



Maryland Department of Agriculture

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MARYLAND DEPARTMENT OF AGRICULTURE

LEGISLATIVE COMMENT

DATE: February 11, 2020

BILL NUMBER: SENATE BILL 295

SHORT TITLE: AGRICULTURE - COST-SHARING PROGRAM - SALE OF HARVESTED COVER CROPS

MDA POSITION: INFORMATION

EXPLANATION:

This bill would provide cost-share funding assistance through the Maryland Cover Crop Program for specific varieties of rye and barley cover crops harvested and sold to malting houses and distilleries or individuals who hold a license for the production of alcohol within the State of Maryland only.

BACKGROUND INFORMATION:

The Maryland Cover Crop Program was developed as a water quality program to meet the Chesapeake Bay restoration goals set by the Environmental Protection Agency mandate. When the program first began in 1997 targeted watersheds were identified as a pilot project for cover crop implementation. Since then, the program has grown to be the gold standard of cover crop programs in the country with a budget of approximately \$22.4 million approved annually by the Maryland General Assembly. Revenues for the program are split 50/50 between the 2010 Chesapeake Bay and Atlantic Coastal Bays Trust Fund and the Bay Restoration Fund. Although the program continues to be primarily a water quality program, programmatic changes have been incorporated over recent years to achieve co-benefits.

Prior to 2017, commodity cover crops were eligible for cost-share at a reduced rate of the traditional cover crop program. Commodity cover crops are cereal winter grains such as rye, wheat, barley, oats, and triticale harvested for seed, feed or sold to the flour mills in the Mid-Atlantic region. The \$25/acre incentive helped offset the costs of producing the

crops particularly when commodity prices were low. Traditional cover crops are cereal grains, legumes, and brassicas that are terminated in the spring in preparation for the spring cash crops such as corn, soybeans, and vegetables. Farmers grow commodity cover crops based on market conditions, not on whether an incentive program exists. Commodity cover crop sales, like all other agricultural products sold, provide income with or without an incentive program. Traditional cover crops do not offer the immediate financial return to farmers like the commodity incentive.

Additionally, nutrient reductions are greater for traditional cover crops as compared to commodity cover crops. According to the Cover Crop Workgroup (industry experts) within the Chesapeake Bay Program, traditional cover crops tie up approximately three times more nitrogen than commodity cover crops. In turn, Maryland's investment in traditional cover crops optimizes our ability to meet nutrient reduction goals within the Chesapeake Bay. This is particularly important at this time when Maryland agriculture is tagged with 52% of the nitrogen reduction goals by 2025.

In 2017, in recognition of the enhanced water quality benefits of traditional cover crops and cost-effectiveness, the commodity program was discontinued. This change has better allowed the Maryland Cover Crop Program to address the co-benefits of water quality and soil health. For example, the addition of multi-specie cover crops to the traditional program in 2017. Research shows that multi-species of cover crops planted together improves the microbial life under the surface of the soil as opposed to single species covers. Together with certain management adaption practices, the ability to improve carbon sequestration, increase organic matter and improved soil health are part of the solution to helping Maryland meet its' greenhouse gas reduction goals. Likewise, a new delay kill incentive was introduced for the 2019-2020 Cover Crop Program to further expand the co-benefits. Incentives are evaluated annually to meet budgetary limits, and in years when weather conditions are difficult, the Department is able to carry over funds to the next program year. This scenario occurred in 2018, when only 362,000 acres were fall certified by farmers due to excess rain fall that restricted field access. There were carryover funds of ~\$3 million from the Bay Restoration Fund. However, in 2019, over 488,000 acres were fall certified credited to ideal weather conditions. Those flexible carryover funds will help the state meet its' commitment to our Maryland farmers.

Maryland is a model for a successful traditional cover crop program. In contrast, this bill identifies only one commodity market to provide cost share assistance as opposed to all commodity cover crop markets. Commodity cover crops are difficult to grow in the Mid-Atlantic region due to environmental conditions that exist. Producing high quality grain for the flour mills located in Pennsylvania has been a challenge. Weather conditions over the last 10 years have presented situations where farmers have had difficulty selling their crop because of poor grain quality. Brewery and distillery grain markets, like the flour mill markets, require high standards.

In addition to these concerns, this bill could also present programmatic issues that will need to be addressed. For example, our existing Cover Crop Program incentive payments are based on acres planted, consistent with the nutrient reductions credited by the Chesapeake Bay model. However, farmers are paid a premium for delivering high quality brewery and distillery grains by the bushel. If these grains are rejected by the intended

market, it would present issues distinguishing bushels and acres of grains sold to breweries and distilleries verses bushels and acres of grains sold for feed. Additionally, brewery grains are sold throughout the year in small increments. The Department would need to track such grains throughout the year before payments can be issued.

The Department also anticipates that farmers will request an expanded commodity program, i.e. if a state cost share program exists for one cover crop market, then why not create a program for all commodity cover crop grains. If the Department is put in that position, existing incentives for the current program will be reduced and could present challenges to meeting Maryland's water quality goals for Chesapeake Bay restoration and to meeting our soil health initiatives established under §2-1901 of the Agriculture Article.

One alternative to a state cost share program to promote the production of brewery and distillery grains is to develop a county program through the local soil conservation districts. This type of program currently exists in Montgomery County.

If you have additional questions, please contact Cassie Shirk, Director of Legislation and Governmental Affairs, at cassie.shirk@maryland.gov or 410-841-5886.