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Essay: State Government Service to the Agriculture of Tomorrow

by

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ESSAY: STATE GOVERNMENT SERVICE TO THE AGRICULTURE OF TOMORROW

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I. INTRODUCTION

A. *Focus on the States*

This essay will focus on the role of state government in the agriculture of tomorrow and on the role of state agriculture departments in the agriculture of tomorrow. All fifty states have an agriculture department dedicated in part to meeting the marketing and regulatory needs of agriculture. Many of these state departments also have been given significant responsibilities by their governor and legislature that go well beyond what most Americans would consider "agriculture," particularly as fewer Americans identify with agricultural America.

State agriculture departments work closely with their federal counterparts, including the U.S. Department of Agriculture, the U.S. Environmental Protection Agency (EPA), U.S. Food and Drug Administration (USDA), and the U.S. Department of Commerce. Much was said at the 1996 American Agricultural Law Association conference about the roles of these federal agencies in agriculture. Here the focus is on the states' role in American agriculture.

B. *Agricultural Trends Influencing the States*

American agriculture is in a state of great change. First, Congress has stepped forward and changed a major assumption in American agriculture -- that government would primarily determine the prices farmers receive for their production. Prior to the passage of the Federal Agriculture Improvement and Reform Act of 1996 ("FAIR Act" or "Farm Bill"), commodities regulated by prior Farm Bills "enjoyed" relatively stable prices that were influenced heavily by the support prices established in the farm bills. However, the FAIR Act broke the traditional tie between government price supports and production. Many farmers view this change as a great challenge because previous farming decisions were based largely on the available federal government commodity pricing programs. However, this change is also viewed as a great opportunity by farmers who want to farm for themselves, not for the government.

Second, Americans increasingly are concerned about the safety of the food they eat. This concern is the result of: (1) food safety scares such as E. Coli in ground beef, salmonella enteritidis in ice cream, salmonella javiana in cheese, salmonella in fresh fruits, and cyclospora in Guatemalan raspberries; (2) the pesticides we use to increase the quantity and quality of our production; (3) and our use of biotechnology to increase the quantity and quality of our food products. The food safety concerns are heightened by the advent of trade agreements such as the North American Free Trade Agreement (NAFTA) and General Agreement on Tariffs and Trade (GATT) which help make it possible for a pineapple in Costa Rica to be on a Seattle grocery store only two days later.

Third, Americans are viewing American agriculture with ever increasing environmental scrutiny. This scrutiny is a result of concerns Americans have regarding surface and groundwater quality, as well as concerns about livestock odors. There is also increasing public scrutiny about agricultural land use for environmental and economic reasons.

Fourth, Americans still view American agriculture with nostalgia for a simpler and friendlier past. Many Americans view America's rural areas as

symbolic of all that is good in America. Rural America carries images of loving families, vibrant churches, active downtowns, traditional schools, hard-working students, and Friday night football games attended by the entire community. Because of this nostalgia, many Americans want the federal and state governments to play a role in maintaining agriculture, either through agricultural land preservation, financial assistance, or anti-corporate farm laws.

Meanwhile, American agriculture is ever-changing as it strives to feed a world that continues to grow dramatically. The roles played by the state agriculture departments are also ever-changing and are a reflection of this reality.

II. THE TRADITIONAL ROLE OF STATE AGRICULTURE DEPARTMENTS IN AMERICAN AGRICULTURE

State agriculture departments were often among of the first departments created in their respective states. For example, the Wisconsin Department of Agriculture was created by the Wisconsin Legislature in 1929 through a consolidation of a number of agencies into the Wisconsin Department of Agriculture and Markets. Part of the merged department was the former Office of Dairy and Food Commissioner, created in 1889.

Most state departments of agriculture were built upon the following regulatory and marketing activities: (1) dairy farm inspection; (2) grain inspection; (3) weed, seed, and feed regulation; and (4) intra-state agricultural marketing. These departments enjoyed significant support from a population that resided in small towns and farms, and their elected representatives reflected this rural flavor by providing significant state resources to these agencies.

In fact, state agriculture departments historically have enjoyed the fact they are one of the few state agencies to have a political constituency. This constituency is made up of rural legislators, farmers, farm organizations, agri-business organizations, and rural small businesses. These individuals and organizations are often quite influential in the broader state political context, particularly as governors and legislative leadership has come from rural parts of their states. This fact has been a blessing and a burden for state agricultural departments.

