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Minnesota Crop Production Retailers

INPUTS

Executive Director's Report

Hello MCPR Members,

Hardly a week goes by without a new national or state headline with more damaging news about agriculture's impact on the environment, pollinators, public health, or our citizens. The economic well-being of farmers, agribusiness, dealers, rural towns, and implement dealers – is at risk as the commodity prices hover way too low. Postponement of decisions about spring inputs have challenged the logistics and availability of products and services. At the state Capitol, buffers, the Governor's water quality summit, the Governor's pollinator summit, GMO legislation, the Process Safety Management (P.S.M.) OSHA initiative, potential loss of the agricultural chemical containment property tax exemption...what a crush of issues.

Seems a short time ago commodity prices were soaring and times were better. At the height of the economic surge in prices, MCPR members were warning themselves that the economic boom would be followed by downturn. Cycles in agriculture are nothing new. In fact, to be expected. To be anticipated and planned for.

What is clear is that the primary strength of ag retailers is the trusted relationship

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Capitol Update

The battle for **greater Minnesota** at the ballot box in November is already taking shape at the Capitol. All 201 legislators are up for re-election, but the fight for control in both the House and Senate likely will depend on a handful of rural districts. Majority House Republicans will look to fend off Democratic attempts to regain the 10 rural seats they lost in 2014's midterm elections. In the Senate, minority Republicans will aim to unseat incumbent Democrats in five Republican-leaning districts that voted for Mitt Romney in 2012's presidential contest. That fight is coloring the legislative session, in debates over boosting state aid to local government, grants for broadband Internet development in rural areas and repairs to highways in greater Minnesota. And advocates for rural interests aren't shy about seizing the electorally driven spotlight... In a post-budget year that's not generally used to doling out a lot of money, lawmakers have a hefty \$900 million budget surplus they could turn to spending. The Legislators are looking to finish up a tax-relief bill and a massive package of road and bridge repairs. This is a time for rural Minnesota to press its case.

Buffers Remain a Legislative Priority — an update to clarify the Minnesota buffer law is a top priority for agriculture this year. Much ill will has been generated



by the Department of Natural Resources (DNR) as they assemble the maps for the buffer law. They are using digital data and county drainage records to determine which ditches are required under the new law to have buffers. However, Governor Dayton instructed the DNR to stop mapping "private ditches." This followed a meeting between Dayton and House Republican leaders who insisted that the intention of the buffer legislation did not include private ditches. Dayton said he made the decision with great reluctance and then blamed it on Republicans in the press. Senator Skoe in the Senate and Rep. Torkelson introduced HF 3000 in the House and are working to pass their bills that make common sense fixes to the buffer debate Governor Dayton generated. Some observers are now anticipating that the buffer law may end up in the courts. Landowners are raising legitimate concerns about the buffer law and a constitutional court challenge is a distinct possibility.

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Capitol Update (continued from page 1)

Repeal of the Ag Chemical Containment Property Tax Exemption Remains a Distinct Possibility —

Recently; Rep. Jeff Backer from Browns Valley, MN in Traverse County introduced a bill with language exactly like the Senate language in the Senate Tax Committee bill that repeals Minnesota's exemption for ag chemical containment facilities that has been in place since 1992. To press MCPR's concern, Craig Maurer, Central Farm Services Coop and MCPR Board Chair, Paul E. Barchenger, Agronomy Division Hutchinson Coop, and John Duchscherer, G.M. with River Country Coop, set up a meeting with MN House Tax Committee Chair Rep. Greg Davids and Rep. Steve Dratzkowski to discuss concerns about the unintended consequences of the language in H.F.2936. Invited were representatives of several MN agribusiness associations. This meeting was a follow through to a discussion Rep. Dratzkowski had with Craig Maurer. Also, Bill Bond followed up with Rep. Backer to learn more of his perspective on the bill. Go to www.mcpr-cca.org, select the "legislative info" tab to read reports showing the impact on local governments and also MN agribusiness facilities with MN Dept. of Revenue Guidance. Some MCPR members will experience large property tax liability if H.F. 2936 is enacted into law because it eliminates this exemption which is still current law. For some local governments the law has not been implemented since the law's inception, 1992. It is unclear why there was such widespread failure to enact current law. There have been meetings in several communities this last summer and

