



Maryland Department of Agriculture

Office of the Secretary

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HOUSE APPROPRIATIONS

SENATE BUDGET and TAXATION

TESTIMONY

I am Joe Bartenfelder, Secretary of the Maryland Department of Agriculture. With me today is our Deputy Secretary Jim Eichhorst; Jim Wallace, Assistant Secretary for Administration; Hans Schmidt, Assistant Secretary for Resource Conservation; Steve Connelly, Assistant Secretary for Marketing, Animal Industries and Consumer Services; Carol Holko, Assistant Secretary for Plant Industries and Pest Management.

The Maryland Department of Agriculture (MDA) is a relatively small agency that serves not only the 12,400 farm families and thousands of related food and agricultural businesses, but all Marylanders each and every day.

MDA remains committed to meeting its core mission of preservation, regulation, promotion, education, and service activities. Marylanders can expect a safe and healthy food supply and fairness in the marketplace. Agriculture *will* remain a strong economic force in Maryland. Today, the American farmer feeds an average of 155 people. A generation ago, the average farmer fed 25.8; and with rising global demand, no industry has a stronger future than agriculture.

The Agency's Mission and Work

MDA plays an important role in protecting the environment, strengthening our economy and ensuring the well-being of Maryland's citizens.

- **Agricultural Land Preservation:** Marylanders enjoy the benefits of preserved farmland through its open spaces and the food it provides; but, there is much more demand to preserve farms than there is money. With local subdivision participation, the Maryland Agricultural Land Preservation Program has preserved more than 295,000 acres of prime farm land throughout Maryland's 23 counties since its inception in 1977, representing a public investment of nearly \$657 million. This is the greatest ratio of farmland preserved to total land mass of any state.

- **Buy Local:** One of the brightest spots today is Maryland's leadership in the Buy Local Campaign to connect producers with consumers, restaurants, schools, hospitals and grocers. MDA's marketing staff is working to help expand these connections through the Maryland's Best program so that Marylanders get the freshest, most nutritious produce, meats, cheeses, and value-added products available. Buying local helps reduce transportation costs and its associated carbon footprint while helping farmers expand their markets, bottom line profitability to stay on the farm, keeping land open.
- **Farm to School:** As a result of the Farm to School Program, now in its 8th year, Maryland is the first state in the nation to have all of its county public school systems participate in Homegrown School Lunch Week and is recognized as a national leader in the farm-to-school effort. Maryland schools spent \$22 million on local food served in schools including milk, meat, poultry, apples, tomatoes, peaches, watermelon and sweet corn, according a recent USDA Farm to School Census. The USDA report shows that 98 percent of Maryland school food service directors indicated that they purchase local vegetables, 86 percent purchased local fruit, and 45 percent purchased local milk – and all of them want to purchase more.

Environmental Protection: As part of Governor Hogan's Phosphorus Initiative, the department is conducting a two-year **on-farm economic analysis** to evaluate the economic and management impacts of implementing the Phosphorus Management Tool (PMT). Data collected from the study will help the department determine resource needs statewide.

The PMT regulations authorized the establishment of a new **expert advisory committee** to evaluate infrastructure and capacity available to manage additional manure during the PMT transition period.

As part of the PMT regulations, consultants and certified farmers are required to submit **soil test data** to the department. This information is being used to establish a statewide inventory of soil phosphorus levels and help us develop programs and incentives to assist with the transition to the PMT. To date, the department has received soil phosphorus data for 840,000 acres of Maryland farmland.

- **Results of the soil information** collected to date indicate that:
 - 82 percent of all farmland do **not** have phosphorous levels high enough to be impacted by the PMT.
 - 1.1 percent of farmland in Maryland is banned from receiving additional phosphorus applications. (This ban took effect June 8, 2015.)

Farms with high soil phosphorus levels have been **given priority for cost-share grants** provided through the Manure Transport Program. This program helps poultry, dairy, beef and other animal producers cover the costs of transporting excess manure off their farms. Animal producers with high soil phosphorus levels or inadequate land to spread their manure can receive cost-share assistance of up to \$20 per ton to transport excess manure to other farms or alternative use facilities that can use the product safely.

Mosquito Control: Much has been heard in the news recently about the Zika virus. Zika is spread primarily through the bite of an infected mosquito. 1 in 5 people infected with Zika become ill, and severe disease requiring hospitalization is uncommon. MDA is working closely with DHMH who is taking the lead role in monitoring the activity and transmission of the Zika virus in Maryland.

