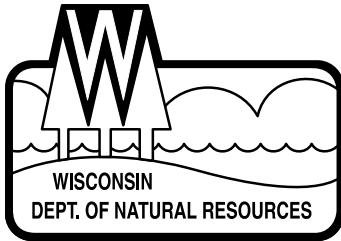


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State of Wisconsin \ DEPARTMENT OF NATURAL RESOURCES

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August 1, 2008

Jennifer Conner-Haynes (WS-15J)
U.S. Environmental Protection Agency (EPA)
77 West Jackson Blvd.
Chicago, IL 60604-3507

Subject: Quarterly Progress Report for 2007 State Innovation Grant PI00E32201

Dear Ms. Conner:

The Department of Natural Resources is pleased to submit our third quarterly progress report for the 2007 State Innovation Grant project, *Use of Whole Farm EMS as a Supplement to CAFO Permits for the Dairy Sector*.

If this report does not meet EPA's needs or you would like to suggest ways to improve our next quarterly report, please don't hesitate to contact me at 608-266-8226 or jeffrey.voltz@wisconsin.gov.

Sincerely,

Jeffrey Voltz,
Environmental Assistance Coordinator/Agriculture Sector Specialist
Bureau of Cooperative Environmental Assistance

cc: Carla Wright - CO/7
Tom Davenport - EPA Region 5
Marilou Martin - EPA Region 5
Beth Termini - EPA OPEI
Sherri Walker - EPA OPEI
Gerald Filbin - EPA OPEI

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Quarterly Progress Report (12/31/2007- 3/31/08)

Award: 2007 State Innovation Grant (Assistance ID# PI-00E32201-0)
Recipient: Wisconsin Department of Natural Resources (WDNR)
Project: Use of Whole Farm EMS as a Supplement to CAFO Permits for the Dairy Sector

Section 1 -- Synopsis of Accomplishments During Reporting Period

During this reporting period WDNR experienced progress on several major project tasks.

Grant Application

- Wisconsin DNR is currently working with University of Wisconsin-Madison Extension program in an effort to continue refining the short, immediate and long-term performance measures. Closure on these items will address the remaining balance of elements required by the Quality Assurance Project Plan (QAPP).

Contract(s) for Support

- Wisconsin DNR Issued two (2) Purchase Orders for contracting services to support EMS services and auditing in the dairy sector,
 - Delivery of Environmental Management System (EMS) Services for the Dairy Sector,
 - Perfect Environmental Performance (PO NMH00001066)
 - Environmental Management System (EMS) Auditing Services for the Dairy Sector
 - Validus, Inc. (PO NMH00001216)
- Convened first meeting with Contractors: Perfect Environmental Performance (PEP) and Validus, Inc. to discuss project objectives, timeline, opportunities for collaboration and answer questions. Subsequent meetings have taken place with each contractor to address outstanding process-related questions. Meetings will increase in frequency as the project matures.

Outreach & Recruitment

- Perfect Environmental Performance, as a condition of their purchase order, has contacted and met with several stakeholders. The purpose of this outreach is to gain insight into potential dairy producer participants, developing potential partnerships, and addressing local issues specific to dairy agriculture (e.g. ground and surface water quality issues). These stakeholders include, but are not limited to:
 - Dairy Business Association (DBA),
 - Professional Dairy Producers of Wisconsin (PDPW),
 - County Land Conservation Departments (Manitowoc, Kewaunee, Calumet, etc.)
 - University of Wisconsin Extension,
 - Past EMS trained dairy producers, and
 - New recruits for current EMS training.
- US EPA approved Wisconsin DNR's final project plan which outlined a commitment to "compare results of this EMS project with an agricultural ERP project in Minnesota" [Minnesota Pollution Control Agency-(MPCA)]. To date, Wisconsin DNR and MPCA have not met, but have held a conference call to begin framing approaches that will allow for comparison of approaches, results and lessons-learned. In the future WDNR and MPCA will hold monthly conference calls to in an effort to establish methods for comparing results and lesson-learned.
- WDNR regularly meets with the Dairy Business Association-Green Tier Advancement Project (DBA-GTAP) to discuss:
 - Producer-member participation in EMS training and Green Tier,
 - Strategies for maximizing resources, and

- Methods for engaging stakeholders in order to address environmental and economic issues specific to the dairy industry.
- DNR and DBA-GTAP have nominated several individuals (9) to serve on the DBA-GTAP Interested Persons Group. The Parties continue to refine both the specific duties of the group and priority issues for the group to address. While not *directly* related to the State Innovation Grant, the Interested Persons Group is intended to serve as a vehicle for increasing awareness about both Environmental Management Systems and the potential benefits of participating in the Departments' Green Tier program. The duties of the Interested Persons Group, as noted below, are also relevant to the issues being addressed by the State Innovation Grant, including:
 - Improve communications with non-participating stakeholders and relating to the general public (e.g. holding public workshops, promotional advertisements, etc.).
 - Develop specific recommendations to further the goals of the DBA-GTAP Charter, including identifying environmental goals to which the dairy sector should aspire, and
 - Develop ways of monitoring and measuring the environmental performance of DBA-GTAP participants.

