Testimony to the Committee on Appropriations and Financial Affairs

in support of

LD 1475, An Act To Authorize a General Fund Bond Issue for Targeted Food Processing Infrastructure

20 April 2021
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Senator Breen and Representative Pierce, and Distinguished Members of the Committee on Appropriations and Financial Affairs:

My name is Amy Winston and I am the Director of State Policy at Coastal Enterprises, Inc (CEI). I reside in Edgecomb. I am testifying today, on behalf of CEI, to express CEI’s strong support for LD 1475, “An Act To Authorize a General Fund Bond Issue for Food Processing Infrastructure in Targeted Areas of the State.”

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 entrepreneurs in Maine on an annual basis. In 2020, our small business advisors and program staff worked with 3,000 businesses and individuals. 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) has been significant. In the last decade (2011-2021), CEI has made a total of $20 million in loans and equity investments and leveraged another $69 million in investment in 123 value-added farm and food related businesses. Of these, 90 borrowers are from historically underserved—i.e., low-income, minority, female, veteran, new Mainer, and disabled—populations. In addition to creating access to capital and in-depth business assistance and workforce consulting for these business owners, these transactions have helped preserve thousands of acres of farmland for cultivation and thousands more feet of shoreline frontage for working waterfront. 1,355 Maine people have found or maintained employment in these businesses. Our average loan is $120,000; on average, each loan or equity investment leverages another $406,000 in capital supporting that business’s growth and viability. Farms and food related businesses are the fastest growing segment in our loan portfolio. They are looking for capital to support and expand production capacities.

As busy as we have been providing capital to farms and small food businesses, we know our capital is not enough. We are working to pioneer innovative capital products. We continually seek new and

1 See attached Fact Sheet: CEI Maine Agriculture and Food Systems Loans and investments (2011-2021).
additional investment partners and sources of patient, flexible, affordable capital. This type of capital is scarce in private markets yet critical to the development, retention and expansion of food processing businesses. In allocating state resources to facilitate processing in targeted areas, LD 1475, fosters an opportunity to develop strong public-private partnerships, which are needed to establish needed food system infrastructure.

Equally important in targeting investment, is the role of network development that pairs entrepreneurs poised for growth with specialized business assistance to find operational efficiencies and address critical gaps in infrastructure and services. Also known as “value chain coordination,” this approach connects components of the food system supply chain – farmers and food entrepreneurs, processors, distributors, wholesale markets and institutions – through high impact investment in infrastructure, job training services. It is not unlike a Farms for the Future program for value-added food production.

Maine’s 10-year economic development strategy, “Maine Economic Development Strategy, 2020-2029: A Focus on Talent and Innovation,” targets Maine’s food industry as an opportunity to foster innovation and opportunity in the economy. Maine food and beverage companies are poised to be economic drivers for the state, but for many of these companies, finding and securing adequate facility space to grow is challenging. Having identified clear market opportunities for Maine processed foods, CEI’s Tastemakers Initiative, a partnership with FocusMaine, tackles this issue by combining business assistance, market analysis and networking. This “value chain” approach helps businesses find operational efficiencies as well as (capital for) needed space and equipment. The lack of storage and processing infrastructure has been an ongoing challenge not only for businesses bidding for shelf space in regional supermarkets but also for distressed communities organizing to meet their own nutritional needs, farmers and food businesses interested in selling to institutions and institutions such as schools and hospitals.

In 2010-2011, the state issued a one-time general obligation bond to help food processors to support the creation, retention and growth of agricultural and fishing enterprises. Six businesses received grant funds totaling $975,000 to promote processing infrastructure. Given the success of the Maine Food Processing Grant Program, and due to the fact that there was not enough funding in the bond to meet all of the needs of food processing companies in the state, FAME (the program administrator) reserved $1.5 million in monies through its Economic Recovery Loan Program to lend to companies with substantially the same parameters as the grant program. LD 1475 resumes this important economic investment in processing capacity. In conjunction with the food enterprise development fund proposed in LR 54, An Act To Strengthen Maine’s Agriculture, Food and Forest Products Economy, LD 1475 will target investment to food systems (and marine resources) to enable businesses in our state to meet the growing demand for safe, climate responsible food, to make healthy foods available to all Maine people, and to create jobs and process niche products for new and existing markets in Maine, the Northeast, and beyond.

LD 1475 serves a real need in targeting investment in infrastructure. It builds on what we already know from existing research about states in New England, and nationally, allocating resources (including bond funds) and enacting public-private partnerships to target public and private investment to food business innovation and acceleration (e.g., Vermont’s Working Landscapes Enterprise Fund, Massachusetts’ Food
An integrated approach that engages farmers and food manufacturers and is ultimately industry-driven is necessary. We respectfully suggest that if LR 54 is enacted and a fund is established to support food processing businesses with much needed capital for space, job training, and equipment, and accompanying business services, at least a portion of the monies allocated by LD 1475 be used to help secure that important fund.

CEI will be glad to work with FAME, the Department of Agriculture, Conservation and Forestry, other agencies, and the private sector to discuss any amendments to the general terms of this proposed bond issue that are needed to assure efficient swift deployment ensure that any negotiated bond package which earns bipartisan support include a substantial investment Maine’s agricultural economy and food system.

Thank you for the opportunity to present this testimony. To provide Maine voters with an opportunity to vote to invest in Maine’s agricultural economy, please vote Ought-to-Pass on LD 1475.