MDA's response plan includes public education, mosquito-borne disease surveillance, and control of mosquito populations. We plan to release information through various media outlets encouraging Maryland residents to empty or dispose of any water holding containers on their property.

MDA will also continue our surveillance program in which adult mosquitoes are trapped, sorted, identified, and then sent to DHMH to be tested for the presence of various mosquito-borne diseases such as West Nile virus, and now Zika.

If either a locally acquired human case of Zika or an infected mosquito sample is confirmed by DHMH, then MDA will initiate our virus suppression response in that area; and, we will continue surveillance in these areas to ensure that these actions were effective.

- **Maryland Farm and Harvest:** MDA developed and assisted in raising funds for the 13-part series "*Maryland Farm & Harvest*", which since its debut on November 19, 2013, has been the number one local program on Maryland Public Television. The series is co-produced by Maryland Public Television (MPT) and MDA. It is designed to entertain and inform the Maryland public about the state's farmers, their work with the land and resources, production of food and fiber for our society, challenges, hopes and dreams, and their future. (Five new jobs were created for this project, which has been renewed for a fourth season.) www.mpt.org/farm

The Department's FY'17 Operating Budget amounts to \$112.7 million dollars which is less than our FY'16 Operating Budget; and, the General Fund allocation for the Department is still below the FY' 2000 appropriation. However, when you take out Agricultural Land Preservation, MARBIDCO, Rural Maryland Council and the Tobacco Transition Program, our Operating Budget is \$80.2 million. Overall, general funds make up 30 percent of our operating budget. The Department's workforce represents less than one-half (.5) percent of the State's workforce and our General Fund allocation is less than .15 percent of the entire State's General Fund budget.

The analyst has raised a number of issues that my staff and I would like to comment on:

1. **The Department of Legislative Services (DLS) recommends that MDA comment on the long-term climatological impacts on gypsy moth numbers and the overall impact of the gypsy moth on Maryland forest health and productivity.**

Long-term climatological impacts on gypsy moth numbers: Assuming global warming will also be associated with drier springs, the gypsy moth fungus will be less of a factor in regulating gypsy moth populations. This would result in more frequent and more severe outbreaks of the gypsy moth.

Overall impact of the gypsy moth on Maryland forest health and productivity: Without protection from gypsy moth suppression projects the gypsy moth would be expected to cause defoliation throughout the state. This defoliation would result in mortality of a high percentage of oaks especially white and chestnut oak. This has already been seen where suppression was not attempted because of a lack of resources. Forest productivity would thus be impacted by the death of so many late climax tree specimens. Maple and exotic invasive species will likely replace the oaks.

2. **DLS recommends that MDA comment on how it will use shelters/animal care facilities data to inform the allocation of resources for the Spay/Neuter Program in fiscal 2017.**

When reviewing applications and making funding recommendations to the Secretary, the Advisory Board takes into account what potential impact on shelter intake and euthanasia any grant application will have. In the coming cycles, the shelter data will also be used as a tool to identify those areas with higher intake and euthanasia rates that are in most need of services.

3. **DLS recommends that MDA comment on its preparations for a highly pathogenic avian influenza outbreak and the possible economic impact on Maryland's poultry industry.**

HPAI Preparation over the last 10 months:

- Five HPAI Table top exercises with adjoining states of Virginia and Delaware and USDA.
- Multiple meetings with State and local government agencies to determine their roles and responsibilities in a HPAI outbreak.
- Agencies that have expressed interest in responding to HPAI are: MEMA, DHMH, MDE, DNR, MES, State Police, DoIT, local EMCs, local health departments, local law enforcement offices, local fire companies, and the National Guard.
- Multiple meetings with the Governor's office, MDA Public Information Officers (PIOs), Maryland Emergency Management PIOs, Delaware and Virginia PIOs, USDA PIOs, and Industry PIOs to establish clear and consistent messaging in case of a HPAI Incident.

