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Environment and Transportation Committee
House Office Building, Room 251
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House Bill 156: Agriculture - Cost-Sharing Program - Sale of Harvested Cover Crops

Chair Barve, Vice Chair Stein, and Members of the Environment and Transportation Committee:

Maryland's Cover Crop program is a \$22.5 million undertaking to prevent run-off and remove excess nutrients from the soil before water enters the Chesapeake Bay. Farmers participating plant a winter grain which is not fertilized. Additionally, no pesticides or fungicides are used. The crop may be cut and fed to animals on the property where the crop was grown. But it is usually killed in the spring to prepare for a traditional spring crop such as a soy or corn.

At the same time, Maryland's 94 craft breweries and 25 distilleries are buying grains, like those left to die in the field, from out-of-state farmers.

Maryland does not grow enough malting barley to meet the demands of this important industry. Nor is there enough rye for the distillers seeing a resurgence of Maryland Rye Whiskey. Farmers *outside* of Maryland are benefitting from providing these grains to brewers and distillers *inside* of Maryland.

It goes without saying that Maryland farmers are risk averse and tend to continue doing what they have always done—even if they are not profiting from those same efforts as much as they did in times past. Corn, wheat, and soy prices are set at the global level. However, a University of Wisconsin study finds current trade wars have reduced foreign demand for these commodity crops and U.S. exports of agricultural products to China decreased by 63% between 2017 and 2018, from \$15.8 billion to \$5.9 billion. The agricultural sector had record levels of debt in 2019 and the highest number of bankruptcies since 2011. The Federal government has provided unprecedented levels of financial support to farmers in 2019; without which there would have been no growth in real farm income between 2018 and 2019. Between the Spring of 2011 and the end of 2016 the prices of soybeans, corn and wheat fell by 25%, 52% and 60%, respectively. The USDA Economic Research Service estimates that 40% of national farm income in 2019 will have come from federal programs including disaster assistance and insurance, raising concerns about the farm industry's dependency on government aid. Federal government direct farm support payments are estimated to have increased over 60 percent (in inflation-adjusted terms) between 2018 and 2019, to \$22.4 billion.

Growing malting barley and distilling rye for the Maryland craft beverage industry would largely free Maryland farmers from this depressed global market. Prices for these grains would be set at the local level. The environmental footprint would be lessened as grains would have less distance to travel. But we first have to grow these grains in sufficient quantities. Some grain farmers argue that these grains will not grow well in Maryland. But, a study in 2017 by Dr. Bob Kratochvil while at the University of Maryland School of Agriculture demonstrated success. A second objection is that making modifications to the cover crop program will put a strain on an underfunded program. However, a November 27, 2019 article by the Associated Press reported, "About \$5 million the state of Maryland has set aside for farmers to plant protective crops has gone wanting in recent years. For the second year in a row, the state has spent less than it set aside."

Using the cover crop program to give assurance to farmers willing to experiment with growing these grains to supply the Maryland breweries and distilleries may encourage more to transition from crops whose prices are set globally to crops sold and priced locally. If the Maryland Grain Producers and Department of Agriculture have concerns about the possible negative effects of using cover crop funding to encourage experimentation with growing these crops, I am open to changes to HB 156 which will make this idea more acceptable to all concerned.

In the meantime, there is a local market for malting and distilling grains and a craft beverage industry seeking to use locally sourced ingredients. We need to find a way to connect the two.

The Department of Legislative Services analysis indicates a meaningful effect on small business. I ask for a favorable report.

Respectfully,

Delegate Kenneth P. Kerr
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