Testimony to the Joint Standing Committee on Agriculture, Conservation & Forestry

in support of

LD 1565, An Act To Strengthen Maine’s Agriculture, Food and Forest Economy

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Senator Dill and Representative O’Neil, and Distinguished Members of the Committee—My name is Gray Harris and I am the Senior Vice President of Food Systems at Coastal Enterprises, Inc (CEI). I reside in Yarmouth. On behalf of CEI, I am testifying today to express CEI’s very strong support for LD 1565, “An Act to Strengthen Maine’s Agriculture, Food and Forest Economy.”

In allocating state resources to establish a Maine Food System Investment Fund and related business assistance programs, LD 1565 creates an opportunity to develop strong public-private partnerships, which are needed to meet the growing demand for nutritious, traceable, local food. Maine’s 10-year Economic Development Strategy identifies growth opportunities in Maine’s food systems and manufacturing, marine resources, forest products, and business technical services. These priority sectors are ripe for innovation and expansion. Natural-resource based industries are Maine’s enduring assets. Maine local food and beverage companies, in particular, are economic drivers for the state, but for many of these companies, finding and securing affordable financing and adequate facility space to grow is challenging.

CEI is a Community Development Finance Institution (CDFI) with a 43-year history of promoting good jobs, environmentally sustainable enterprises, and shared prosperity in Maine. CEI provides ongoing business advice and financing to approximately 2,000 Maine entrepreneurs annually. In the food sector, CEI provides specialized business and financial assistance to sustainable agriculture and value-chain businesses in Maine and the Northeast. These tools help to improve the financial viability of farm businesses, create jobs in the ag and food sector, maintain working lands in production, and ensure access to healthy, fresh local foods for all Maine people.

Our work in the food economy (statewide and regionally) in the last decade has been significant. Over 400 food-related businesses have received in-depth technical assistance and workforce support to improve financial viability and the quality of their jobs. CEI has made $20 million in loans and equity investments combined in 123 farm and food related businesses. Over 1,355 Maine people have found or maintained employment in these farms, fisheries, aquaculture, and other food system businesses. Food entrepreneurs are looking for capital to innovate, and scale and expand production capacities.

As busy as we have been providing capital to farms and small food businesses, we know that our investments are not enough. We continually seek new investment partners and sources of patient, flexible, affordable financing, which is scarce in private markets and unavailable to businesses from philanthropic sources in a consistent way, but which is critical to the development, retention, and expansion of food processing businesses.

Equally important is the role of 'value chain coordination' (or supply chain network development), which helps connect companies poised for growth with capital and technical assistance, and links them to other components of the food system supply chain--farmers and food entrepreneurs, processors, distributors, wholesale markets and institutions--to create a strong chain of many linked businesses and address critical gaps in infrastructure and services. This holistic approach identifies and addresses critical gaps in infrastructure and services, and facilitates operational efficiencies, access to high impact investment capital, job training, and ancillary business services.²

We know that most Maine people buy most of their food in chain grocery stores. By establishing a Maine Food System Investment Fund in statute, this bill will increase in-state consumption of Maine-grown food and support exports to out-of-state markets. This Fund will provide access to critically needed financing and services to “critical infrastructure” businesses. This financing and technical assistance will plug existing gaps in supply chain infrastructure needed to promote value-added food products and scale up manufacturing for regional and national distributors, retailers, and institutional markets. This bill provides an overarching framework needed to support Maine’s signature industries. A strategic investment plan that identifies targets for state resource allocation will enable Maine to leverage private investment and seek federal funding to strengthen links in the value chain relationships encompassing the food system.