However, the increasing urbanization of America and the resulting decennial redistrictings have decreased the representation of rural America, decreased the number of decision-makers who rank agriculture in the forefront of their issues, and has led to increasing competition for the economic resources from state agencies. This new reality has acted as an impetus for many state agriculture departments to re-examine their missions to conform with the expectations of their more urbanized constituencies.

III. THE STATE AGRICULTURE AGENCIES OF TODAY AND THEIR IMPORTANCE TO AMERICAN AGRICULTURE

State agriculture departments, as indicated above, needed to react to the changing realities of American agriculture. This reaction has led to innovative programs in such vital areas as food safety, environmental protection, and agricultural marketing. These programs have gone a long way to ensure the

continuing relevance of the state agriculture agencies to American agriculture and the American consumer.

A. *State Food Safety Programs*

Because food safety is a major issue in the country, many of the state agriculture departments are stepping forward to help ensure the safety and quality of American food.
A number of the state agriculture departments and their sister health and environmental agencies are leading the way in food safety.

Most state agriculture departments are charged with protecting the safety of food and do so by licensing and inspecting food production and processing facilities, as well as food wholesalers and retailers. In other words, the agriculture departments inspect the food "from the farm to the fork." Some agriculture departments are also responsible for inspecting restaurants. However, this responsibility is generally left to state health departments and/or local health departments.

The U.S. General Accounting Office has determined that less than 1% of the food products coming into the United States from abroad are inspected for food safety. This presents a dramatic food safety challenge, particularly given the NAFTA and GATT trade agreements which have opened up the U.S. domestic market to food products produced in countries that have little or no food inspection program. Consequently, the state agriculture departments and their sister health agencies have had to step forward to help reduce the risk of contamination in food products on American grocery store shelves. This has made the state, and particularly state agriculture departments, relevant to rural and urban citizens.

My former employer, the Minnesota Department of Agriculture (MDA), holds a prominent position among the states for its food safety program. The department works closely with its federal counterparts. At the same time, it has taken a leading role in surveying food products that present a risk to human health. It has worked closely with the Minnesota Department of Health to determine the cause of mysterious food poisoning outbreaks and to prevent future outbreaks. For example, Minnesota was the first state in the nation to prohibit the sale of shark meat because of high concentrations of methyl mercury and PCB's. This action occurred despite the fact Minnesota is far from the world's oceans; many state soon followed.

Minnesota has a sophisticated medical surveillance program that is effective and unique. The Centers of Disease Control (CDC) designated Minnesota as one of four test states for medical monitoring because of the state's success in discovering and resolving the 1994 Schwan's Ice Cream salmonella enteritidis outbreak. In 1994, the Minnesota Department of Health (MDH) epidemiologists statistically analyzed a number of Salmonella Enteritidis cases. MDH carefully examined patient food histories and determined there was a statistically significant relationship between the illness and Schwan's ice cream. This finding led to immediate regulatory action by the Minnesota Department of Agriculture and the U.S. Food and Drug Administration. Observers credit the swift state action with preventing many more illnesses.

In the American Northwest, the Washington State Department of Agriculture is preparing a food safety initiative for its legislature. The legislation would increase pesticide regulatory funding and increase department regulation of certain raw farms products, such as prohibiting the retail sale of raw milk.

The Oregon Department of Agriculture is a state food safety leader and has paved the way among state agriculture departments in setting up laboratory certification programs that are approved by foreign countries such as Japan. This is no small feat given the difficulties our country historically has had in exporting food products, particularly finished food products, to the Far East.

Hawaii and Florida are leaders in the inspection of seafood and California is a leader in the inspection of fresh fruits and vegetables. These industries are important to each state's economy and they, as all states with significant food inspection programs, recognize that food safety is vital to the health of the general public and important state industries.

State agriculture departments are quite aware of the public's demand for less government. They have embraced an inspection concept called Hazardous Analysis Critical Control Points (HACCP). This concept essentially means the state agriculture departments are inspecting those firms and processes that present the greatest risk of contamination. This contrasts with the traditional approach of inspecting firms a specified number of times during the year, no matter what contamination risk their practices presented. HACCP had led to cost savings as the number of inspections has decreased. For example, in 1993, Wisconsin began a performance-based inspection program on dairy farms. If the Grade A dairy farm meets Grade A standards, it is only inspected once during the year. If the dairy farm is experiencing sanitation problems, it is inspected much more frequently to eliminate the problem. Wisconsin began this program as a test pilot and it has reduced the number of inspections and saved taxpayer dollars. The Interstate Milk Shippers Conference became so impressed with the program's good results that it has encouraged adoption of this program nationwide.