- MEMA has crafted a HPAI Contingency Plan and prepared, if needed, a Governor Emergency Order. Both may be implemented if over two HPAI incidents occur in the State.
- Multiple meetings with officials from the Delmarva Poultry Industry (DPI) to coordinate and to determine their help in responding to HPAI on the Delmarva Peninsula. DPI officials will play significant roles in our HPAI Response Plan - especially on the Delmarva Peninsula.
- MDA responders have prepared for HPAI by receiving health status clearances, training in disease protection and transmission, learning HPAI testing protocols, taking part in deployment drills, training with industry on depopulation protocols, and the stocking of deployment vehicles and trailers containing emergency HPAI inventory supplies.
- MDA responders have also stockpiled ready for deployment 21 days of HPAI emergency supplies.
- Three HPAI warehouses have been established with one in Western Maryland, one in Southern Maryland, and one on the Eastern Shore.
- MDA officials have planned to partner with the National Veterinary Stockpile to be able to quickly receive federal HPAI emergency supplies
- Five Incident Command Posts have been established throughout the State with multiple staging areas close to potential response areas.
- The Secretary has issued on July 22, 2015 a HPAI Emergency Order that places strict Avian Influenza requirements on the importation of hatching eggs and poultry into Maryland, and requires all poultry producers to practice enhanced biosecurity on their farms. The Emergency Order will be in effect until June 30, 2016.
- Since April 2015, increased Avian influenza testing surveillance by Animal Health Program Veterinarians and Inspectors has almost tripled at poultry auction markets, swap meets, and flea markets.
- Since August 15, 2015, in anticipation of the Fall waterfowl migration, poultry were banned from Maryland fairs and shows as well as the State Fair.
- MDA has purchased a second foam depopulation unit that doubles its capacity to humanely depopulate large numbers of floor raised poultry.

Potential HPAI Economic Impact to Maryland's Poultry Industry:

- Maryland's Poultry Industry is Maryland's largest agriculture commodity accounting for 41% (\$1.1 billion.) of all farm receipts.
- In 2014, Maryland ranked 9th in the nation for meat chickens producing 1.4 billion pounds from 288 million birds.
- Today, there are approximately 2000 commercial poultry farms in Maryland, and over 5000 small back yard flocks that keep birds for pleasure and fresh poultry products. Maryland poultry is a growth industry with an increasing public interest in its health and vitality.

- The Delmarva Poultry Industry that comprises 9 Maryland counties out of 13 counties on the peninsula accounts for 280,800 jobs, and has a combined direct, indirect, and induced economic impact of \$5.6 billion on the peninsula.
- Any given day, there are 100 to 120 million meat birds living on the Delmarva Peninsula which is the highest concentration of live poultry in the United States.

4. DLS recommends that MDA comment on the rationale for and impact of ending of the Weed Control program.

The elimination of the Weed Control Program is driven by budget reduction targets. The Weed Control Program is a cooperative program between the MDA and County weed control programs. The four MDA personnel provide administrative support and overall coordination for the County programs. The County programs do the bulk of the enforcement and control work with some help from the MDA team. MDA provides some vehicles and equipment to the County programs but it does not provide any financial support to them. The County programs are funded by for-pay spray services for a variety of noxious and invasive weeds on public and private land. The rationale behind this reduction is that Counties could take on the administrative burden of the program and continue to operate within their existing framework under County authority if they wanted to continue their Weed Control programs.

5. DLS recommends that MDA comment on how the geospatial data on cover crop applications can be used to optimize cover crop funding for nutrient loading reductions.

The geospatial data will optimize cover crop funding for load reductions by:

- 1) By analyzing the performance of the cover crop program using remotely sensed data which can be used as a basis for payments, incentives, and verify planting dates;
- 2) Establishing historical geospatial data to allow MDA to determine the effectiveness of the cover crop program over several years;
- 3) Having geospatial data to support targeting areas where the cover could be enhanced;
- 4) Will provide MDA real time data to make program adjustments within that given crop year; and
- 5) Identify future opportunities for outreach and enrollment.

6. DLS recommends that MDA comment on what the likely methodology will be for incorporating inspections into the price of a nutrient credit and who will enforce the contractual instrument between buyer and seller of credits.

The Maryland nutrient and sediment trading program is based on a free market system. The State provides the regulations, guidelines, and infrastructure to support trading, but does not set prices nor transact trades.

Through legislation passed in both 2010 and 2012, the Maryland Department of Agriculture (MDA) is the sole agency authorized to certify, verify, and register agricultural nutrient and sediment credits. The regulations published in December delineate the standards and procedures that MDA will use to meet those obligations, the qualifications and protocols for the professionals who will conduct assessments and verifications, and the administrative and enforcement prerogatives of the Department. It should be noted the regulations grant MDA the enforcement power to deny, revoke, or suspend the approval of any verifier, as well as to suspend or revoke the certification of agricultural credits.