fall between MCPR members and local governments. We hope this serious matter can be addressed fairly and adequately. MCPR plans to testify at Committee hearings as this proposal moves forward. Many questionable, anti ag bills have once again been introduced including: Rep. Wagenius' bill H. F. 2439 which allows local governments to prohibit or regulate pesticide use by amending Minnesota Statutes 2014, section 18B.02, Rep. Hansen's bill H. F. 2532 which would appropriate money from the ag pesticide regulatory account to study the presence of neonicotinoid pesticides in wild deer, and Rep. Clark's bill HF 3324 which appropriates \$3 million for the development of indoor urban agriculture pilot program in the Twin Cities. None of these bills will likely be successful in passage this year, but your voting in this falls elections may help determine if these folks are in the majority in 2017. Pay attention, MCPR members.

A Minnesota grain facility financial failure has spurred Rep. Swedinski, a farmer from Ghent, MN to introduce HF 3186 which establishes a grain credit contract indemnity program, increases bond amounts for licensed grain buyers, and dedicates a portion of sales tax revenue derived from the sale of grain bins while eliminating the sales tax on grain bins, and provides the gross receipts tax for grain bins to fund the indemnity payments if program funding falls below a threshold amount. This bill is moving through the MN House. ✨



Minnesota Crop
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Executive Director's Report (continued from page 1)

with growers. As reformers attempt to identify and get leverage over the key areas that impact growers' decisions about crop inputs, MCPR members have always known it is the relationship between MCPR members and growers.

Managing risk is now the primary conversation in every MCPR member facility. Yet, as we observe yet another I.S.I.S. terror attack in Europe, we can take comfort in the midst of our political and economic turmoil. Life in rural Minnesota is great...and safe...by comparison to the rest of the world. Whether we can experience relative safety in rural Minnesota going forward may well depend on candidates we elect the next several elections not only at the federal level, but also here in Minnesota.

Once again you have voted with your membership investment, all of you renewing your MCPR membership. Thank you for placing your confidence in the MCPR Board, staff, committee members, and fellow members.

Please review the Capitol Report to learn of the critical issues MCPR is working on at the state and federal capitols. Staying informed is a fundamental way you can have an impact on your world.

Finally, we are setting up a truly amazing CPM Short Course and MCPR Trade Show to be held December 6-8, 2016 at the Minneapolis Convention Center and Hilton Hotel. Please place this landmark crop input industry summit and trade show on your calendar. ✨

Until next time,
Bill Bond
Bill Bond





News Notes

Minnesota Soybean Growers Come to St. Paul — "Several Minnesota Soybean Growers Association directors took to St. Paul recently to discuss a bevy of issues with legislators from across the state. Among the hot topics discussed were agriculture land taxes, which stalled in last year's House File 848 omnibus bill. Since the House and Senate reformed the Tax Conference Committee from last year, the House agriculture property tax proposal that would pay for one-half of agricultural share of annual payments for school debt bonds is still being considered. Sen. Gary Dahms (R) District 16 said the proposed agricultural land taxes bill being brought forward by agricultural groups is the first look at land taxes that didn't hinder rural communities' ability to build or remodel schools, but still provided relief to landowners, namely farmers, who because of high land values have been left financing the major bulk of rural school referendums.... Other topics discussed were the buffer bill, biodiesel and transportation. Nine MSGA directors and three staff attended the Senate Environment and Energy Committee as the buffer bill passed out of committee.... For transportation, MSGA directors sought support for funding to improve rural roads and bridges and asked legislators to support increasing the weight limits for Minnesota roads." *Fluence*.