Existing research and analysis, in addition to data compiled from the companies in our investment portfolio show that Maine food producers lack access to cost-effective processing and manufacturing facility space, cold storage and supporting infrastructure along transportation corridors and near affordable workforce housing. There are market opportunities to strategically site processing facilities and to grow Maine’s distinct, premium food brand, and at the same time build Maine’s workforce. Becoming a producer of high quality, traded food products – and jobs – within agriculture (and aquaculture) will require the improvement and coordination of Maine’s food value chains.³ This Fund will enable Maine producers who are selling to wholesalers, distributors, processors, and retailers leverage these resources effectively. With adequate financing and business assistance, agriculture-based businesses traditionally involved in informal supply chains producing for the local economy are also growing, expanding their geographical reach beyond local niche markets, helping to innovate food manufacturing and preserve family farms in Maine’s communities.⁴ We have reason to believe that the agriculture and food industry, private investors, philanthropic funders, and TA providers are engaged and will follow suit with state leadership.

As noted, LD 1565 aligns with the state’s 10-year Economic Development Strategy. It also supports Maine’s Climate Action Plan’s goals to promote community and agriculture industry climate resilience. It implements findings from the Maine Food Industry Cluster Study⁶ described in Growing Maine’s Food Industry, Growing Maine⁷, and supports the related work of FocusMaine⁸ and CEI’s Tastemakers Initiative⁹ to catalyze business growth and job creation in agriculture and aquaculture. Significantly, as a

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⁴ Ibid. (Harvard Study (2012), Sleeper (2019), Beach/FarmSmart 2019.)
⁸ https://focusmaine.org/focusmaine-2-2-2-2/
⁹ https://www.ceimaine.org/advising/natural-resources/agriculture/tastemakers/
vehicle to increase access to capital and specialized business assistance, this bill advances industry priorities identified and reinforced through a stakeholder input process\textsuperscript{10} and by the Agricultural Council of Maine (AgCOM)\textsuperscript{11} as essential to farm business viability and financial sustainability. Further, the bill intentionally prioritizes Maine’s underrepresented populations in farming and food processing and specifically addresses the concerns of Maine’s Permanent Commission on the Status of Racial, Indigenous and Maine Tribal Populations, and the subject of LD 870, a Resolve directing the Permanent Commission to research strategies to expand access to this population. Additionally, the Maine Food Strategy\textsuperscript{12} supports value chain coordination and priority investment in infrastructure, to focus and amplify investment in the food system in a coordinated way that is facilitated with the state as a key partner.

In 2010-2011, the state issued a one-time general obligation bond to help food entrepreneurs support the growth of agricultural and fishing enterprises. Under the Maine Food Processing Grant Program\textsuperscript{13}, six businesses received grant funds totaling $975,000 to create processing infrastructure. Despite the direct economic benefits and indirect impacts of these grants, there was not enough funding in the bond to meet all of the needs of food processing companies in the state. In response, the Finance Authority of Maine (FAME) as program administrator reserved an additional $1.5 million in monies through its Economic Recovery Loan Program to lend to companies according to similar parameters.

LD 1565 resumes this important economic investment in Maine’s food infrastructure. In conjunction with the food processing bond proposed in LD 1475, “An Act to Authorize a General Fund Bond Issue for Food Processing Infrastructure in Targeted Areas of the State,” now before the Appropriations and Financial Affairs Committee, LD 1565 will target investment in food systems equitably, to enable racially diverse businesses in our state to meet the growing demand for healthy, safe, climate responsible food. These investments will create jobs processing high value Maine food products for new and existing markets in Maine, the Northeast, and beyond.

LD 1565 builds on existing research about states in New England and nationally, allocating resources and enacting public-private partnerships to invest in food business innovation and acceleration (e.g., Vermont’s Working Landscapes Enterprise Fund and Massachusetts’ Food Trust Innovation Fund—see attached comparison below). An industry-driven, integrated approach that engages farmers and food manufacturers is key. We respectfully suggest that if LD 1565 is enacted, monies allocated by LD 1475 will help capitalize this important fund and business assistance services.

