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January 5, 2022

Governor Tim Walz & Lt. Governor Peggy Flanagan  
75 Rev. Dr. Martin Luther King Jr. Blvd. #130  
St. Paul, MN 55155

Commissioner Thom Petersen  
Minnesota Department of Agriculture (MDA)  
625 Robert Street North  
St. Paul, MN 55155-2538

Dear Governor Walz, Lt. Governor Flanagan, and Commissioner Petersen

On behalf of Minnesota Farmers Union (MFU), I write to share our priorities for a supplemental budget for agriculture. Given the recently forecasted \$7.7 billion state surplus, I am sure that your team is developing a proposal for how this historic opportunity—along with unspent federal COVID-19 relief dollars—can be put to work to make life better for working people and all Minnesotans.

We believe strongly that foundational investments in agriculture and family farmers will help rural Minnesota's economy rebound from the disruptions brought about by COVID-19. The opportunity presented by the surplus and yet unspent federal aid can help build a farm and food system that is more resilient, distributed, and fair for farmers, workers, and consumers.

In a supplemental budget for agriculture, we strongly support:

- **Funding drought relief** – this September we were proud to join you for your announcement of a \$10 million drought relief package, which includes 'rapid response grants' for producers and increased funding for the Rural Finance Authority's (RFA) Disaster Recovery Loan Program. We continue to strongly support this investment and hope it remains a priority for your administration.

There is now snow on the ground, but the drought is not over. Livestock and specialty crop producers are still facing difficult decisions about how to get through the winter and begin next season. State action early in session will deliver swift, accessible relief, helping producers adapt and remain resilient.

- **Investing in meat and processing** – last session you helped secure meaningful investments in small and regional meat processors, supported technical training, and made other foundational investments addressing the bottleneck in meat and poultry processing long experienced by producers and heightened by COVID-19. These were meaningful and appreciated by our members, but the need still far exceeds the investment—including from federal sources. As clear evidence of this, funding requests submitted to MDA's AGRI Meat, Poultry, Egg, and Milk Processing Grant this fall were well over four times greater than the funding made available by the legislature last session.

At the height of COVID-19, nationwide hotspots for infections were large packing plants. This deeply unfortunate reality caused a bottleneck in processing that resulted in farmers killing and composting or rendering market-ready hogs. Of course, we understand you know this well, but it underscores the need to build a system that works better for farmers, workers, and consumers through meaningful state investment.

More funding is needed to help processors start-up and expand, to support the MN State College system as they stand up technical training programs, to assist in generational plant transition, and to provide technical support. The added benefit of making needed investments in meat processing next session is that a state match can help bring more federal dollars to Minnesota.

- **Supporting soil health and climate resilience** – at our annual meeting this November members identified drought relief and long-term climate resilience as a top priority for 2022. Central to this is helping farmers earn a fair return on voluntary investments in soil health practices that can sequester carbon and deliver other ecosystem services. We strongly support investing in farmer-friendly soil health grants that mirror the successful Ag Best Management Loan Program at MDA. In addition, we support building on the success of the Minnesota Agricultural Water Quality Certification Program (MAWQCP) to help them work with more producers and enroll more acres in this nation-leading program.

This is a historic opportunity to invest in the ways that Minnesota is already leading in providing farmers with the information, tools, and resources they need to continue pursuing on-farm climate action.

- **Building out biofuels infrastructure** – also an opportunity to take action on climate, we strongly support strengthened investment in expanding the use of higher-octane, cleaner-burning biofuels through grants to fuel retailers. This strengthens an important market for many family farmers, makes immediate reductions in our use of fossil fuels, and lowers the price consumers pay at the pump.

We want to thank you, Governor Walz, personally for being a strong champion of biofuels. Your leadership among Midwest governors and your championing of legislation to move to an E-15 standard last session were greatly appreciated by our members. We hope that your belief in this important sector of our agricultural economy is reflected in your supplemental budget request.

