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TESTIMONY BEFORE THE JOINT STANDING COMMITTEE ON AGRICULTURE,
CONSERVATION AND FORESTRY

In Support of LD 1565

*LD 1565, An Act To Strengthen Maine's Agriculture, Food and Forest
Economy*

May 4, 2021

Senator Dill, Representative O'Neil, and members of the Joint Standing Committee on Agriculture, Conservation and Forestry, I am Nancy McBrady, the Director of the Bureau of Agriculture, Food and Rural Resources within the Department of Agriculture, Conservation and Forestry. I am here today to speak in support of LD 1565, *An Act To Strengthen Maine's Agriculture, Food and Forest Economy*.

The Department is well aware of the need for substantial infrastructure investment across Maine's agriculture, food, and forest products economies, and we appreciate Representative Talbot Ross bringing LD 1565 forward. Bolstering local infrastructure will strengthen our economy by diminishing supply chain vulnerability, foster business activity, grow opportunities for rural communities, and facilitate climate change resilience.

The Department, the Department of Economic and Community Development (DECD), and the Department of Marine Resources recently surveyed Maine's agriculture, forestry, and fisheries sectors to determine infrastructure investment priorities within the heritage industries.

Early analysis of the agriculture responses indicates key opportunities include expanded off-site storage, increased processing capacity (both off-site and on-site), and increased packaging capacity. Agriculture respondents identified federal and state grants as being most important to future infrastructure upgrades, with significantly fewer stakeholders relying primarily on loans and private capital. The survey data suggests that, for over 50% of agriculture stakeholders, investments of \$100K or less would allow for significant improvements to their business. Over 70% of agriculture respondents indicated that they could afford necessary infrastructure upgrades with investments under \$250K. This data is consistent with results from other information gathering we have been conducting by directly connecting with stakeholders in meat processing, grain and malting, dairy, and other sectors.

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Preliminary insights from the forestry responses indicate that investments focused on expanding markets for softwood pulp, hardwood pulp, low-grade biomass, and mill residuals would provide the most benefit for the sector. Respondents also prioritized funding for R&D and innovation to explore new product development, and for mill facility improvements. Over a third of forestry stakeholders indicated that they could fund infrastructure improvements with \$100K or less. Like agriculture, forestry businesses indicated that they anticipate being highly reliant on grant funding.

A good example of what LD 1565's could achieve for Maine can be seen by looking at the impact of the Vermont Working Lands Initiative program. Investment through the Initiative has substantially increased that state's agricultural and food economy since it began in 2012. The Initiative's Enterprise Fund has distributed \$7 million to agricultural and forestry businesses while catalyzing an additional \$11 million in match funding, leading to over 500 new full-time jobs and \$31 million in sales revenue.¹ Maine and Vermont reflect some common trends, including a fairly similar number of farms selling direct to consumers. However, Agricultural Census data between 2012 and 2017 documents that the market value of agricultural products sold in Maine has decreased (-12.6%), while it has increased in Vermont (+.7%). Also, the average value of products sold per farm decreased in Maine (-6%) while it increased in VT (+8.5%). While Vermont's 848 farms in 2017 with direct value-added sales averaged \$58,257, Maine's 870 farms with direct value-added sales averaged only \$29,176. This starkly illustrates the opportunity to enhance Maine farms' viability through infrastructure investment that enhances value-added production.

In support of Vermont's forestry industry, the fund has supported the needs of businesses ranging from increasing production capacity, raw materials storage, and facilities upgrades. Service provider grants have also been allocated to support the forestry sector, including a grant in 2019 to the University of Vermont's Extension program to support development of new online resources to highlight and strengthen Vermont's forest economy.

The contours and criteria of the new dedicated fund stewarded by an Advisory Board and administered by the Department would be informed by the infrastructure assessment conducted in collaboration with the DECD and other key stakeholders. The Department can leverage both existing and future data to guide the development of relevant financial instruments and technical assistance offerings.

Our success in mobilizing over \$17 million in CARES Act relief funding via the Agriculture and Food Infrastructure Reimbursement Program illustrates the staggering demand for funding and offers valuable insight into specific types of investment opportunities. Through the process of administering those funds, it was apparent that there is great need and opportunity for additional infrastructure investment. We are committed to building upon our experience surrounding financial program development and administration, particularly the Department's grant and loan resources. We can also draw upon our history of collaboration with state agencies, industry groups, funding institutions, and economic development organizations to help guide these important efforts, and ensure a program design that is rooted firmly in research that assesses the various investment priorities and funding needs within agriculture, food, and forestry. Once established, the fund will benefit from oversight provided by an Advisory Board comprised of members from industry groups, value-added manufacturing, supply chain, finance, marketing,

¹ <https://www.workinglands.vermont.gov/history-initiative>

and business development. The Department, in coordination with DECD, will play a central role in directing disbursements from the fund and in ensuring its long-term success and viability through ongoing program evaluation.

The Department acknowledges the importance of ensuring that future infrastructure investments are accessible to historically underrepresented or underserved populations, including tribal communities and communities of color. We agree that it is critical to support governance models that reflect the skills, experiences, and racial diversity apparent within the state's food system and natural resource sectors.

In summary, we agree that Maine needs strategic investment in our agriculture, food, and forest products infrastructure, and we welcome the opportunity to work with the bill's sponsors, as well as other critical stakeholders, to thoughtfully move these efforts forward.

Thank you for your time. I would be happy to answer questions.