Maryland
Department of Agriculture

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House Appropriations Committee Senate Budget and Taxation Committee
Capital Budget Subcommittees
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Tobacco Transition Program/Southern Maryland Agricultural Development Commission (SMADC)

DLS recommends that SMADC comment on how the proposed food hub will work with local farmers to improve both availability of locally grown produce and the economic conditions of local farmers. SMADC should also describe a business plan, including a capital schedule, for its proposed food hub vision using its fiscal 2015 and 2016 funding.

The Southern Maryland Food Hub is a component of the Southern Maryland Agricultural Business and Center for Food Innovation (the Center). As the analyst correctly points out, the overarching plan is to address the need to aggregate, distribute, and process local food and food products. Wholesale buyers, restaurants and caterers have expressed increasing interest in procuring locally sourced food, but find it challenging to buy small lots from multiple farmers.

SMADC's hope is to utilize existing infrastructure where possible. This may include structures that are available regionally or "re-purposing" those on the land that SMADC hopes to secure for the Center. Furthermore, by working with partners in the region, SMADC hopes the Center builds on and takes advantage of existing trucks moving throughout the region and state (e.g.: distributors, caterers, restaurants, non-profits, etc.). Once these literal and figurative components are knit together, SMADC will be able to develop a business plan.
The analysis refers to two primary aspects, a 'structural' component and a 'process' component. The structural aspect incorporates the physical location and infrastructure for the Center as described above. In our vision, the Food Hub would efficiently warehouse and distribute food from local farms, meats and seafood from the Center's processing facility, and food grown on site by the incubation farms.

The process aspect is the aggregation of locally grown/produced food for sale to restaurants, stores, and other customers. SMADC is currently working with the nonprofit, Farming 4 Hunger, to bring fresh local farm produce to the hunger community. In 2014, through these efforts, produce was aggregated from 29 farms in Southern Maryland (over 1.5 million pounds of produce valued at $191,000 to the farmers). Farmers have pledged to grow more produce in 2015 knowing there is a more secure market. This is providing data to inform the development of the Southern Maryland Food Hub.
We envision the Southern Maryland Food Hub will connect our regional farmers to the next level which include institutions, restaurants and wholesale buyers within the region and the Baltimore-DC metro area. Our model is designed to specifically aggregate and distribute food from local Maryland farmers and augment the ability of local farmers to meet market demand.

Maryland Agricultural Land Preservation Program

DLS recommends that MDA comment on why the number of unresolved violations has increased substantially from 348 in the most recent audit to 561 as of January 12, 2015.

The Maryland Agricultural Land Preservation Foundation (MALPF) has preserved 292,357 acres on 2,154 properties as of the end of Fiscal Year 2014. That's over 2,000 landowners with different ideas of what they can continue to do on their property after the easement is in place.

The easement restricts the property from residential, commercial and industrial development and sometimes a landowner's venture works within the realm of the program, and sometimes it doesn't. When a landowner violates the easement it is usually discovered through a routine inspection, a phone call from a neighbor, or research done to respond to a landowner's request for an allowable use. The program staff responds by conducting an inquiry to see if there is a violation of the easement.

Last year the number of unresolved violations increased from 348 to 561. We acknowledge that this is a substantial number. The majority of our easement violations are added to the list following receipt of easement inspection notices from the counties. The notices are received once a year. You will notice in Exhibit 9 that over 90% of the violations are related to soil and water quality plans or forest stewardship plans. These violations exist because of the tremendous lag time in MALPF's receipt of updated information from the soil conservation districts. To combat this lag time, we have recently teamed up with the MDA Resource Conservation office who is reviewing their records for landowner compliance. As a result of this new procedure, the number of soil and water quality plan violations has been reduced from 465 to 166. This reduces the total number of outstanding easement violations from 561 to 262, which is just less than 1% of the total easements MALPF currently holds.

MALPF acknowledges this repeat finding and is working to correct its shortcomings. While we instituted all recommended changes from the previous audit finding, those actions were not adequate to clear the backlog of open violations. In addition to working with Resource Conservation to reduce the number of soil and water quality plan violations, we are working with the DNR Forest Service to get updated information on the outstanding forest stewardship plan violations. We are also working on an updated violations policy that includes an aggressive follow-up schedule that will include legal action and the imposition of civil penalties, when appropriate.

GO Bond Recommended Actions

DLS has recommended a reduction of $11.3 million in GO bond authorization for agricultural land preservation.

You will note on Page 6, Exhibit 2 that in the years 2008 through 2010 there was more farmland preserved than converted. This is solely due to the economic downturn. During those years there was little to no development pressure and very little construction was occurring. This is changing. The economy is slowly recovering and development pressures will return in many areas.