A number of states are also actively involved in the review of food labels to ensure the contents are of the quality and quantity represented. The New York Department of Agriculture and Markets and the Texas Bureau of Food and Drug Safety are label review leaders. New York's work in particular is credited by some with leading to the 1993 passage by Congress of the Nutrition and Labeling and Education Act ("NLEA").

Finally, most state agricultural departments have divisions charged with regulating the health of livestock through the control and eradication of livestock diseases. This regulation is vital to ensure the health of the livestock as well as the health of humans who consume or come into contact with livestock.

The state agricultural agencies understand the interrelationship between the public demand for food safety and the economic viability of domestic food producing industries. For this reason, states are active food safety regulators and work closely with their federal counterparts to ensure the public's confidence in our food. This state contribution is vital to the health of American agriculture.

B. *State Agricultural Environmental Protection Programs*

The states, and particularly their agricultural departments, have become active players in environmental protection. This relatively new role has come at a

time when the EPA's funding and legislative mandates are being reduced by Congress. The states' agricultural environmental protection programs have focused on: (1) pesticide bulk storage regulation; (2) pesticide use regulation; (3) groundwater and surface water pesticide cleanup; (4) nitrogen best management practices; (5) agricultural waste chemical recycling and container pickup; (6) pesticide market basket surveys; (7) worker protection; (8) consumer safety; (9) plant pest eradication/control; (10) endangered species protection; and (11) agricultural land preservation.

1. *Pesticide Bulk Storage Regulations*

Minnesota and Wisconsin are national leaders in bulk pesticide storage regulation. Both states have developed substantial storage requirements to eliminate pesticide spills and both states have greatly reduced the risk of pesticide spills. Other states are now following the lead of these two states.

2. *Pesticide Use Regulation and Development of Nitrogen Best Management Practices*

Nebraska is credited by many with creating the model for state involvement. Several years ago, the EPA wanted to focus on non-point source pollution and recognized state and local assistance was essential. The Nebraska Natural Resource Districts already were working closely with farmers to develop and implement voluntary Best Management Practices (BMP's) for nitrogen in groundwater.

This model was adopted elsewhere. For example, Iowa, Wisconsin and Minnesota are working closely with their farmers to develop and implement BMP's for nitrogen. All three states have implemented intensive farmer education programs on manure application, including field demonstration projects and the distribution of manure application data sheets. Furthermore, these states are certifying fertilizer labs to ensure the fertilizer is being applied in amounts that will not cause adverse impacts on the environment.

Minnesota and Wisconsin also regulate pesticide use based on an analysis of concentrations found in surface and groundwater. Minnesota's regulatory approach focuses on BMP's and is primarily voluntary in nature. Wisconsin has been more forceful in its regulation by declaring use zones that prohibit or limit the use of certain regulated pesticides. Florida is a leader in monitoring pesticide compound use and effects, particularly hazardous and highly toxic insecticides.

The EPA recognized the ability of state and local government to work with farmers because of the established trust relationship and because of the resistance the agricultural community was exhibiting to "command and control" regulations. The EPA has continued this local initiative theme by working with states to prepare State Management Plans (SMP's) for alachlor, atrazine, cyanazine, metachlor, and simazine. California, Florida, Maine, Maryland, Minnesota, and Wisconsin, in particular, are active proponents of SMP development and implementation.

3. *Ground and Surface Water Pesticide Cleanup*

The Florida Department of Agriculture and Consumer Services is gaining increasing recognition for its focus on programs to clean up pesticide leachate in its shallow groundwater and porous soils. The state governments of Minnesota, Wisconsin, and Illinois are also leaders in the effort to clean up pesticide contamination in soils and groundwater. California has a number of significant county cleanup programs.

The Minnesota Department of Agriculture and Wisconsin Department of Agriculture, Trade and Consumer Protection have created innovative pesticide cleanup programs. The Minnesota Program, known as the Agricultural Chemical Response and Reimbursement Account (ACRRA), is funded by a fee on pesticide sales and provides reimbursement of up to $190,000 of the first $200,000 in cleanup costs. The Wisconsin program also provides reimbursement for some of the cost of cleaning up pesticides. This reimbursement has acted as a powerful incentive for voluntary pesticide cleanup.

4. *Agricultural Waste Chemical Recycling and Container Pickup*

Nearly every state is administering programs to recycle waste agricultural chemicals and pesticide container pickup. Some EPA funding has been provided. However, most states spend far more on these programs than the federal funding they receive. These programs are widely credited with greatly reducing the amount of toxic and hazardous agricultural chemicals in the environment that could be spilled because of improper handling or neglect.