- **Reauthorizing cooperative development grants** – in the wake of COVID-19 and in the face of climate change and consolidation among processors, farmers are joining together to jointly market or add value to the products they produce. This opportunity is particularly important for emerging crops like the Forever Green Program's perennial wheat variety, Kernza, or industrial hemp, but it can also help farmers develop processing for meat and poultry and other products with established markets.

Cooperative development grants at MDA will help groups of established and emerging farmers develop new and more resilient models for processing and marketing their products in the wake of COVID-19.

- **Creating an indemnity fund** – this past summer, Pipeline Foods declared bankruptcy and many farmers who had delivered grain were left with massive unpaid bills. One family who belongs to MFU delivered over \$80,000 in grain that they later learned they would not be paid for. For a small, organic operation—and a young family with children—this was hugely challenging.

Over a dozen states, including Wisconsin, Iowa, North Dakota, Illinois, and Michigan have indemnity funds which protect producers in the event of fraud, elevator collapse, or other events that result in nonpayment to producers. The historic opportunity of a budget surplus would allow Minnesota to invest in an indemnity fund that could ensure producers can weather elevator collapses like Porter in 2015, Ashby in 2018, Karlstad in 2019 and others in the case that bonds do not cover losses. In the case of Ashby, of the \$2.4 million in claims, the elevator's bond only covered \$125,000.

This is a narrowed list of the top priorities we ask that you include in your supplemental budget request for agriculture. We understand you are balancing many diverse needs across our state and appreciate your strong consideration of these important investments.

Priorities outside of an agriculture budget, but important to our family farmer members include:

- **Expanding MinnesotaCare with a public option** – as small business owners, family farmers disproportionately purchase health insurance on the private market and are hit hard by high premiums and lack of choice between health plans in rural areas. This cuts into their farm income and pushes too many farmers to consider giving up the farm, seeking a second off-farm job with insurance, or going without health coverage all together—a decision that could prove financially devastating.

Not only that, but our famer members who hire employees feel like they could better compete with other employers for qualified workers if there were better options for health coverage. Based on these experiences and more, our members believe strongly that everyone deserves affordable, comprehensive health coverage.

We strongly supported your OneCare proposal in 2019 and would be eager to do so again. Options to bring down costs and help independent small business owners are needed.

- **Expanding the Beginning Farmer Tax Credit (BFTC)** – this should include allowing family members to use the credit to assist in generational farm transition, doubling the credit for sale of agricultural assets to socially disadvantaged farmers, and adding an online application. Farmers whose finances have been stressed by the drought and are considering selling livestock, equipment, or land would be able to use this credit to broker a fair price. An expansion would encourage transition to new and emerging farmers instead of land being consolidated into larger operations. We would also support the state increase the credit for sale of agricultural assets overall.

We understand that your budget proposal is only the first step in the policy development process, and it will ultimately be up to the House and Senate to appropriate a surplus and direct unspent federal relief. Nonetheless, we feel it is critical that you show your commitment to family farmers and their communities through a strong budget request for agriculture.

We appreciate your continued partnership and support through a record setting wet fall in 2019, a pandemic that sent shockwaves we continue to feel through agricultural supply chains in 2020, and a 30-year drought in 2021. We are motivated by this historic opportunity to make farm families more resilient to future disruptions.

Thank you for your thoughtfulness in crafting a budget for the upcoming session. If you have any questions, please contact our Government Relations Director, Stu Lourey, at [stu@mfu.org](mailto:stu@mfu.org) or (320) 232-2047 (C). Thank you for considering the needs and perspectives of Minnesota's farm families.

Sincerely,

A handwritten signature in black ink that reads "Gary Wertish". The signature is written in a cursive style with a large, looped "G" and a long, sweeping tail on the "h".

Gary Wertish  
President, Minnesota Farmers Union

CC: Chair Torrey Westrom  
Chair Mike Sundin