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**Agency Purpose**

The Agricultural Utilization Research Institute (AURI) was created by the legislature under M.S. 1160.09, which was renumbered to 116V.01 in 2008.

AURI’s mission is to foster long-term economic benefit through increased business and employment opportunities in rural Minnesota through:

- ◆ the identification and expansion of existing markets for new or existing commodities, ingredients, and products;
- ◆ the development of new uses or value improvements for Minnesota agricultural commodities; and
- ◆ the development of renewable energy opportunities from Minnesota agricultural commodities and co-products.

AURI’s efforts are focused on catalyzing innovation in value-added agriculture that creates economic vitality in Minnesota. This is accomplished by providing project development services, targeted network coordination and scientific technical assistance for the development of new products and expanded uses for Minnesota agricultural commodities.

AURI programs help producers, agri-processors and their communities take advantage of a larger portion of the market value-chain during all economic cycles. Regardless of economic conditions, AURI programs have been in increasing demand. AURI clients tend to focus on improving their efficiency and effectiveness during periods of high commodity prices. During periods of lower commodity prices, clients tend to seek innovative new uses for their products.

**Core Functions**

The Agricultural Utilization Research Institute provides seamless service from feasibility to implementation to individuals and organizations that are developing value-added businesses across Minnesota. These services are provided to existing businesses, cooperatives and entrepreneurs. Core functions include:

- ◆ providing scientific technical and feasibility assistance, laboratory and pilot plant services supporting value-added agricultural processing in Minnesota;
- ◆ acting as the applied research and development resource for small and medium-sized commodity processors;
- ◆ identifying, educating and informing agricultural stakeholders about emerging value-added agricultural opportunities;
- ◆ facilitating innovation and collaboration, including coordination of Minnesota’s Renewable Energy Roundtable, which works to eliminate barriers to development of new renewable energy resources in the state; and
- ◆ working with agricultural processors on efficiencies and technologies vital to sustaining profitability in times of high raw commodity prices which drastically impact margins.

**Operations**

AURI serves a variety of clients including producers, grower groups, cooperatives, small and medium-sized commodity processors and entrepreneurs. AURI provides assistance to clients at various stages of product development. A significant amount of staff time is dedicated to “discovery.” These initial consultations and evaluations determine if an idea fits AURI’s criteria, is unique and innovative and has the potential to significantly impact commodity utilization or respond to a market opportunity. Ventures that do not fit are either ended or referred to other organizations; ventures that are deemed viable are formed into official projects, which provide access to AURI programs and services.

**At A Glance**

- ◆ AURI technical and scientific services are utilized by Minnesota businesses, cooperatives, farm organizations, grower groups and entrepreneurs seeking to develop innovative uses and value improvements for agricultural commodities and co-products.
- ◆ In the last biennium, AURI assisted in the development of 281 unique projects and initiatives and brought 69 new or improved ag-based products to the market.
- ◆ Nearly \$71 million in new capital was invested in rural Minnesota through AURI-supported, value-added ventures.
- ◆ AURI facilitates the Minnesota Renewable Energy Roundtable, a statewide, multi-organizational collaborative effort focused on furthering renewable energy development in Minnesota. The Roundtable events have drawn over 400 voluntary participants representing more than 100 organizations involved in Minnesota’s renewable energy industry.

AURI project staff assists with project development activities and feasibility analysis. Laboratory and pilot plant staff support the technical elements of project development. Pilot plant and laboratory activities assist clients with product development, troubleshooting, methods training, analysis, and product scale-up activities. These value-added innovations lead to growth in the state's economy, employment, and business development opportunities, especially in rural counties.

AURI also operates the Center for Producer-Owned Energy (CPOE), a U.S. Department of Agriculture (USDA)-funded agricultural innovation center created to develop farmer-owned renewable energy enterprises. To date nearly 60 projects have been initiated by the CPOE utilizing Minnesota-grown agricultural products and co-products as energy sources.

AURI collaborates with other available resources in the state to effectively and efficiently leverage needed resources for Minnesota businesses. Collaborations have been established with the USDA, Minnesota State Colleges and Universities (MnSCU), University of Minnesota, Small Business Development Centers (SBDCs), Minnesota Departments of Agriculture (MDA) and Employment and Economic Development (DEED), the BioBusiness Alliance of Minnesota and all major commodity groups and farm organizations within the state.

AURI's facilities are strategically located throughout the state to enhance service delivery and client access:

- ◆ *Crookston*: AURI's state headquarters, food product development lab, and fermentation and chemistry lab
- ◆ *Marshall*: Center for Producer-Owned Energy (CPOE); fats and oils lab; analytical and process labs; and USDA-inspected meats lab
- ◆ *Waseca*: Co-products utilization lab and pilot plant

### Program Areas

Client services include project development assistance, feasibility assessments, hands-on access to laboratory facilities as well as limited cost-share assistance that expands scientific and technical capacity. These services provide reliable and unbiased information for clients to make informed decisions.

Industry initiatives focus on examining emerging opportunities with the potential for broad impact. They include agricultural energy development, side stream research, bio-industry development and other projects with the potential to impact a large number of producers.

### Key Goals

AURI's key organizational strategic goals include:

- ◆ Creating and retaining rural wealth by fostering and promoting agricultural innovation
- ◆ Advancing the renewable energy industry in Minnesota
- ◆ Providing seamless service, from feasibility to implementation, of innovations and process improvements for Minnesota commodities and co-products

### Key Measures

AURI project involvement often happens early in a product development life cycle while a significant portion of feasibility has yet to be determined. This means it can take many months or even years for a concept to reach reality and be implemented or taken to market. Some never reach that stage because of market, economic or other reasons.