More details follow in Section 2, Narrative Discussion. Also, an annotated version of the Workplan that was included in our final project narrative is attached at the end of this report for reference purposes.

Section 2 -- Narrative Discussion

A quick glance at the attached annotated workplan will reveal that we have made both significant progress this quarter and remain behind schedule on some project activities. Notwithstanding the challenges the department faced in procuring services, the bulk of “front-end” work for this grant is either being addressed or scheduled to be addressed soon (i.e. recruitment and scheduling). The long-term work (e.g. Compare Wisconsin dairy EMS project results with Minnesota dairy ERP project results and any other relevant projects) are in the early stages of development.

The Purchase Order for “Delivery of Environmental Management System (EMS) Services for the Dairy Sector” requires that our contractor, PEP, provide EMS training and technical assistance to thirty (30) dairy producers and to ensure, at least, fifteen (15) have fully implemented EMS’s. As such, building critical mass within the dairy producer community is PEP’s primary objective. Moreover, building critical mass capable of participating at each of the training session and set the stage for quantifying long-term environmental improvements are equally important.

PEP has and continues to identify qualified dairy producer candidates principally located in Kewaunee, Manitowoc, Brown, and Calumet Counties. It is unlikely PEP will have a final roster until late September, or early October. One exception to recruitment efforts in the Lakeshore Basin has been a passive-effort in Northwest Wisconsin (i.e. Lower Chippewa River Basin). In this instance, PEP is responding to producer and processor requests for EMS training that may facilitate a producer-processor relationship (i.e. supply-chain). In total, PEP is currently working to establish critical mass in the following geographic areas and specific types of producers:

- a. Northeast Wisconsin (Lake Shore Basin): identify farm clusters in Kewaunee, Manitowoc, Brown and Calumet and counties. The emphasis to date is to determine whether interested producers are within a close enough proximity to allow for a “sub-watershed approach,” or a perhaps a strong producer-processor link (supply chain).
- b. Northwest Wisconsin (Lower Chippewa River Basin): Identify whether the supply chain in NW Wisconsin is viable. Identify a schedule and begin contacting/interviewing potential farm participants for this area. If this NW Wisconsin initiative proves viable, we would project that one or two clusters of producers would be developed and organized for training activities.
- c. Organic/Grazer. Identify and recruit organic producers/grazers or other alternative farm organizations into one or more EMS learning clusters, whether in NE, or NW Wisconsin.

The near future work on this deliverable includes: additional face-to-face recruitment of past EMS participants; preparation of mentor training materials and coaching of mentors; engaging local government, land conservation organizations, individuals and communities; organizing participation of mentors in conference settings; and eventually assisting EMS farms to join Green Tier as part of their own improvement process.

Information Exchange and Managing Expectations:

Ensuring EMS training information and EMS auditing expectations are provided to producers both consistently and as vehicles for improving environmental performance is of primary concern to WDNR, and both contractors: PEP and Validus, Inc. To this end, Validus, Inc, PEP and WDNR met to discuss what training materials would benefit from additional review. While these discussions are on-going, it is clear each has committed to sharing information and providing comments (e.g. Validus reviewing EMS Manual and PEP reviewing Validus audit procedures) or modifying approaches to ensure consistency and compatibility with expressed goals and objectives of the project.

The WDNR has taken great strides to ensure the EMS training and auditing is not compromised from collaboration, just as the department has taken great strides to ensure the Parties are aware of and agree to both the process for training and auditing before the training begins. Ensuring a “degree of separation” will continue to be a primary focus for the project manager as the project continues to mature.

Active and Potential Collaborators:

The University of Wisconsin- Extension (UW-X)

WDNR has contacted and solicited UW-X for assistance in further refining tools for gathering information about dairy producer’s attitudes and behavior. Initially, the department had anticipated relying on one, or both of the contractors (i.e. PEP and Validus) to develop and deploy this tool. The time and effort required in the development of the tool will demand the department’s project manager to take a more active role than initially anticipated. This may qualify as a “mid-course correction.” To date, the department and UW-X have met to discuss, generally, the short, medium and long-term goals of the project and discussed methods for capturing information and efforts that can inform, if not frame how WDNR approaches questions of attitudinal and behavioral changes among dairy producer trainees (e.g. EPA Region 5 Social Indicators). Additional discussion on this issue is needed and meetings have been scheduled with principles from UW-X the week of August 11, 2008.

