

FCS MONDAY MORNING

Legislative Update

January 12, 2009

WELCOME BACK READERS!

"FCS Monday Morning" – Your Source for Ag News at the Capital

Welcome to the 2009 weekly edition of "FCS MONDAY MORNING," the Farm Credit Services legislative newsletter prepared by the Government Relations Department of Messerli & Kramer, P.A. For the past 18 years, "FCS MONDAY MORNING" has been arriving in mailboxes of "thought leaders" through out the state and in St. Paul. Our goal is to keep Farm Credit Services' members, ag organization officials and government officials attuned to the latest legislative developments in St. Paul and offer an analysis of Capitol activities that impact agricultural producers and rural Minnesota. Let us know what you think! And, thanks for reading.

FCS LEGISLATIVE RECEPTION SET FOR FEBRUARY 17th

Downtown St. Paul University Club – 340 Cedar St. – is the Venue

Lawmakers and FCS members will have the opportunity to share hopes and priorities for the 2009 Legislative Session at the annual Farm Credit Services Legislative Reception & Dinner slated for Tuesday, February 17th at the downtown University Club in St. Paul (formerly the St. Paul Athletic Club). This is the 18th year that FCS has hosted the gathering.

FCS' annual legislative gathering has come to be one of the feature events of the Session for agricultural lawmakers and rural interests, alike.

Members of the Legislature's agriculture policy and funding committees, environment committees, economic development committees, as well as representatives of the Pawlenty Administration and ag-interest groups, will be invited to discuss plans for the 2009 Session. In turn, FCS association member-directors and staff will present their 2009 Legislative Priorities and share ideas for ways to improve the state and national rural economies with their lawmakers.

Invitations will be going out within a couple of weeks. Please send you RSVP to Gary Kintzi (651.556.9202 or gkintzi@messerlikramer.com) and mark your calendar with plans to attend.

2009 SESSION WILL BE SLOW & WRENCHING

National Economic Downturn Makes Budget Balancing and Reform the Top of Legislative Agenda

This is the opening of the biennial Session when design and approval of the state's operating budget is "Job 1." And, in 2009, budgeting remains the priority. However, this time around, lawmakers will be faced with a challenge unlike any that they have been forced to wrestle with before.

When the Nation's financial markets began to collapse, last Fall, state revenues followed suit. Minnesotans began to lose their jobs. Consumers stopped buying things. High oil prices exacted a crushing blow on

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households and businesses and tax revenues to the state fell off dramatically. By the time we got to the end of the year, Minnesota was nearly \$460 million short of what was expected to be collected in taxes.

Minnesota's Constitution requires the state budget to be balanced before its books are closed every two years. That meant the Governor or the Legislature would be required to reduce state spending by June 30, 2009 to stay in line with the revenue shortfall. Governor Pawlenty took up the challenge using his authority to "unallot" some of the state's projected spending and realign revenues with appropriations.

That was the easy part.

Now, the Governor and state lawmakers are faced with reducing the state's \$37 billion budget by nearly \$5 billion over the 2010 – 2011 biennium to match some of the most dire revenue predictions in nearly seventy years. And, with nearly 75 percent of the budget being spent on education, health and human services, many of Minnesota's most esteemed and entrenched public programs will face tough sledding in the near future.

For more details about what our lawmakers will be facing in the coming weeks take a look at the following story from the House of Representatives Session Weekly [Deep in the Red Ink](#).

... AND FOR MINNESOTA AGRICULTURE
House Ag Chair Sees Energy and the Environment as High
on the List of Challenges for Rural Lawmakers

Budget balancing will be high on the "to-do" list for members of the House and Senate Agriculture Committees, this year. But, several policy matters will be reviewed over the coming months, as well.

House Ag Finance Committee Chairman, Rep. Al Juhnke (DFL-Willmar) shared his list of attention items that are likely to come before his committee, this year, with members of the Minnesota Agri-Growth Council at its weekly "Policy Luncheon," last Wednesday.

Juhnke noted that when lawmakers are "talking dollars," they will likely turn to Minnesota's program of Ethanol Producer Payments as a reservoir of funds. He said that this remains an obligation of the state that he expects to see fulfilled "even if it takes a bit longer than we had originally planned."

Bovine TB eradication remains an issue for Minnesota producers. Most of the herd buy-outs have been completed but, there may be additional funds needed to make sure that the progress that has been made is not lost.

Minnesota's Farm-Lender Mediation program is scheduled to sunset this year. The program was created by the Legislature in 1986 as a temporary measure for dealing with the farm crisis at that time. However, it has been extended for a couple of years at a time, ever since. Juhnke thinks the Mediation program will be extended, again, and might become a model for assisting homeowners who are facing foreclosure, as well.

