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## **An Act To Expand the Local Foods Economy**

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 7 MRSA §306-A, sub-§2**, as enacted by PL 1999, c. 72, §5, is amended to read:

**2. Fund operation.** The commissioner shall utilize the agricultural development fund to:

A. Provide grants to individuals, firms or organizations to conduct market research or to undertake market promotion activities for the purpose of expanding existing markets and developing new markets for state agricultural products; and

B. Test and demonstrate new technologies related to the production, storage and processing of state agricultural commodities; and

C. Provide local foods grants to Maine-based individuals, firms or organizations under section 320-B, subsection 1 to conduct market feasibility studies, in diverse geographic areas of this State if possible, to identify the demand for and pricing, logistical parameters and availability of minimally processed fresh foods grown in this State and of seafood grown or harvested in this State for local food purveyors and aggregated and institutional markets, including school food service programs.

**Sec. 2. 7 MRSA §306-A, sub-§3**, as amended by PL 2013, c. 64, §1, is further amended to read:

**3. Rulemaking.** The commissioner shall establish, by rule, in a manner consistent with Title 5, chapter 375, subchapter 2-A criteria for the allocation of grant money, application requirements consistent with the provisions of this section and section 320-B, a schedule for accepting and reviewing applications, reporting requirements on grant expenditures and project results and any other administrative requirements necessary for the efficient implementation of this program. Rules adopted pursuant to this subsection are major substantive rules as defined in Title 5, chapter 375, subchapter 2-

A. The commissioner is guided by the following criteria:

A. Applications may be submitted by individuals, firms or organizations in response to a request for proposals for competitive grants. The commissioner may also contract directly with individuals, firms or organizations for a special project under section 307;

B. A percentage of the total cost of any project must be funded by the applicant or applicants and a percentage of the total cost must be funded from nonpublic sources. These percentages must be established by rule. A single grant may not exceed 50% of the total funds available to be granted in a given year;

C. Information relative to market research or development activities provided to the commissioner prior to formal application, included in grant applications or provided to the commissioner to fulfill reporting requirements is confidential information and may not be publicly disclosed by the commissioner as long as:

(1) The person to whom the information belongs or pertains has requested that certain information be designated as confidential; and

(2) The commissioner has determined that the information gives the person making the request opportunity to obtain business or competitive advantage over another person who does not have access to the information or will result in loss of business or other significant detriment to the person making the request if access is provided to others; and

D. When possible, the commissioner shall award grants to applicants representing diverse agricultural enterprises and geographic areas of the State; and

E. The commissioner shall consider administrative requirements necessary for local foods grants under section 320-B, subsection 1, including a definition of "minimally processed foods," the allocation of grant funds, application requirements consistent with the provisions of chapter 10-C, a schedule for accepting and reviewing applications and reporting requirements on grant expenditures and project results.

**Sec. 3. 7 MRSA c. 10-C** is enacted to read:

## **CHAPTER 10-C**

### **LOCAL FOOD INFRASTRUCTURE PROGRAM**

#### **§ 320-A. Definitions**

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

**1. Local food.** "Local food" means food produced or harvested by a Maine food producer as defined by section 212, subsection 2.

#### **§ 320-B. Local food infrastructure program; grants and loans**

The commissioner shall issue grants under section 306-A for the purpose of conducting market feasibility studies and developing business plans for local food infrastructure operators in this State to connect and enhance relationships between fresh food producers in this State and aggregated and institutional markets, including school food service programs, and purveyors. The commissioner shall issue low-interest loans under subsection 2 and section 435 for the development and operation of local food infrastructure operators in this State based on how well the local food infrastructure operators' business plans, as reflected in competitive applications, serve to connect and enhance relationships between fresh food producers in this State and aggregated and institutional markets, which may include school food service programs, and purveyors.

**1. Local foods grants.** The commissioner shall award at least one grant each of no more than \$30,000 to applicants based in this State to conduct market feasibility studies and develop business plans for local food infrastructure. An applicant must demonstrate:

- A. The capacity to research aggregated and institutional markets' demand for and pricing, logistical parameters and availability of fresh and minimally processed foods produced in this State; and
- B. Expertise related to the market feasibility study and the capacity to create and implement business plans for local food aggregation, minimal processing, distribution, livestock or poultry processing, grain testing, malting or other local food infrastructure located in this State if the applicant is applying for a local food infrastructure loan under subsection 2.