The Dairy Business Association-Green Tier Advancement Project (DBA-GTAP): Conservation Innovation Grant (CIG)

The Wisconsin Dairy Business Association received a \$100,000 CIG from US Department of Agriculture-Natural Resources Conservation Services to support the Green Tier Advancement Project (DBA-GTAP), or what is commonly referred to as the “DBA Green Tier Charter.” The CIG will assist dairy producers who participate in the Green Tier Charter in implementing an Environmental Management System. The CIG also seeks to change attitudes, change behavior, and ultimately change the dairy business climate in Wisconsin. It is anticipated that receipt of these funds may serve as an opportunity to expand the scope of collaboration. It is expected that WDNR, PEP, Validus, Inc. and DBA-GTAP will meet in early September to discuss priorities and opportunities for collaboration.

In our approved project narrative, DNR highlighted the DBA-GTAP Charter negotiations as an external influence vital to the success of our SIG project. In fact, we viewed the Charter as a virtual pre-requisite to all our State Innovation Grant (SIG) outreach and recruitment efforts. The Charter is important in at least two fundamental ways. First, it establishes a partnership relationship between DNR and a key stakeholder, DBA. Second, it establishes a shared commitment by DNR and DBA to support and promote the activities described in our SIG project narrative. In other words, DNR now has a full partner who is invested in the success of the SIG project and will bring resources to bear as we try to recruit, train, and assist EMS candidates in the dairy sector. Had the

Charter negotiations broken down, DNR believes it would have been nearly impossible to recruit dairy sector participants for this project. Moreover, with DBA-GTAP as a beneficiary of the \$100,000 USDA-NRCS grant those recruiting efforts may be more robust than we had originally anticipated.

WDNR, Validus, Inc., PEP and DBA-GTAP likely will meet to discuss options for maximizing resources later this month (August `08), or early next (September `08).

Contracting for Services:

The second quarterly report (March `08) highlighted the challenges of state procurement. It is not necessary to rehash these difficulties experienced in this report, but it is necessary to provide documents relating to the second contract, or “*Environmental Management System (EMS) Auditing Services for the Dairy Sector.*” Please refer to attachments in email for detailed information on the Validus, Inc purchase order and details of deliverables required.

Contractors Quarterly Reports:

Both PEP and Validus have submitted their first quarterly reports. Copies of quarterly reports are available upon request.

Quality Assurance Project Plan (QAAP):

DNR has drafted most of the QAPP, but not yet completed the draft nor submitted it to EPA for approval. We are working with UW-X to finalize details of the QAPP. It is anticipated the document will be provided before the end of August.

Section 3 -- Projection of Activities, Accomplishments, and Major Expenditures for Next Quarter Report

DNR anticipates the following next steps and highlights for the upcoming quarter:

- August: Continue to coordinate efforts between PEP and Validus, Inc. Submit draft QAPP for EPA review and approval, and Coordinate meetings between PEP, Validus, Inc and DBA-GTAP to begin fleshing out strategy for maximizing resources (i.e. State Innovation Grant and Conservation Innovation Grant), communication strategies, process related issues, etc.
- September: Review EMS training manual and make final pre-training adjustments, and Finalize preparation for deploying data gathering tools, and Host EMS conferences for prospective EMS trainees
- October: Final preparations for fall training
- November Host first EMS training session for farmers for `08-`09 training session Submit quarterly report
- On-going: Process any Green Tier applications received from the dairy sector

Section 4 -- Financial Report

Confidential business information removed by EPA.