This bill is a market-driven solution that carefully and critically directs investment to businesses and technical services that contribute to a growing agriculture and food industry in Maine overall. The bill could be a model for and expanded to include marine food production and forest products for maximum impact in natural resource economy in Maine.

Thank you for this opportunity to testify for this innovative and important proposal. Attached to this testimony, along with a comparison of the Vermont and Massachusetts program prototypes, please find a fact sheet and profiles of Maine’s innovative food entrepreneurs. These case studies illustrate the benefits and impact of this bill. We look forward to working collaboratively with the Departments of


Agriculture, Conservation and Forestry and Economic and Community Development, other agencies, FAME, University of Maine Cooperative Extension, and the private sector to determine the best path forward. This bill promises an opportunity to advance Maine’s agricultural economy and food system.

CEI urges you to vote Ought to Pass on LD 1565.
## Comparison of Vermont and Massachusetts Models

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<th><strong>Vermont Working Lands Enterprise Initiative</strong></th>
<th><strong>Massachusetts Food Innovation Trust Fund</strong></th>
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| Vermont Farm to Plate established in statute, 2011.  
- Farm to Plate is Vermont’s model food industry statewide strategic plan to develop workforce, support and grow businesses and markets (value chain coordination) | MA Food Trust Program established in statute\(^{14}\), 2017.  
- Designed to complement existing MDAR programs and in conjunction with MA Food Policy Council (comprised of state agencies and public stakeholders) |
| Vermont Working Lands Enterprise Fund (WLEF) established in statute in 2013, to provide needed capital to businesses, service providers engaged in Farm to Plate  
- Invests in local businesses that are derivative of and sustaining working landscapes, to grow the VT brand and increase its value through increased statewide investment across state’s educational and economic sectors (includes a Higher Ed Food System Consortium to develop workforce training and food business career ladders) | State allocated $1 million in an environmental bond bill - part of the state’s capital investment plan  
- Establishes a financing infrastructure that invests in businesses to increase healthy affordable food options and improve economic opportunities to nutritionally underserved communities\(^{15}\) |
| Statute (6 VSA 4604\(^ {16}\), 4607\(^ {17}\)) creates board consisting of industry, government, finance sector, business and industry technical services, to administer fund and develop policy recommendations to serve as an impact investment organization to:  
- stimulate economic development (foster entrepreneurship, business development and job creation) in state’s agriculture and forest product sectors  
- increase value of raw and value-added products through development of state and export markets  
- provide priority funding to support enterprise development, including technical assistance that directly supports enterprise development | • Overseen and evaluated by Mass. Department of Agricultural Resources (MDAR)  
• Co-administered by 2 established community development financial institutions (CDFIs) selected by competitive RFP.  
  - CDFIs are critical partners  
  - Franklin County Community Development Corporation (FCCDC) serves western counties, and Local Enterprise Assistance Fund (LEAF) serves the eastern part of the state, to ensure statewide geographical reach.\(^ {18}\)  
• Chapter 23A Section 65(a) establishes the program, paragraph (b) sets out authorizes a CDFI to develop and implement flexible financing programs, raise funds, evaluate |

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\(^{15}\) [https://www.mass.gov/news/baker-polito-administration-launches-1-million-initiative-promoting-access-to-healthy-local](https://www.mass.gov/news/baker-polito-administration-launches-1-million-initiative-promoting-access-to-healthy-local)  
\(^{17}\) [https://legislature.vermont.gov/statutes/section/06/207/04607](https://legislature.vermont.gov/statutes/section/06/207/04607)  
\(^{18}\) These organizations contract with the Food Trust to ensure that applicants meet national best practice guidelines. This is an additional layer, that is voluntary, and not needed to effectively, efficiently administer funds.
- grow economies, cultures and communities of VT’s working landscape through essential catalytic investments in critical leverage points w/the VT farm and forest economy.
- Find the critical leverage points: identify opportunities and challenges related to access to capital, infrastructure, product development, marketing, training, research and education, succession.
- Expand existing, identify and develop new profitable markets (in state and out) for food, forest, fiber products and value-added agricultural products, including farm-derived renewable energy.
- Oversee public engagement: establish application process, eligibility criteria, award grants and loans, identify leveraging opportunities, industry clusters, priority infrastructure.
- State agencies provide admin support (2 ftes added in statute, 2014).