Among the measures tracked by AURI to show the impact of organizational activities is the number of value-added products that have been developed and entered the marketplace, the amount of capital invested in innovative value-added ventures, dollars saved by avoiding investment in non-feasible projects and the amount of outside funds leveraged by AURI-supported projects. These measures show that implementation is occurring and economic activity is happening as a result of AURI assistance. In the past two years:

- ◆ 281 unique projects and initiatives were developed and received AURI assistance in an effort to move Minnesota-grown agricultural products into new, value-added markets.
- ◆ 69 new or improved ag-based products reached the market with AURI assistance.

- ◆ Nearly \$71 million in new capital was invested in new AURI-supported, value-added ventures.
- ◆ Over \$100 million in rural wealth was retained, by not investing in ventures deemed not currently viable.
- ◆ Over \$1.4 million in outside funds were committed to new value-added projects.

### **Budget**

The projected budget for FY 2009 is \$5 million. Current organizational personnel include 25 full-time equivalent staff. At present, the AURI state appropriation is approximately 62% of the projected FY 2009 operations budget. \$700,000 of the state appropriation is dedicated specifically to bioenergy. State funds are used to leverage federal and other sources of funding, including a \$984,000 grant from the U.S. Department of Energy. Additional grant opportunities from the USDA are anticipated during the biennium.

### **Contact**

#### **AURI State Office**

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The AURI website at [www.auri.org](http://www.auri.org) provides information on programs, research, and organizational contacts.

*Dollars in Thousands*

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<b><u>Direct Appropriations by Fund</u></b>					
<b>General</b>					
Current Appropriation	3,100	3,100	3,100	3,100	6,200
<b>Recommended</b>	<b>3,100</b>	<b>3,100</b>	<b>1,550</b>	<b>1,550</b>	<b>3,100</b>
Change		0	(1,550)	(1,550)	(3,100)
% Biennial Change from 2008-09					-50%
 <b><u>Expenditures by Fund</u></b>					
<b>Direct Appropriations</b>					
General	3,100	3,100	1,550	1,550	3,100
<b>Total</b>	<b>3,100</b>	<b>3,100</b>	<b>1,550</b>	<b>1,550</b>	<b>3,100</b>
 <b><u>Expenditures by Category</u></b>					
Local Assistance	3,100	3,100	1,550	1,550	3,100
<b>Total</b>	<b>3,100</b>	<b>3,100</b>	<b>1,550</b>	<b>1,550</b>	<b>3,100</b>
 <b><u>Expenditures by Program</u></b>					
Ag Utilization Research Inst	3,100	3,100	1,550	1,550	3,100
<b>Total</b>	<b>3,100</b>	<b>3,100</b>	<b>1,550</b>	<b>1,550</b>	<b>3,100</b>

AGRICULTURE UTILIZATION RESRCH

Change Summary

*Dollars in Thousands*

	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<b>Fund: GENERAL</b>				
FY 2009 Appropriations	3,100	3,100	3,100	6,200
Subtotal - Forecast Base	3,100	3,100	3,100	6,200
<b>Change Items</b>				
Base Reduction	0	(1,550)	(1,550)	(3,100)
<b>Total Governor's Recommendations</b>	<b>3,100</b>	<b>1,550</b>	<b>1,550</b>	<b>3,100</b>

# AGRICULTURE UTILIZATION RESRCH

Change Item: Base Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(1,550)	\$(1,550)	\$(1,550)	\$(1,550)
Revenues	0	0	0	0
Other Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$(1,550)	\$(1,550)	\$(1,550)	\$(1,550)

## Recommendation

The Governor recommends a budget reduction of \$1.55 million each year in FY 2010 and FY 2011 to Agriculture Utilization Research Institute (AURI)'s general fund operating budget. The Governor intends that AURI should focus its operating funds on maintaining its highest priority services. In addition, the Governor intends to provide as much flexibility as possible to the agency for the implementation of these reductions.

## Background

Since its creation by the Minnesota state legislature nearly 20 years ago, AURI has focused on rural economic growth and stabilization. Renewable energy, the knowledge economy and job creation are all important strategies for keeping the economy stable. AURI's mission is to foster long-term economic benefit through increased business and employment opportunities in rural Minnesota. AURI advances these concepts by identifying and expanding existing markets for the State's agricultural commodities, identifying new agri-processes and technologies, and by developing new uses or value improvements for Minnesota agricultural products.

## Relationship to Base Budget

Currently, AURI's base appropriation of \$6.2 million each biennium represents almost 75% of its operating budget. A cut of \$3.1 million for the biennium would represent a reduction to those operating funds and would return AURI's general funding to FY 2006-2007 levels reversing the increases during the last biennium. AURI seeks outside funding sources, including expanded possibilities from federal programs and uses matching dollars required to obtain these funds as well as to demonstrate organizational stability.

## Key Goals and Measures

During the past year there has been a marked increase in demand for renewable energy development, bio-based (green) product development as well as process enhancements or improvements in agri-processing.

AURI's key organizational strategic goals for the biennium include:

- ◆ Stabilizing the rural economy by utilizing agricultural innovations for economic benefit, including job creation and retention
- ◆ Advancement of the renewable energy industry in Minnesota
- ◆ Seamless service from feasibility to implementation of innovations and process improvements for Minnesota businesses involved in agricultural products and co-products.

A reduction to AURI's base budget would impact both programmatic areas and staffing levels. These activities occur with the state's largest commodities including corn, soybeans and pork. In addition, services to commodities with smaller impact would be curtailed in an effort to maximize the impact of lean resources.

**Statutory Change:** Not Applicable.