5. *Pesticide Market Basket Surveys*

Michigan is a leader in conducting market basket surveys and has been joined by other Midwest and West Coast states. These surveys are used to determine the level of pesticides in food and to prevent the introduction of foods containing unlawful pesticide levels into the market.

6. *Worker Protection*

Many states have been working closely with the EPA to develop and implement worker protection regulations. These regulations are intended to protect field workers from harmful pesticide exposure. They have been controversial. A number of states, particularly in the South, have protested the implementation of these regulations.

7. *Consumer Protection*

State agriculture departments are taking on ever greater consumer protection roles. Minnesota, for example, is working with urban park districts to educate consumers about the proper amounts of pesticides and fertilizers to apply to lawns. Wisconsin has developed a labeling review program to ensure products claimed to protect the environment accomplish what is represented on the packaging. Furthermore, Florida, Virginia and Wisconsin agricultural agencies

are the chief consumer protection agencies in their respective states and have broad consumer protection responsibility.

8. *Plant Pest Eradication/Control*

A number of states are working closely together and with the federal government to eradicate plant pests such as the Gypsy Moth, Japanese Beetle, and grasshoppers. Plant pests cause millions of dollars in crop losses each year and these state efforts are reducing the economic impact of these pests.

Furthermore, Minnesota has taken the lead in the biological control of insect pests. For example, a tiny wasp is used to control plant pests in the Mall of America. No pesticides are used for control in the mall. Other insects are being used by the Minnesota Department of Agriculture to control noxious weeds such as purple loosestrife.

9. *Endangered Species Protection*

Iowa, Minnesota, and Wisconsin are also leaders in developing management strategies for protecting endangered plant species. The programs focus on obtaining voluntary protection contracts with farmers and on public education campaigns. The EPA has provided limited funding to support these state programs.

10. *Agricultural Land Preservation Programs*

Agricultural land preservation has long been a challenge as the country has continued to develop, and by doing so, paved over productive farmland. A number of states have active agricultural land preservation programs. Recently the USDA announced it is providing $14.5 million in funding to help support the agricultural land preservation programs in eighteen states.

11. *Other State Agricultural Environmental Programs*

Many states' agriculture departments are administering watershed management, agricultural shoreland management, nursery and turf inspection, seed inspection, apiary inspection, and sustainable agriculture programs. States are also involved in small but important programs such as the examination and regulation of the use of medicated livestock feeds. States are concentrating on medicated feeds because of the concern antibiotic overuse is causing development of antibiotic-immune bacterias that may pose a significant human and animal health threat. The state agriculture departments understand the interrelationship between the public demand for a clean and safe environment and the economic viability of American agriculture. For this reason, many of the state agriculture departments are active environmental regulators and have introduced innovative programs to ensure the public is supportive of American agriculture. This state contribution is vital to the health of American agriculture.

C. *State Agricultural Marketing Programs*

1. *State Agricultural Trade*

States have also identified a need to become active in domestic and international trade. Nearly every state belongs to a regional international trade association. The Midwestern states actively participate in the Mid-America International Agri-Trade Council (MIATCO). Other regional trade organizations include the: (1) Eastern U.S. Agricultural and Food Export Council, Inc.; (2) Southern U.S. Trade Association, and; (3) Western U.S. Agricultural Trade Association. These multi-state marketing organizations work closely with USDA and the U.S. Department of Commerce to sell agricultural products abroad.

Many states also have active international marketing divisions that participate in showcasing state food products abroad. The popularity of this activity is demonstrated by the frequent trade trips taken abroad by state governors and agriculture commissioners, secretaries, and directors to promote state agricultural products. These trade trips are sought by businesses eager to trade on the prestige brought by such high level trade missions.

States are also active in domestic marketing. Many have state marketing programs such as the "Minnesota Grown" and "Something Special From Wisconsin." programs. These programs build consumer identification and loyalty with state food products and work hard to make quality synonymous with local production.

2. *State Producer Protection Programs*

Twenty states are certified by the USDA to mediate creditor/debtor disputes. Moreover, Iowa, Kansas, Michigan, Minnesota, North Dakota, South Dakota, Texas, and Wisconsin have programs to provide financial analysis for farmers and which include credit counseling, advising and advocacy. Nine states also have laws regulating the ownership of agricultural land by corporations and other business entities. The policy behind these laws is to protect the smaller "family farms." Minnesota, Wisconsin and Kansas have enacted laws regulating production contracts. These laws created contractual provisions intended to protect the producer.

3. *State Agricultural Statistics Reporting*

Every state works cooperatively with the USDA to develop agricultural production statistics. The statistics that are generated cover nearly every aspect of agriculture, including livestock and commodity production and value, feed production and quality, and land values.