The intent of a market feasibility study and business planning process supported by grant funds must be to serve local farms. A business plan must be crafted to maximize the benefits to farms that supply the local food infrastructure operation and to minimize, if not remove, any negative effects of a new local food infrastructure operation on existing farm operations. A business plan must leverage strategically important shared infrastructure to support expansion of agriculture and the value farmers receive for their work. A business plan must seek to provide benefits such as increasing production capacity, creating new jobs and providing new food processing capabilities that meet a significant local demand. An application must receive a higher ranking if it leverages producer operations that provide good stewardship of the land as a natural resource or if the business plan advances development of a simple food chain with a short distance between the producer and the consumer. The commissioner may not award a grant under this subsection to an applicant unless matching funds from the applicant are available in an amount that is no less than 50% of the grant amount.

**2. Local food infrastructure loans.** The commissioner shall award local food infrastructure loans from the Agricultural Marketing Loan Fund established under Title 10, section 1023-J in accordance with the provisions of section 435 to applicants in diverse geographic areas of the State for the purpose of establishing local food infrastructure operations in this State. Prior to awarding a loan under this subsection, the commissioner shall determine that the potential overall impact of the application to the agricultural economy and agricultural industry in this State is beneficial to and in the best interest of the agricultural industry and well-being of the State. Applications for loans under this subsection must include business plans that examine economic impacts and are based on the market studies completed under subsection 1 or equivalent market knowledge. An application must demonstrate:

- A. That the application is based on sound business and financial principles;
- B. That the application has a plan to leverage strategically important shared infrastructure to support expansion of agriculture and the value farmers receive for their work;
- C. That the application seeks to provide benefits such as increasing production capacity, creating new jobs and providing new food processing capabilities that meet a significant local demand;

D. That the applicant is able to locate and obtain food from growers based in this State and, where feasible, fisheries in this State, and has the capacity to handle the logistics of adding value to those foods or supplying and delivering those foods as ordered by food purveyors or aggregated and institutional markets, which may include school food service programs;

E. That the applicant has the capacity to provide fresh food or minimally processed food sourced in this State;

F. That the applicant has knowledge of health-oriented food production methods in order to maintain nutritional value and minimize food contaminants;

G. That the applicant will exercise sustainable waste management practices, including composting of food waste and minimal use of disposable nonreusable packaging materials;

H. That the applicant has the ability to encourage food producers to plant or otherwise scale capacity to meet anticipated food service demand;

I. That the applicant has a willingness to work cooperatively with other local food infrastructure operators in this State to meet statewide demand for fresh food sourced in this State in a cost-effective manner; and

J. That the applicant has an ownership or governance structure that inherently holds in high regard the value provided to the producer. Examples of such an ownership or governance structure include, but are not limited to, an entity that is a cooperative of fresh food producers in this State and an entity whose bylaws require a majority of the board of directors to be fresh food producers in this State.

**3. Maine Food Infrastructure Advisory Committee.** The commissioner shall establish the Maine Food Infrastructure Advisory Committee. The commissioner shall include representatives of statewide and regional organizations involved in supporting agriculture, public health, the environment and the state economy as part of the advisory committee. The advisory committee shall:

A. Advise the department on definitions and the implementation and evaluation of applications for grants and loans under this section and shall review project results; and

B. Advise the Department of Education on design and evaluation of a local foods training program.

The commissioner shall, as applicable, consult with the Department of Marine Resources regarding the awarding of grants and loans under this section.

**Sec. 4. 7 MRSA §434, sub-§1**, as amended by PL 2001, c. 152, §1, is further amended to read:

**1. Agricultural enterprise.** "Agricultural enterprise" means a person or business located in this State and engaged in the commercial growing or harvesting of plants; raising of animals; growing or obtaining plant or animal by-products; aquaculture, as defined in Title 12, section 6001, subsection 1; or further processing, storing, packaging or marketing a raw product derived from plants, animals, plant or animal by-products or aquaculture, as defined in Title 12, section 6001, subsection 1, with the intent that the product be sold or otherwise disposed of to generate income. "Agricultural enterprise" includes a business or activity that attracts visitors to a farm for the purpose of supplementing income from the

primary crop or livestock operation or that is a local food infrastructure operation, pursuant to chapter 10-C. "Agricultural enterprise" does not include a business engaged primarily in the growing, harvesting or further processing of forest species of trees for the purpose of producing pulp or other materials used in the paper manufacturing or wood manufacturing process.

**Sec. 5. 7 MRSA §435, sub-§2, ¶A,** as amended by PL 2003, c. 168, §1, is further amended to read:

A. An agricultural marketing loan for any project under this subchapter or section 320-B, subsection 2, the total cost of which exceeds \$100,000, may not exceed 75% of the project cost. A loan from the fund may not be provided for such a project unless the applicant demonstrates a commitment of private funds of at least 5% of the total cost of the project; except that, in order to encourage the undertaking of cooperative projects by 2 or more agricultural enterprises, an agricultural marketing loan may not be provided unless the cooperating agricultural enterprises as a group demonstrate a commitment of private funds of at least 5% of the total cost of the project.