With voter approval of the Clean Water Legacy amendment to the state constitution, lawmakers will have upwards of \$270 million in new funds to put toward conservation, clean water and arts programs. Juhnke hope that some of this money can be directed toward funding for the state's Fertilizer Research Council and research in protecting groundwater supplies.

The Livestock Investment Grant program authorized by the Legislature, last year, has been a resounding success. The original \$1 million appropriation has been distributed to producers around the state. However, the Minnesota Department of Agriculture received an additional \$6 million in grant application. Juhnke hopes to find some additional funds for the program.

Juhnke also noted that energy and alternative fuels issues will get a hearing in his ag committee, this year. Approval of a series of NextGen Energy Grants will be reviewed by the committee as will any proposals attempting to reduce carbon emissions through mandatory standards. Juhnke believes that the best way to assure cleaner air is through the promotion of biofuels. On the contrary, "clean car" legislation is a bad idea because it would dramatically reduce the number of cars using biofuels.

Since lawmakers left the Capital, last May, controversy has begun to swirl over changes they made to the state's Green Acres program. Created in the 1960's to protect agricultural land that was being encroached by urbanization, some lawmakers felt that it had become a tax shelter for landowners who never intended to farm the land. However, the changes made to correct this situation are more far-reaching and punitive than originally expected. Juhnke expects to review the impact of the changes over the next month.

Finally, Juhnke warned that those who have been trying for several years to ban "puppy-mills" would be promoting additional animal protection bills, this year. Juhnke noted that codifying current USA standards into Minnesota statute would be his preferences in dealing with this matter.

Juhnke made a special note of the fact that he considers the House Agriculture & Rural Development Finance committee to be the most bi-partisan committee in the Legislature. He intends to keep it that way and will work to assure that all members are heard and engaged in the upcoming conversation.

**SENATE AG COMMITTEE OPENS THE SESSION
WITH REVIEW OF BIOFUELS INDUSTRY
*Commissioner Lauds Progress & Sees a Bright Future for Producers***

On Thursday (1/8/09), Minnesota Commissioner of Agriculture Gene Hugoson opened the first meeting of the Minnesota Senate AG Committee with a review of health and development of state's biofuels industry.

Hugoson provided updates on the status of implementing the 5% biodiesel content mandate on May 1, 2009, the E20 waiver request, E85 usage and the status of biodiesel infrastructure grants.

Hugoson said presently three operating plants in the state with 63-million gallons of capacity, and the 5 percent blend mandate requires about 40-million gallons of biodiesel. He also reported the state's Biodiesel Taskforce would be issuing a report on "cold flow" issues Feb. 15. Meanwhile, he said three other taskforce subcommittees on production and distribution; blending; and handling, would continue to meet throughout the year.

Hugoson noted that there are 18 ethanol plants currently operating in the state. These plants produce 850 million gallons of ethanol annually. Comparatively, 540-million gallons of ethanol would be needed to meet the state's demand for blending 20 percent ethanol – the E20 mandate.

He noted that Minnesotans seem skeptical of using E85. "I am less than optimistic that it is going to be the national way of achieving the renewal fuel standard," Hugoson said. Research is currently underway at the University of Minnesota, Minnesota State University at Mankato and other federal laboratories to test the efficiency, safety, durability and other components of an E20 blend. Testing results would be needed to convince the Environmental Protection Agency (EPA) to grant Minnesota a federal waiver to allow blending of more than 10 percent ethanol into gasoline.

Once Minnesota officially submits the waiver request, the EPA would respond within nine months or 270 days. Hugoson reminded committee members that under Minnesota law the state can only increase ethanol consumption through the approved E10 and E85 blends. However, Hugoson acknowledged that ethanol consumption from these blends alone would not meet the goal, and that it is likely the E20 mandate would kick in under the law's deadline of Aug. 30, 2013, subject to the EPA waiver.

Commissioner Hugoson said the Agriculture Department was in the process of completing a formal report on the status of the E20/waiver issue that will be released on Jan. 15.

The commissioner said that no grant requests were received regarding cold weather biodiesel blending infrastructure. He also said a \$2.7 million NextGen Energy grant is going towards the creation of cellulosic plants.

Also addressing the committee was Katherine Paris, planning and project development director of the Agricultural Utilization Research Institute (AURI). She said that AURI is working to decrease the use of fossil fuels at biofuel plants, researching next generation biofuels and testing biodiesel production to make sure fuel is meeting requirements.

Paris also said AURI is developing research networks to support the biofuel industry. The network includes the Dept. of Agriculture, Dept. of Commerce, University of Minnesota and others, she said.