finalized sometime this spring or summer, but nothing is set.

"I would recommend that farmers utilize trusted advisers as they make these decisions," Martin added. "Under these programs, your farm and your neighbor's farm won't necessarily be the same."

On the crop insurance side, one big change is that insurance coverage is tied to conservation compliance. However, any farmers who previously participated in the direct payment program would have already been meeting those requirements. There is also a new "Sodsaver" provision, an effort to keep native prairie land in its current state, which is specific to Minnesota and 5 Prairie Pothole region states.

"Crop insurance is a risk management program that farmers help pay for to protect from the weather," Mages stated. "PLC and ARC help farmers protect their prices. But we're all of waiting to see where all the rules will land, and are MGCA is currently involved in the rule-making process."

"We're pleased to see it done," said Mages about the entire bill. "It's been a long time coming – a couple years longer than we thought it would be."

2014 Minnesota Agri-Growth Council Legislative Reception

WEDNESDAY, MARCH 5, 2014, 5:00 p.m. - 8:00 p.m.
317 on Rice Park Event Center: 317 Washington Street, St. Paul MN 55102

The annual Minnesota Agri-Growth Council Legislative Reception is an opportunity for Agri-Growth members to meet and network with legislators, congressional staff and other political and government leaders. This event is complimentary for Agri-Growth members and public officials. You can RSVP at agrigrowth.org/events.

The reception is complimentary for all Agri-Growth Council members and offers hors d'oeuvres and refreshments in an intimate atmosphere for networking.