Fund is composed of monies appropriated by the legislature and received from public or private sources approved by board (6 VSA 4605). These are awarded as grants and organized into 3 priority investment “Tracks” determined by board:
- Capital and Infrastructure Investment (Business)
- Service Providers
- (New in 2019) $50,000-150,000 Industry Impact grants for industries (e.g., low grade wood, dairy) board has determined need larger investments to be viable.

Eligible activities include, but not be limited to
- the development, renovation and expansion of supermarkets
- year-round farmers’ markets, food truck commissaries and community kitchens
- retail, restaurant and supporting food distribution hub options serving such food opportunity areas as approved by the department and that demonstrate a meaningful commitment to sell fresh, local products
- infrastructure for urban and rural-based community-supported agriculture businesses
- working capital for projects including but not limited to, equipment and furnishings, workforce training, security and certain predevelopment costs

Farm to Plate and Working Lands Enterprise Fund reauthorized and **reallocated with broad support** in VT Legislature:
- Overall impact since inception (2012-2018):
  - 241 Ag and Forestry projects funded
  - $7+ million in funds distributed

**First Round: 12 Projects Funded in 7 Months**
- 344 Jobs Created or Retained,
- 95% of Workers Hired from Within the Local Community
- Average hourly wage of $17
- 108,000 Individuals with Improved/Expanded Access

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19 [https://legislature.vermont.gov/statutes/section/06/207/04605](https://legislature.vermont.gov/statutes/section/06/207/04605)
- $11+ million in matching funds (cash, in kind, other private and public investment) leveraged
- Statewide investment in all 14 counties
- 19,000 working acres maintained
- $5.3 million invested in 184 projects creating over 500 jobs, affecting every county of the state.
- $18.1 million in new sales
- 98% of fund recipients expanded into new markets
- 45% of businesses financed increased environmental stewardship
- 30% of businesses supported increased employees’ wage levels due to fund financing
- $1.594 million in 2019, including onetime funds for dairy.
- $1 million in Coronavirus Relief Funds allocated to WLEF in 2020.

VT Governor Phil Scott (R) on the WLEF: “It’s clear these efforts and investments make a difference, which is important to our economy and state...to...make Vermont more affordable, and protect the most vulnerable.”

- 83% of projects owned or substantially controlled by either a woman or a person of color
- 100% of Projects Accept or Will Accept SNAP & WIC
- 9 for-Profit (7 retail), 3 non-profit (1 food hub for aggregation, processing, distribution; 2 Ag Education).
- 84% ($995,000) in loans, 16% ($190,325) in grants – grants used as down payment for the loans.
- Total first round: $1,185,325.

Recommendation:
- CEI recommends that Maine enact a food system investment program and enterprise development fund as an important element of state agriculture policy.
- This tool is needed to build the Maine brand, grow, and innovate Maine food businesses, and create jobs.
- A hybrid version of the successful VT and MA programs might house the plan at the Department of Agriculture, Conservation and Forestry, to be administered by a qualified community development financial institution/statewide economic development organization.
- As written, an Advisory Board and annual reporting oversees fund performance and progress toward climate and food system policy goals.
AN ACT TO STRENGTHEN MAINE’S AGRICULTURE, FOOD AND FOREST ECONOMY

Creates a more robust and diverse Maine natural resource economy through targeted investment, in-depth business assistance, and value-chain coordination.

Quick Facts

Sponsor: Representative Talbot-Ross, House District 40

Amount: TBD

This bill: Increases investment in Maine Agriculture, Food and Forest Products industries so that producers, processors and other food businesses can anticipate and access new markets and opportunities.