Due to the ongoing shift of transfer taxes from special funds to the general fund, MALPF will continue to adjust, depending on the amount of funding, and will maximize the number of acres preserved.

For the 2015-2016 easement acquisition cycle, MALPF received and processed 163 applications, covering over 21,000 acres. The total landowners' asking price was in excess of $126 million. Should the recommendation to reduce funding by $11.3 million be accepted by the Committee, it would reduce the amount of current preserved acres by two-thirds. Funding limitations have already forced the program to go to a two-year cycle and limit the number of accepted applications.

As demonstrated by the number of applications, the demand for the program has exceeded funding. **Therefore, the Department recommends that the analyst's recommendation be rejected.**

Southern Maryland Agriculture Development Commission
Christine L. Bergmark, Ph.D, Executive Director

DLS Questions/responses

1. ***Food Hub Plans Still Vague:*** The General Assembly added budget bill language to the fiscal 2015 capital and operating budget bills restricting funding provided for three food hub projects – the Baltimore Food Hub, the Eastern Shore Food Hub, and the Regional Food Hub in Southern Maryland – until reports were submitted on how efforts were being coordinated. The report was submitted and funding released, but it is still unclear how the Southern Maryland Agricultural Development Commission (SMADC) will pursue its food hub vision. **DLS recommends that SMADC comment on how the proposed food hub will work with local farmers to improve both availability of locally grown produce and the economic conditions of local farmers. SMADC should also describe a business plan, including a capital schedule, for its proposed food hub vision using its fiscal 2015 and 2016 funding.**

SMADC response:
To clarify, the USDA definition of a Food Hub is: "a regional food hub is a business or organization that actively manages the aggregation, distribution, and marketing of source-identified food products primarily from local and regional producers to strengthen their ability to satisfy wholesale, retail, and institutional demand."

a) How the Southern Maryland proposed Food Hub will work
The Southern Maryland Food Hub is a component of the Southern Maryland Agricultural Business and Center for Food Innovation (the Center). As the analyst correctly points out, the overarching plan is to address the need to aggregate, distribute, and process local food and food products. Wholesale buyers, restaurants and caterers have expressed increasing interest in procuring locally sourced food, but find it challenging to buy small lots from multiple farmers.

SMADC's vision is to acquire a centrally located site that ideally will house a Southern Maryland Food Hub for aggregation and distribution, a regional meat processing facility; aquaculture processing, land for new farmer incubation and a year-round local farmers' market/store for the region. Having these components co-located in one location makes it more efficient to aggregate and distribute locally produced food to take advantage of the $26 billion food market in the DC-Baltimore metro region.

SMADC's hope is to utilize existing infrastructure where possible. This may include structures that are available regionally or "re-purposing" those on the land that SMADC hopes to secure for the Center. Furthermore, by working with partners in the region, SMADC hopes the Center builds on and takes advantage of existing trucks moving throughout the region and state (e.g.: distributors, caterers, restaurants, non-profits, etc.). Once these literal and figurative components are knit together, SMADC will be able to develop a business plan.

The analysis refers to two primary aspects, a 'structural' component and a 'process' component. The structural aspect incorporates the physical location and infrastructure for the Center as described above. In our vision, the Food Hub would efficiently warehouse and distribute food from local farms, meats and seafood from the Center's processing facility, and food grown on site by the incubation farms.

The process aspect is the aggregation of locally grown/produced food for sale to restaurants, stores, and other customers. SMADC is currently working with the nonprofit Farming 4 Hunger to bring fresh local farm produce to the hunger community. Through these efforts, in 2014, produce was aggregated from 29 farms in Southern Maryland (over 1.5 million pounds of produce valued at $191,000 to the farmers). Farmers have pledged to grow more produce in 2015 knowing there is a more secure market. This is providing data to inform the development of the Southern Maryland Food Hub.

We envision the Southern Maryland Food Hub will connect our regional farmers to the next level; institutions, restaurants, wholesale buyers within the region and the Baltimore-DC metro area. Our model is designed to specifically aggregate and distribute food from local Maryland farmers and augment the ability of local farmers to meet market demand.

b) Economic conditions of local farmers

As a direct result of the Tobacco Buyout, the local farm economy in the counties dropped by at least 40%, in some cases up to 50%. In addition, many livestock farmers found their livelihood diminished as result of the national meat industry's concentration and centralization of meat production and processing.

SMADC has been working on transforming the local and state food system for many years. We have put in place many programs which have helped move our farm community from a traditional, tobacco based economy to a new economy based on food. We have worked on policies and regulations to streamline local, state and/or federal regulations, as the need arises from our community. We have re-created, and in some cases, helped create new industries, in sectors such local meat, wine, fresh produce, dairy, value-added processing, and grain. All of this work has benefited individual farmers (see SMADC FY'14 annual report, www.smadc.com) and created new opportunities for our region's farms.