The price of a credit will be determined through a negotiation between the buyer and the seller. A number of factors could be taken into consideration by both sides in setting a price, among them: the cost of practices adopted or installed, the cost of the assessment, the cost of both the initial and annual verifications, the cost of the operation and maintenance of practices, the application of the proposed 10% retirement ratio, and the rental or sale value of land if a long-term or permanent easement is required.

The contract between the land owner or operator and an aggregator or between an owner/operator or aggregator and the purchasing entity will detail the provisions of their agreement, and proposed trading guidelines enumerate specific elements that would be appropriate to all contracts. Since it is assumed that most trades would involve a permitted entity, the Maryland Department of the Environment (MDE) would be the enforcing agency under its permit requirements.

7. DLS recommends that MDA comment on the balances, revenues, and expenditure history for all funds receiving revenues from fees reduced by September 15, 2015 actions, and the proposed reductions in SB 389 and HB 459 and the impact on operations of both sets of fee reductions.

The Board of Veterinary Medical Examiners revenues have been exceeding expenses for several years. The program's Special Fund balance at the end of FY 15 was greater than \$600,000. The proposed reduction in fees will not take effect until the FY 17 licensing period (July 1, 2016) begins.

SB 389 will reduce revenues beginning in fiscal year 2016 by \$340,000 and will continue consecutively each fiscal year. The proposed decrease in revenues would result in a decrease of budgeted expenditures by the same amount in order to have a balanced budget.

If SB 389 passes, the Weights and Measures program will not be able to maintain current staff positions and perform device inspections on a two year cycle. Staffing and frequency of inspections will be affected by this legislation.

Small businesses will be affected both positively and negatively. Positively, small businesses will pay less to register their weighing or measuring devices. Negatively, small businesses will suffer by not knowing if their device is correct and accurate, resulting in a possible shortage to themselves or their customers. The reduction of field staff would also

lead to reduced response time when responding to consumer complaints. The remaining inspectors would be tasked with covering a larger territory, which would in turn leave them with fewer hours in the day that were actually spent performing inspection duties.

8. **DLS recommends that the \$167,000 general fund appropriations for the Rural Maryland Council and the Maryland Agricultural Education and Rural Development Assistance Fund each be deleted given the \$375,000 that will be available to each from the \$2,000,000 allocation of the Rural Maryland Prosperity Investment Fund. In addition, DLS recommends that \$100,000 be restricted in MDA's budget pending the submission of a report on July 1, 2016, specifying the criteria to be used for allocating funding from the Rural Maryland Prosperity Investment fund and a report on January 1, 2016, specifying the actual allocation of fiscal 2017 funding.**

The Rural Maryland Council (RMC) respectfully requests that the Budget Committees reject the Department of Legislative Services recommended cuts to its Fiscal Year 2017 budget allocation. For FY 2017, Maryland Governor Hogan has included funding in the amount of \$2,167,000 for the Rural Maryland Council. The Council has historically received \$167,000 to cover operating expenses. It is our understanding that the additional \$2 million in funding is to be used for the Rural Maryland Prosperity Investment Fund. The Maryland Agricultural Education and Rural Development Assistant Fund (MAERDAF) was also included in the FY 2017 Operating Budget in the amount of \$167,000. The Rural Maryland Council provides administrative services to the Maryland Agricultural Education and Rural Development Assistance Fund; however, all MAERDAF funding is distributed in grants to rural nonprofit service providers.

Demand for the MAERDAF grant program is high. During Fiscal Year 2016, a total of 53 rural-serving organizations submitted applications requesting over \$890,000 in grants. A total of 16 grants in the amount of \$167,000 were distributed in FY 2016. During FY 2015, the MAERDAF Grants Review Board received 54 grant applications requesting a total of \$1,003,863.17 in funding. The Board funded 17 proposals for a total of \$169,941. Each year, many organizations are denied necessary funding.

The Rural Maryland Prosperity Investment Fund (RMPIF) was authorized by the General Assembly in 2006 with the primary goal of providing targeted investments to various regional, nonprofit and educational entities in order to bring Rural Maryland's standards of living up to statewide averages. The Fund has five distinct divisions: rural regional planning and development council assistance; rural entrepreneurship development, rural regional infrastructure projects, rural research, community and programmatic assistance and agricultural education and rural health care. In 2014, the Legislature passed reauthorizing legislation that expanded the program; however, this is the first year the Council has received funding for RMPIF.

The Council is currently working on program design, criteria and guidelines. We are willing to share these documents with the appropriate legislative committees.