**Sec. 6. 7 MRSA §435, sub-§2, ¶B,** as amended by PL 2003, c. 168, §1, is further amended to read:

B. An agricultural marketing loan for any project under this subchapter or section 320-B, subsection 2, the total cost of which is \$100,000 or less, may not exceed 90% of the total cost of the project.

**Sec. 7. 7 MRSA §435, sub-§2, ¶J** is enacted to read:

J. When considering a local food infrastructure loan under section 320-B, subsection 2, the commissioner must be guided by the criteria established in chapter 10-C.

**Sec. 8. 10 MRSA §1023-J, first ¶,** as amended by PL 2011, c. 380, Pt. 000, §1 and c. 657, Pt. W, §6, is further amended to read:

The Agricultural Marketing Loan Fund, referred to in this section as the "fund," is created. The fund must be deposited with and maintained by the Finance Authority of Maine. The fund must be administered by the Commissioner of Agriculture, Conservation and Forestry in accordance with Title 7, chapter 101, subchapter 1-D. All money received by the Finance Authority of Maine from any source for the development and implementation of an improved agricultural marketing loan program must be credited to the fund. Any money credited to the fund from the issuance of bonds on behalf of the State for financing loans for agricultural enterprises may be used only for the following purposes: to provide assistance to agricultural enterprises in this State for the design, construction or improvement of commodity and storage buildings and packing and marketing facilities; for the purchase, construction or renovation of buildings, equipment, docks, wharves, piers or vessels used in connection with a commercial agricultural enterprise; for the purchase of land in connection with development of new cranberry acreage; for the purchase of land for irrigation reservoirs or to provide direct access to water for irrigation; for the purchase of land necessary for the start-up of a new agricultural enterprise; for the expansion of an existing agricultural enterprise when the land acquisition is necessary to comply with land use regulations; ~~for the development of a business plan in accordance with the provisions of Title 7, section 436-A~~establishing local food infrastructure operations pursuant to Title 7, chapter 10-C; for improvements to pastureland, including seeding and actions to promote rotational grazing; or, if the commissioner so approves at the

time of loan insurance commitment, to pledge money in the fund as security for, and to apply money in the fund to, payment of principal, interest and other amounts due on any term loans insured by the Finance Authority of Maine to an eligible dairy farmer. Repayment of these loans and interest on these loans must be credited to the fund and may be used for the purposes stated in this section or Title 7, section 436. Interest earned on money in the fund and interest earned on loans made from the fund may be used to pay the administrative costs of processing loan applications and servicing and administering the fund and loans and grants made from the fund since the inception of the agricultural marketing loan program, to the extent that these costs exceed the fee for administrative costs established by Title 7, section 435, subsection 4.

**Sec. 9. Advisory committee; pilot program.** The Maine Food Infrastructure Advisory Committee established in accordance with the Maine Revised Statutes, Title 7, section 320-B, subsection 3 must include to the extent possible, but is not limited to, representatives of the member entities of the farm-to-school work group established by Resolve 2009, chapter 106. The Commissioner of Agriculture, Conservation and Forestry may establish a local food infrastructure pilot program if insufficient funding is available from the Agricultural Marketing Loan Fund under Title 10, section 1023-J for the local food infrastructure program under Title 7, chapter 10-C. The Maine Food Infrastructure Advisory Committee shall prepare and submit an evaluation of the overall effectiveness of the pilot program to the Department of Agriculture, Conservation and Forestry, the Department of Education and the Department of Marine Resources within 90 days following the completion of the pilot program.

## SUMMARY

This bill requires the Department of Agriculture, Conservation and Forestry to administer programs to support the expansion and coordination of the use of fresh Maine foods in aggregated and institutional markets, including school food service programs.

The Department of Agriculture, Conservation and Forestry is directed to provide grants under the agricultural development grant program for the purpose of conducting market feasibility studies and developing business plans for local food infrastructure operations in Maine to connect and enhance relationships between fresh food producers in Maine and aggregated and institutional markets, including school food service programs, and food purveyors. The Commissioner of Agriculture, Conservation and Forestry may not award a local foods grant unless the applicant provides matching funds in an amount that is no less than 50% of the grant amount.

The department is also directed to provide loans under the Agricultural Marketing Loan Fund to applicants in diverse geographic areas in the State for the purpose of establishing local food infrastructure operations located in Maine. Prior to awarding a local food infrastructure loan, the Commissioner of Agriculture, Conservation and Forestry is required to determine that the potential overall impact of a proposal on Maine's agricultural economy and industry is beneficial to and in the best interest of the State.

The bill also establishes the Maine Food Infrastructure Advisory Committee, which includes representatives of statewide and regional organizations involved in supporting agriculture, public health, the environment and the state economy, including representatives of the member entities of the farm-to-school work group established by Resolve 2009, chapter 106.