Establishes the Maine Agriculture, Food and Forest Products Investment Fund to facilitate strategic investments in the state’s agricultural, food and forest products processing and manufacturing industries.

Fills a gap in needed capital that does not currently exist in Maine. The fund will create a source of patient, flexible, low-cost, risk tolerant, equity-like capital that will leverage, and move from the sidelines, the capital currently available through other financiers, funds, banks, lenders.

Establishes a Maine Agriculture, Food System and Forest Products Investment Fund and an Advisory Board, representing the relevant skills and diverse experience relevant to farming, and food manufacturing, including Maine’s racial diversity. The Advisory Board, which oversees a request for proposals process to carry out the purposes of the fund and related technical assistance programs. Reports to the legislature on fund performance and industry growth and innovation.

Supports growth and innovation in critical infrastructure businesses across the value chain and creates an industry “roadmap” by directing the DACF and DECD to establish a statewide system for benchmarking progress toward identified needs in order to grow Maine’s food system.

Aligns With and Implements

- Maine Economic Development Strategy 2020-2029: A Focus on Talent and Innovation (to ensure robust, climate-safe food supply chain, foster talent and innovation in food manufacturing, marine systems and the biobased economy)

- Governor’s Economic Recovery Committee Recommendations to Sustain & Grow Maine’s Economy (Nov. 2020) and Maine Climate Action Plan (statutory objectives, to reduce carbon emissions and build local and regional food systems)

- Maine’s role in Food Solutions New England’s A New England Food Vision (USDA funded regional food system, supply chain resilience)

- Maine Food Cluster Project findings, highlighted in Growing Maine’s Food Industry, Growing Maine

- Maine Food Strategy Framework: A Tool for Advancing Maine’s Food System and Maine Food Conference Track A Priorities (Processing Infrastructure (inc. aggregation, storage and processing)
KEY FEATURES

• Replaces LD 1531 (which passed the legislature's Agriculture, Conservation and Forestry committee unanimously in February 2020 and was headed to the House floor for full vote when the 129th Leg. adjourned).

• Fosters business innovation and grows talent (workforce development) in Maine's agricultural and food economy – has implications for the state's other key sectors (marine resources, forestry and biobased products).

• Puts key elements of Maine's 10-year strategy and recovery plan in place with practical tools to invest in critical infrastructure businesses and benchmark growth of Maine's farm, food and forest economies.

• Supports existing industry efforts - like FocusMaine, MCE (Maine Center for Entrepreneurs), and CEI Tastemakers and Catalyst Fund – to propel innovation, business growth and job creation in early-stage and start-up food manufacturing businesses which employ local people and source from Maine growers/ producers, multiplying each investment.

• Fills a gap in needed capital and business assistance that does not currently exist in Maine.

• Utilizes “value chain coordination,” a comprehensive approach to building the agricultural and local food industry and proven rural economic development strategy. This approach strengthens producers, buyers, distributors, and processors, and retailers so that each of these business ‘links’ forms a resilient chain that creates value for each participant. This ‘value chain’ of interlinked businesses enhances financial returns and positive social and environmental impacts through product differentiation and beneficial business practices.

• Modeled on Vermont's Working Lands Enterprise Fund and Farm to Plate Initiative which work in tandem to target and benchmark investments to identified sector needs and infrastructure gaps.

• Informed by Massachusetts’ Food Innovation Trust Fund, which supports value-added enterprises in distressed communities and expands access to healthy food through good food jobs.

• Addresses industry investment needs and racial equity objectives.

• Connects the respective missions of and engages both Maine DACF and DECD.

• Fund could be capitalized by companion bill LD 1475, An Act To Authorize a General Fund Bond Issue for Targeted Food Processing Infrastructure.