CHS News — "After five years of breakneck expansion, CHS faces slumping commodity markets and plunging oil

prices, which have cut into its two largest businesses: refined petroleum products and grain handling. With almost \$35 billion in annual revenue, CHS is among the largest agri-businesses. "It takes that scale to play," says Carl Casale, who as chief executive officer has presided over an expansion that has netted CHS a presence in 25 countries including Brazil, Hungary, and Taiwan.... CHS is cutting expenses this year and will freeze costs during the next two to avoid large-scale layoffs. Casale, has been at the helm for five years and was previously the chief financial officer at Monsanto. Delays in completion of a big software upgrade and scaling back refinery expansion plans, and a slow tempo of grain terminal additions, can be expected. CHS has as much as \$6 billion left of the \$11 billion earmarked for capital expenditures from 2011 through 2019, so there are still resources to take advantage of investing opportunities at the bottom of the cycle.... The bottom line: Falling prices for grains and fuel are squeezing CHS's two main businesses, but the co-op isn't ruling out new investments." *Fluence*.

MN Farm Income Still Dropping — "Despite record crop yields, the incomes for Minnesota farms continued to decline in 2015, reaching their lowest point in inflation-adjusted dollars in 20 years. A major factor was the continued decline in prices for virtually all major commodities produced by Minnesota farms. Unlike

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Craig's View

In my view, between now and the end of the year we as MCPR members face immense issues. Successful dealers will step up to the plate and prepare. Others will struggle if they are not paying attention. Here is a list of what is getting my attention: OSHA's new interpretation of Process Safety Management (PSM), protecting pollinators and enhancing pollinator habitat, credit at the farm gate, finding qualified help, restrictions on fall application and the fact we may lose our property tax exemption on pesticide and fertilizer containment facilities. Related to serving your customers better, if you are not moving towards split applications of nitrogen in your business it's time to get the process moving. Split application of nutrients has many advantages including equipment and labor efficiency. In most cases it provides the highest yields to the grower and is environmentally sensitive. As far as pollinators are concerned all I can say is be aware of where they are... one disruption of a bee hive catches a lot of ink as demonstrated by a front page Star Tribune article recently which received attention all across the USA. The MCPR is working aggressively to get us all through these tough times. Together, as MCPR members, we can help provide the highest quality products for consumers and a safe environment to live in. Have a safe spring, MCPR members. Plan to meet together at the CPM Short and MCPR Short Course December 6-8 in Minneapolis. 🌿

Craig Maurer

Craig Maurer
Board Chairman





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News Notes (continued from page 3)

2014, when livestock producers had a very good year, both crop and livestock farms struggled financially in 2015. "It was expected the numbers would be down," said Kent Thiesse, farm management analyst and vice president of MinnStar Bank in Lake Crystal. "The median net income was all the way down to \$27,000, so there were obviously a large number of operators that showed a loss in the year." For south-central Minnesota, the news was even worse with the average net at \$20,600. The findings, released Thursday, are from the annual farm income analysis conducted jointly by Minnesota State Colleges and Universities and University of Minnesota Extension. "Thank goodness for record yields," said U of M Extension economist Dale Nordquist in a news release. "At current prices, the average crop producer would have suffered a net income loss of over \$50,000 with normal yields." Overall, the median net farm income for Minnesota farmers was down 37 percent from 2014. The median income

for crop farms was just over \$26,500, up from \$16,500 in 2014 but far less than incomes earned during the "golden years" of 2010–2012. The median livestock producer earned just under \$24,000, down from over \$110,000 in 2014." *Mankato Free Press.*

More Consolidation — "John Deere and Hagie Manufacturing have developed a partnership that will involve John Deere holding a majority ownership of Hagie.... As part of the deal, Hagie's 400-person manufacturing facility in Clarion, Iowa will continue to produce the machines under the Hagie brand, and the company will have access to John Deere's global customer rolodex. Customers could see Hagie equipment popping up at John Deere dealers by June 2017. John Deere will also implement its precision agriculture technology into Hagie's equipment." *Fluence.* ✨

