



Jan. 27, 2021

Representative Kumar Barve
Chair, House Environment and Transportation Committee
Maryland General Assembly
Via email

Re: MD HB. 146

Dear Chairman Barve:

The American Feed Industry Association (AFIA) is writing in opposition to the fee increases proposed in MD HB. 146 The Department of Agriculture - Spay/Neuter Fund - Extension and Fee on Commercial Feed.

Based in Arlington, Va., the AFIA is the world's largest organization devoted exclusively to representing the business, legislative and regulatory interests of the U.S. animal food industry and its suppliers. Founded in 1909 as the American Feed Manufacturers Association, the name changed to the American Feed Industry Association in 1985 to recognize the importance of all types of companies involved in the feed manufacturing industry—from manufacturers of commercial and integrated feed and pet food to ingredient suppliers to equipment manufacturers. The AFIA is also recognized as the leader on international industry developments, representing the industry at global forums, including within the International Feed Industry Federation.

AFIA's members include nearly 700 domestic and international companies, such as livestock feed and pet food manufacturers, integrators, pharmaceutical companies, ingredient suppliers, equipment manufacturers and supply companies that provide other products or services to feed manufacturers. Several state, national and regional associations are also AFIA members.

The AFIA appreciates the efforts in Maryland to support access to low-cost spay and neuter services as an effective tool to reduce the number of pet euthanasias. We support the removal of the sunset provision of HB. 146. However, we do not support the proposed increase in fees collected from pet food manufacturers to further expand the program for the following reasons.

1. **FUND UTILIZATION:** From fiscal year (FY) 2015 to FY 2019, the fund collected \$4.4 million from the pet food industry through 1,524 invoices. Over this same period, the fund approved 98 grants amounting to \$3.6 million, which covered more than 57,000 procedures. It appears that the fund collected approximately 20% more than was awarded in grant funding, a total of almost \$800,000 over the five-year period. The AFIA also questions the apparent overhead in fund management. We recognize the need for staffing and public education, but 20% is a significant amount spent on program management for a project that administers fewer than 35 grants.
2. **LACK OF INCREASED NEED:** Since the program's inception, pet euthanasias have been reduced in Maryland by 55%. The number of overall intakes to animal shelters has decreased by 1.3% from 2014 to 2018 and the number of stray animal intakes has decreased by 12.1%. Additionally, from FY15 to FY19, there was a relatively consistent number of grant applications requested to the fund. Significantly reduced pet populations, a consistent number of grants requested, coupled with 20% in administrative overhead leads us to question the need for an increase in funds collected from the pet food industry to support the spay and neuter program. If the

Our Industry. Our Passion. Our Voice.

American Feed Industry Association • 2101 Wilson Blvd., Suite 810, Arlington VA 22201 USA
T: (703) 524-0810 • F: (703) 524-1921 • afia@afia.org • afia.org

citizens of Maryland, and their elected representatives, feel the need to expand the spay and neuter program, then other funding sources should be sought instead of applying more of a tax burden on the pet food industry.

3. **IMPLICATIONS FOR INDUSTRY:** Currently, cat and dog food and treat manufacturers pay \$100 per product for the fund in Maryland, generating close to \$1 million per year. This is by far the highest pet food tax in all 50 states. The fee is assessed for each stock-keeping unit (SKU), as the state considers each SKU a different product label that needs to be registered and pay the fee. For a single brand, there are often a variety of sized packages and multiple variations in formulation or diet (e.g., salmon, chicken or beef), each of which must pay the fee. This has a significant economic impact on manufacturers.

Most pet food manufacturers have multiple SKUs, packaging sizes and diet options offered for sale in Maryland. For example, if a company has four product sizes and six diet formulations, amounting to 24 different SKUs, then they are paying \$2,400 in fees to the state of Maryland. The proposed increase to \$150 may result in a company registering less products in the state in order to afford the already significant tax, resulting in less variety in product sizes and diet choices available to Maryland's pet owners.

Reducing options in product package sizes and diet formulations will place a higher burden on owners of pets who require unique diet formulations and customers purchasing package sizes given their ability to pay for, store, or physically carry the product, ultimately decreasing consumer choices. Reducing package size and diet variety options will impact sales in Maryland pet food retail locations as customers switch to online venues to meet their pets' food needs, potentially decreasing tax revenues. Retailers that have already been negatively impacted by changes in customer buying habits due to the coronavirus pandemic may see a further reduction in sales caused by reduced product choice forced by the increased fees.

4. **DECREASES CHARITABLE GIVING:** Pet food manufacturers have a commendable record of charitable giving, providing goods and services in support of causes such as veterans' wellness, people without housing and their pets, disaster relief and COVID-19 relief. Requiring additional fees to support the Maryland spay and neuter fund decreases resources available for other worthy causes.

We agree in principle with the program's intended goals of targeting spay/neuter support for pet owners in low-income communities and populations, as well as targeting feral cat populations. However, the proposed fee increase will cast a shadow of uncertainty over pet food manufacturers and pet caretakers, especially as the fund currently collects 20% more than is disbursed for services. For this reason, the AFIA does not support the proposed fee increase. We urge members of the committee to reject the unneeded fee increase and continue with the current funding level of \$100 per product, which has supported success of the program.

Sincerely,



Louise Calderwood
Director of Regulatory Affairs

cc: James W. Gilchrist, Chair
Gerald W. Clark
Jay Jalisi
Charles J. Otto
Dana M. Stein
Jay A. Jacobs
Mary A. Lehman
Sheila S. Ruth
Melissa R. Wells