Annotated Workplan for Quarterly Progress Report (12/31/2007 - 3/31/2008)

Task	Start	Finish	Status
Grant Application			
a. Submit draft workplan narrative and logic model to EPA	5/16/07	6/4/07	Done
b. Submit final workplan and application package via Grants.gov	6/7/07	6/14/07	Done
c. Identify long-term performance measures and evaluation methods as part of QAPP	6/14/07	8/13/07	Behind schedule - partial draft completed
d. Submit QAPP to EPA	6/14/07	8/13/07	Behind schedule - partial draft completed
Contract(s) for Support			
a. Identify scope of work (i.e. activities) to be contracted	6/14/07	9/14/07	Done
b. Request proposals for contract(s)	9/17/07	10/19/07	Done
c. Review proposals and select contractor(s)	10/19/07	10/26/07	Done
d. Issue contract(s)	10/26/07	11/1/07	Done
EMS Outreach Materials and Training Delivery Model			
a. Develop survey or interview questions to assess the value and effectiveness of EMS training	6/14/07	8/13/07	Preliminary draft complete
b. Survey or interview dairy sector participants who participated in past EMS training	8/14/07	9/7/07	Preliminary draft complete
c. Review existing EMS training delivery model and identify possible improvements	6/14/07	9/14/07	Initial Review complete
d. Review existing EMS for Agriculture outreach & training materials and improve where possible	6/14/07	11/1/07	Initial review complete
e. Reassess materials and training delivery model after Class 1 completes training (repeat of tasks b, c, and d)	6/1/08	9/1/08	Future task
f. Develop streamlined "do it yourself" EMS tool(s) tailored to the dairy sector	5/1/08	9/30/09	Future task
Outreach & Recruitment			
a. Develop outreach & recruitment strategy	6/14/07	10/1/07	Implementation strategy developed (contractor)
b. Implement outreach & recruitment strategy for Class 1	10/1/07	11/1/07	Implementation strategy developed (contractor)
c. Assess Class 1 outreach & recruitment results and revise strategy as needed	6/1/08	9/1/08	Future task
d. Implement outreach & recruitment strategy for Class 2	9/1/08	11/1/08	Future task
Compendium of Legal Requirements			
a. Develop and maintain a compendium of federal and state	10/1/07	ongoing	Not started - to

Task	Start	Finish	Status
environmental requirements applicable to dairy producers			be covered under separate special contract
EMS Training & Implementation			
a. Deliver EMS training to Class 1	11/1/07	4/30/08	Scheduled to begin November 2008
b. Deliver EMS training to Class 2	11/1/08	4/30/09	Scheduled to take place after Nov `08 through March `09
c. Provide technical assistance with EMS implementation and auditing as needed	11/1/07	9/30/09	Not started - included in RFP
d. Survey or interview participants before and after EMS training	11/1/07	9/30/09	Future Task - included in RFP
e. Arrange for ISO 14001 registration audit of at least one Wisconsin dairy producer	10/1/07	9/30/09	Future Task - to be covered under separate special contract
Green Tier Applications			
a. Assist EMS training participants with submitting applications	ongoing	ongoing	DNR assisted two potential applicants during second quarter
b. Process applications according to established procedures	Date received	Tier 1: <60 days after public notice or public meeting; Tier 2: <1 year after beginning negotiations	No new applications received this quarter
c. Fulfill mandatory participation requirements	ongoing	ongoing	DNR assisted one participant during second quarter
Comparative Assessment of Project Results			
a. Evaluate interim project results against goals and objectives	6/30/08	9/30/08	Future task
b. Compare Wisconsin dairy EMS project results with Minnesota dairy ERP project results and any other relevant	6/30/08	9/30/08	Future task

Task	Start	Finish	Status
projects			
c. Monitor long-term environmental outcomes	10/1/07	9/30/10	Not started - no data will be collected until QAPP is completed
Policy Analysis			
a. Assess policy lessons and implications of project	9/30/09	11/31/10	Future task
Reporting			
a. Submit Progress Report to EPA for Year 1, Quarter 1	12/21/07	12/31/07	Done -
b. Submit Progress Report to EPA for Year 1, Quarter 2	3/21/08	3/31/08	Done-
c. Submit Progress Report to EPA for Year 1, Quarter 3	6/20/08	6/30/08	Done-
d. Submit Progress Report to EPA for Year 1, Quarter 4	9/20/08	9/30/08	Future task
e. Submit Progress Report to EPA for Year 2, Quarter 1	12/21/08	12/31/08	Future task
f. Submit Progress Report to EPA for Year 2, Quarter 2	3/21/09	3/31/09	Future task
g. Submit Progress Report to EPA for Year 2, Quarter 3	6/20/09	6/30/09	Future task
g. Submit Progress Report to EPA for Year 2, Quarter 4	9/20/09	9/30/09	Future task
g. Submit Progress Report to EPA for Year 3, Quarter 1	12/21/09	12/31/09	Future task
g. Submit Progress Report to EPA for Year 3, Quarter 2	3/21/10	3/31/10	Future task
g. Submit Progress Report to EPA for Year 3, Quarter 3	6/20/10	6/30/10	Future task
h. Submit Final Report to EPA	9/30/10	12/29/10	Future task