4. *The Marketing vs. Regulatory Conflict*

No discussion of state agriculture departments would be complete without identifying an issue that exists in each department that has both marketing and regulatory responsibilities. I was often asked the question by the media whether the Minnesota Department of Agriculture could do justice to both functions.

Behind the question was the implied assumption that a marketing department could not be trusted to regulate. However, our philosophy was that our job was to "weed out" those who were violating our laws, and by doing so, we would be ensuring continued public confidence in the quality of our food. We meant this and our regulatory programs were active and effective. One prominent example is the Schwan's case. We acted quickly to identify the cause of the salmonella enteritidis contamination and public confidence in the state's food safety program, and indeed in Schwan's, was maintained.

D. *State Agricultural Finance Programs*

States are concerned about the steady erosion in the farm population, particularly as the statistics demonstrate a gradual aging of the population. In response, a number of states have enacted agricultural finance programs to help finance the introduction of younger farmers into agriculture. Eight states have enacted agricultural finance programs as follows:

> (1) The Illinois Young Farmer Guarantee Program guarantees up to 85% of a loan to $300,000 where the farmer has a net worth between $10,000 and $250,000.
> (2) The Indiana Agricultural Loan and Rural Development Project Guarantee Program provides a financing guarantee of between 75% and 90% of a loan to market value of up to $300,000.
> (3) The Iowa Operating Loan Guarantee Program guarantees up to 75% of a loan to $25,000 for beginning farmers.
> (4) The Minnesota Rural Finance Authority administers a number of beginning farmer and livestock expansion programs.
> (5) The North Dakota Beginning Farmer Real Estate Loan Program provides a direct loan of 75% up to $100,000 where the farmer has a net worth of less than $150,000. The North Dakota Family Farm Loan Program provides loan participations up to 90% for farmers with a net worth of less than $150,000. As of 1995, more than 830 farmers had participated in the two programs for a total grant and loan value of $40.9 million.
> (6) The Oklahoma Agriculture Linked Deposit Program provides low interest loans (3% below market rates) through private financial institutions.
> (7) The South Dakota Value Added Livestock Underwriting Program guarantees up to 50% of livestock purchases up to $200,000. The South Dakota Livestock Loan Participation Program provides for state participation of 50% in livestock loans up to $100,000.
> (8) The Wisconsin Credit Relief Outreach Program provides for a guarantee and interest rate subsidy for agricultural production loans for individuals with a debt-to-asset ratio of 40% or greater. As of 1995, the program had assisted 1,400 farmers.

The Minnesota Rural Finance Authority (RFA) was recognized recently by the National Council of State Governments with a 1996 Innovation Award. I am

proud to have served several years as the designated chair of the RFA Board because the RFA has assisted more than 1,200 young Minnesota farmers in purchasing their first acreage and/or livestock.

RFA was established in 1986 with $50 million in state general obligation bonds and the 1996 Minnesota Legislature appropriated another $41 million because of the program's success. RFA has the following programs: (1) Beginning Farmer Program; (2) Seller Assisted Program; (3) Agricultural Improvement Loan Program; (4) Livestock Expansion Loan Program; and (5) the Restructure Loan Program. RFA purchases a participation interest in a banker's first mortgage when the loan is made to an eligible farmer. The loans are set up with a reduced interest rate to improve the farmer's cash flow and to share the risk of making the loan with the lender. RFA will purchase a 45% interest in the lender's first mortgage up to $100,000 in each program, except for the Livestock Expansion Program where the participation may be up to $250,000.

To date, RFA has purchased more than $48 million in loan participations, which has leveraged more than $116 million in private loan funds. The average participant age is 28 and the average participant's net worth is $91,000.

RFA's success is even more dramatic considering only seven borrowers have defaulted on their loans. These loans were from the original 1986 Restructure Program and all of these loans are now closed. This is an extremely low loss rate considering most of the young farmers could not get private financial assistance without participation by RFA. The eight existing state agricultural finance programs are innovative and are helping to preserve each state's agricultural economy.

IV. CONCLUSION

The states and their agriculture departments have an important role to play in the agriculture of tomorrow. Their leadership on food safety, environmental protection, marketing programs, and agricultural finance programs make them vital to American agriculture. Their importance is heightened by a reduced federal government role in agricultural regulation, marketing and environmental protection. The challenge for the state agriculture agencies is to make sure they are seen as relevant to the lives of voters and consumers of their respective states. Their leadership on issues of importance to rural and urban citizens will guarantee their continued importance to American agriculture.