FOR MORE INFORMATION

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“Entrepreneurs need investors willing to invest in infrastructure. That’s where CEI first came in. The Catalyst Fund investment gave us the flexibility and time to scale up our value-added products, helping to grow the impact and health of seaweed farming along the coast, with the objective of building a diversified income stream for coastal fishermen in the offseason.”
- Briana Warner, CEO

“There is a big gap, in my opinion, in terms of support for mid-size processors that contribute to local economy in important ways, provide opportunity to Mainers, and offer alternatives to commodity products from far out of state. There is a huge lack of focus on that level of the food infrastructure. We’ve grown like crazy and we were producing far too many birds for the size of the facility we were in. We just built a new facility, and had to come up with $700k to cover equipment costs.”
- Cameron DeLeone, Vice President

“Capital really could be more flexible, it needs to be way more accessible and it needs to be very much more risk tolerant. Maine hasn’t done nearly as much investing and experimenting, which goes along with failing, as we would need to have a truly innovative food system here in Maine. Maine has huge infrastructure barriers. So that’s where experimentation most likely needs to happen.”
- Marada Cook, General Manager

All quotes taken from interviews conducted Summer 2020
GLIDDEN POINT OYSTERS - EDGECOMB

- Founded in 1978, by a local family whose mission was to grow the “best oyster on every plate.” Sold to business to current owner in 2018.
- Relocated to a larger facility, expanded operation and adapted its business model to diversify markets and utilize existing lease acreage more effectively.
- Primary sales outlets include direct sales to consumers, including restaurant chefs, through on-farm retail shop and to wholesalers and distributors (which also serve chefs and restaurants), and e-commerce.
- Working as aggregator/distributor for smaller oyster farms. Sees need for additional technical assistance helping new businesses with logistics, licensing and forecasting.

“What we do is unconventional stuff for traditional financing (options). In our business, getting a loan officer to try to wrap their heads around buying seed that you’re not going to recoup for three years and trying to collateralize with inventory that’s at the bottom of the river, requires a lot of education back and forth between us and the lender.”
- Jonathan Turcotte, General Manager

THE MILKHOUSE - MONMOUTH

- Founded on leased farm in South China before moving to purchased land in Monmouth in 2012.
- Began as small-batch yogurt business -- expanded on-farm processing facility to sell wholesale to natural food stores, Hannaford, and institutions (school districts, colleges, universities) & directly to consumers.

“When we first started our project, it was commonly held that farmers are too risky to loan money to and that food enterprises are also risky. And yet, we live in a state that is branded for pristine outdoors and our hardworking farmers. People value the quality of food coming out of Maine. So food is an economic opportunity.”
- Amber Lambke, Co-Founder & President

MAINE GRAINS - SKOWHEGAN

- Maine Grains serves bakers, brewers, chefs and families freshly-milled, organic and heritage grains sourced from the Northeast.
- Aims to re-localize grain production and milling to support the health and livelihood of Maine farmers and communities.
- Maine Grains is creating jobs, reducing food miles, improving land use, and providing healthy food for all while serving as a successful model for economic revitalization.

“We’ve spent years backing ourselves out of the system we created around a very small business which ultimately would have never been sustainable on its own and had to grow to get to a point of being able to balance wholesale and direct sale. I’ve often wondered if there is a way for people to access more capital at the beginning. For us to scale up to a point to be able to access larger wholesale accounts, that flux of funds has definitely been necessary.”
- Caitlin Frame, Co-Founder

www.ceimaine.org
MAINE AGRICULTURE & FOOD SYSTEMS
LOANS & INVESTMENTS (2011-2021)

10 YEARS OF INVESTMENT & IMPACT

$20M total $ volume
$120k average $ size

$69M total $ leveraged
$406k average $ leverage

1,355 jobs created/retained
171 # of deals

123 # businesses
90 # businesses w/ underserved ownership

HISTORICALLY UNDERSERVED BORROWERS (categories can overlap)