As an example, SMADC has worked hard to facilitate and increase meat production with regional farmers to meet the demand for local meat. The Southern Maryland Meats program brought above $340,000 in reported income levels from the meat producers in our third year, yet we still lack a local meat processing facility. We have worked to help develop a mobile meat processing unit that expects to be operating in the spring of 2015. Even with this, the farmer operator will not be able to meet all the demand and need for local meat processing and many livestock producers still have a 2-4 hour drive and up to 6 month wait.

The Center proposes to fill this gap, and similar gaps in produce, dairy, aquaculture, and value-added products, and enables the region to scale up by putting long-term infrastructure in place, creating local jobs and a more secure outlet for locally produced foods.

c) Business plan, including a capital schedule, for its proposed food hub vision using its fiscal 2015 and 2016 funding

SMADC is aggressively pursuing negotiations with partners regarding land acquisition for the Center. Our ideal vision is a single site that could house all the above mentioned components.

Once we have secured the land, we will fully develop a business plan and capital schedule that will contain phases over several years. SMADC's expects to utilize existing infrastructure where possible. This may include structures that are available regionally or "re-purposing" those on the land. Furthermore, by working with partners in the region, SMADC hopes the regional food distribution center builds on and takes advantage of existing trucks moving throughout the region and state (e.g.: distributors, caterers, restaurants, non-profits, etc.). Once these literal and figurative components are knit together, SMADC will be able to develop the business plans and capital schedule.

<u>Job Creation/Workforce Development</u>

The center could eventually provide as many as 25-50 employees. Additionally, according to the MDA Secretary Bartenfelder, "for every five jobs created in agriculture, three more are created in private sector", thus creating more jobs for the region as whole. A special emphasis would be placed on returning vets, inmates who have worked with Farming 4 Hunger, minority groups, women, and new and beginning farmers. Also, the Maryland FarmLINK program offers resources for new and beginning farmers that enable workforce development for new and beginning farmers in Southern Maryland and across the state. We see this training and resource program, in addition to having an outlet for new farmers through the food hub, as an essential piece for breaking the barriers to entry for beginning farmers.

<u>Funding</u>

Funding was requested and approved in the FY'15 budget to acquire property for the Center under SMADC's land preservation budget, and is from the capital budget. SMADC has been investigating the acquisition of a centrally-located farm, which would become the Center, thus preserving the land for agriculture and away from suburban development.

FY'15 and FY'16 infrastructure budget funds would be used for environmental studies and other project support as needed. FY'16 capital funds will support traditional land preservation for individual farms (assuming funds are available).

By working with partners in the five county region and in the state, the Center, ideally coupled with new farmer incubation, will achieve SMADC's continuing goal of enhancing economic benefit to the farming community, and increasing the number of new and successful farmers. This project enables the region to put long-term infrastructure in place, create local jobs and a more secure outlet for locally produced foods.

d) Comment on the Food Hub Report:

The General Assembly request for a report on the food hub projects withholding funds as described above required SMADC to co-author a report with DHCD on the status various food hub projects in the state. DHCD was unaware that SMADC had been mandated to co-author this report with the Agency. As the collective report that was submitted by DHCD was vague on state's food hubs, of its own volition, SMADC undertook a study with all the food hubs and center in the state to assess and share their status. This report was submitted to DHCD and MDA in September 2014, and is available on-line at www.smadc.com.

Each Food Hub/Center in the state has a different model, set of goals, and target audience, and are at vastly different states of evolving and/or maturity. For example, some food hubs have inherent goals of building the rural economy through locally produced food, as well as the enhancing farmer capacity (e.g. Garrett County, and the emerging Southern Maryland Food Hub). These models are designed to specifically aggregate and distribute food from local Maryland farmers and augment the capability of local farmers to meet market demand. Others aggregate and distribute food from a wider variety of sources (Maryland Food Center Authority). Still others do not aggregate food from farmers at all, but are focused on creating local food businesses (emerging Baltimore food hub). And, others aggregate food specifically for the hunger community. While there are possibilities of working together in some manner, each has different goals and target audiences.

A convening of the existing and emerging food hubs was held in the summer of 2014, wherein a consensus emerged that there would be benefit to continue to periodically convene and share ideas. SMADC has requested that a follow-up convening be held, and if none is forthcoming, has offered to coordinate the meetings. SMADC is currently working the Town Creek Foundation and Wallace Center to plan the next convening for all food hubs, and a training session for emerging food hubs in 2015.