

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 516

(Senator Middleton, *et al.*)

Education, Health, and Environmental Affairs

Environmental Matters

Maryland Organic Transition Investment Pilot Program (MO-TIPP)

This bill establishes a Maryland Organic Transition Investment Pilot Program within the Maryland Department of Agriculture (MDA) to provide financial assistance to producers for eligible costs associated with transitioning to organic agricultural production. An Organic Agriculture Development Fund is also established consisting primarily of money received from the federal government or any entity receiving federal funding for purposes consistent with the program. The Secretary of Agriculture must develop and implement the program, subject to the availability and appropriation of funding. The bill may not be interpreted as requiring the use of State funding for the program.

The bill takes effect July 1, 2009 and terminates June 30, 2012.

Fiscal Summary

State Effect: Potential increase in special fund revenues and expenditures reflecting the receipt of federal or other (non-State) funding for the program (and to capitalize the new fund) and payments made to organic producers. Administrative expenses of the program are assumed to be accounted for with federal or other funding. Though administration of the program and the bill's reporting requirement can be handled with existing staff resources, the additional duties may divert MDA staff away from current responsibilities.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: A producer is eligible for funding for a period of three consecutive years under the program if the producer:

- submits to MDA a specified organic transition plan and an application for a Maryland organic transitional certificate;
- enters into an agreement with MDA that obligates the producer to maintain organic certification for five consecutive years; and
- agrees to receive specified technical and educational assistance.

The amount payable to a producer is limited to \$100 per acre for up to 20 acres. The Secretary of Agriculture may also establish by regulation conditions under which assistance may be provided for acreage that exceeds 20 acres.

A producer must annually submit to MDA a report of actual revenue loss resulting from transitioning to organic agricultural production. If the program does not receive sufficient funds in fiscal 2011 or 2012, a producer is released from obligations under the program.

MDA must adopt regulations to carry out the program and annually report to the Governor and the General Assembly on the status of organic agriculture in the State.

Current Law: State law currently does not provide for funding to be made available to producers transitioning to organic agricultural production. MDA, however, administers a certification program required under statute, which governs production and handling of organic agricultural commodities in accordance with the requirements of the federal Organic Food Production Act. The department is authorized to certify producers or handlers who apply for organic certification; establish requirements governing the production or handling of commodities certified by the department as organically produced; adopt logos for certified organically produced commodities; and deny, suspend, or revoke the logo or certification issued to any producer or handler who violates regulations adopted by the department.

Background: MDA, in administering the Maryland Organic Certification Program, serves as an accredited certifying agent under the U.S. Department of Agriculture's (USDA) National Organic Program (NOP). Subject to certain exemptions and exclusions, operations or portions of operations that produce or handle agricultural products intended to be sold, labeled, or represented as "100 percent organic," "organic," or "made with organic (specified ingredients or food group(s))" must be certified under NOP.

Among other requirements for organic certification under NOP, no prohibited substances can have been applied to the land from which harvested crops are intended to be sold, labeled, or represented as “organic” for three years preceding the harvest of the crop. MDA indicates that during this transition period crop yields are usually reduced and farmers usually experience a revenue loss. The farmers, however, cannot represent their products as organic and obtain the price premium paid for organic products until the completion of the transition period. Funding under the proposed Maryland Organic Transition Investment Pilot Program would help offset farmers’ revenue loss and/or account for other costs of the transition.

There are currently 78 organic farms certified, and 25 registered exempt, by MDA. Registered exempt farms are exempt from certification, due to having gross sales of organic products of \$5,000 or less, but still must comply with NOP production requirements in order to sell products as organic. MDA also offers transitional certifications to transitioning farms allowing them to ensure compliance with NOP during the transition period leading up to certification. Seven farms are transitioning in that manner and MDA indicates 17 of the 78 certified are transitioning additional acres to organic production. There may also be other farms transitioning without MDA transitional certification.

The Maryland Cooperative Extension is currently the primary source of technical and educational assistance for the organic farming community.

State Fiscal Effect: Special fund revenues and expenditures potentially increase correspondingly in fiscal 2010, 2011, and 2012 reflecting the receipt of federal or other (non-State) funding for the program and payments made to producers for eligible costs associated with transitioning to organic agricultural production. A producer may receive as much as \$2,000, for transition of up to 20 acres, and potentially more under conditions established by the Secretary for acreage that exceeds 20 acres.

The number of farms that would take advantage of available funding cannot be reliably estimated, but MDA speculates that as many as 30 farms per year may seek financial assistance if available. Thus, *for illustrative purposes only*, approximately \$60,000 may be needed each year of the program.

MDA may incur relatively minimal administrative expenses to conduct the program, which presumably may need to be accounted for with federal or other funding obtained for the program, given the bill’s indication that it may not be interpreted as requiring the use of State funding for the establishment and implementation of the program. The

administration of the program and the requirement that the department report on the status of organic agriculture in the State can be handled with existing staff resources, but may divert staff time away from existing responsibilities.

Small Business Effect: Farmers interested in transitioning to organic production may benefit from available funding under the program. The farmers, however, also will be committed to maintaining organic certification for five consecutive years once certified.

The 2007 Census of Agriculture, conducted by the USDA's National Agricultural Statistics Service, reports total organic product sales in Maryland in 2007 of \$5.4 million, an average of \$37,000 per farm (generally defined as having production and sales of \$1,000 or more), and a total of 107 farms and 2,383 acres undergoing conversion to organic agriculture. According to the census, a significant portion of the organic farms in Maryland in 2007 were smaller farms with less than \$5,000 in sales of organic products (71 farms) and/or less than 10 acres of organic production (90 farms). The vast majority of acreage and sales, however, is accounted for by a smaller number of larger farms with sales of \$50,000 or more (23 farms) and/or acreage of 50 acres or more (29 farms).

Additional Information

Prior Introductions: None.

Cross File: HB 449 (Delegates Manno and Sossi, *et al.*) - Environmental Matters.

Information Source(s): Maryland Department of Agriculture, University of Maryland (Maryland Cooperative Extension), U.S. Department of Agriculture (National Agricultural Statistics Service), Department of Legislative Services

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