Sincerely,

Amy Winston
MAINE AGRICULTURE & FOOD SYSTEMS
LOANS & INVESTMENTS (2011-2021)

10 YEARS OF INVESTMENT & IMPACT

$20M total $$ volume
$69M total $$ leveraged
$120k average $$ size
$406k average $$ leverage

1,355 jobs created/retained
171 # of deals
123 # businesses
90 # businesses w/ underserved ownership

HISTORICALLY UNDERSERVED BORROWERS (categories can overlap)

Coastal Enterprises Inc. (CEI) | ceimaine.org
AN ACT TO AUTHORIZE A GENERAL FUND BOND ISSUE FOR TARGETED FOOD PROCESSING INFRASTRUCTURE

Increases investment in Maine’s food-processing capacity, generating positive economic activity and a more secure food system.

QUICK FACTS

Sponsor: Representative Talbot Ross, Portland
Amount: $5 Million General Fund Bond Issue
Goal(s): To pursue targeted and appropriately scaled food processing infrastructure projects in the State as determined by the agricultural resources development division within the Department of Agriculture, Conservation and Forestry (DACF), Bureau of Agriculture, Food and Rural Resources

Natural resource-based industries are Maine’s enduring asset. Maine local food and beverage companies are poised to be economic drivers for the state, but for many of these companies, finding and securing affordable financing and adequate facility space to grow is challenging.

ALIGNS WITH AND IMPLEMENTS

- Maine 10-year Economic Development Plan goals, to ensure robust, climate-safe food supply chain and foster talent and innovation in food manufacturing, marine systems and the biobased economy
- Maine Climate Action Plan statutory objectives, to reduce carbon emissions and ramp up local food consumption in Maine to 30% by 2030, by building sustainable local and regional food systems in accordance with
  - Working Lands SubCommittee recommendation to promote community and agriculture industry climate resilience
- Food Solutions New England’s New England Food Vision and USDA Regional Food System Partnerships (RFSP) program
- Recommendations of the Maine End Hunger by 2030 Commission
- Findings from the Maine Food Cluster Project, highlighted in Bartlett et al. (2015), “Growing Maine’s Food Industry, Growing Maine” and related work of FocusMaine and CEI Tastemakers Initiative catalyzing business growth and job creation in agriculture and aquaculture
KEY FEATURES

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

• 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 to expand access to healthy food through good jobs in the food industry and by locating concerns in underserved communities.
  - Specifically addresses racial equity objectives.

• Connects (conjoins) the respective missions and enlists both the Maine DACF and DECD.

• A portion of this bond could capitalize the Maine Food System Investment Fund proposed in LR 54.

FOR MORE INFORMATION

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Since Briana Warner took over as CEO of Atlantic Sea Farms in 2018, she has transformed the company formerly known as Ocean Approved from the first commercially viable seaweed farm in the country to a retail product company that is winning food industry awards and increasing consumer knowledge of kelp as a delicious and climate-positive ingredient, all while supporting Maine’s working waterfront. This transition was made possible with support of targeted funding from CEI and Maine tax-incentivized financing.

The heart of Atlantic Sea Farms is its network of 24 kelp farmers. Since the 2018 transition, the company no longer grows its own kelp to harvest, instead opting to work with Maine fishermen by supplying them with kelp seed, training them on growing techniques and, perhaps most importantly, providing a guaranteed purchase of their entire harvest. The arrangement allows Atlantic Sea Farms to outsource farming to individuals who are knowledgeable about Maine’s waters and have the necessary equipment (boats, ropes) on hand, while it helps the farmers, who primarily fish or lobster, diversify their income.

To create an outlet for increasing amounts of farmed kelp (production increased from 40,000 lbs. of seaweed in FY19 to 800,000 lbs in FY21), Briana has focused on establishing the Atlantic Sea Farms retail brand and selling to ingredient companies and fast casual restaurants as base ingredients. 2020 kicked off strong, with the February launch of a partnership with sweetgreen™, a national fast-casual restaurant chain focused on salads, with a special offering developed by renowned chef David Chang - a partnership profiled in the NY Times and Washington Post.

Atlantic Sea Farms was also preparing to launch their retail food brand, consisting of pureed kelp cubes for smoothies, thaw & eat shredded kelp and fermented seaweed products, like the Good Food Award-winning Sea-Chi. When the pandemic hit, wholesale to retailers and direct e-commerce sales became even more vital. But launching a retail brand, particularly with an unfamiliar key ingredient like kelp, takes a lot of consumer education and advertising.

To date, Atlantic Sea Farm’s growth has been financed by a dedicated group of angel and institutional investors, including CEI. Given the company’s relationship with its kelp farmers, Atlantic Sea Farms was an excellent fit for CEI’s Catalyst Fund, which makes early-stage equity investments in food system businesses that support local agriculture and aquaculture production in Maine and the northeast.

“Entrepreneurs need investors willing to invest in infrastructure,” said Briana. “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.”

In late February 2020, Atlantic Sea Farms learned they had also been named to that year’s CEI Tastemakers cohort, a FocusMaine-supported program that provides specialized consulting and investor networking opportunities for emerging food and beverage companies. The $15,000 in funding from the
Tastemakers program allowed them to hire iBec Creative, a local digital marketing firm, to develop an online-focused marketing plan that boosted their Google ranking, increase website traffic & ecommerce sales, and launched a targeted brand ambassador program.

“It couldn’t have come at a better time,” recalled Briana, “because we were applying for funding for more advertising. We knew we needed to do substantial advertising, to get people to know about our products and to drive people both to the store to purchase on the shelf and our store on the Internet. It came at a time when we needed it, as everything just started shutting down. It drove sales directly to our e-commerce site and also the support retailers when we weren’t able to demo in person. It wasn’t a ton of money, but it did a ton for us.”

The ability to hire and pay expert consultants was a key feature of the Tastemaker program for Briana. While she acknowledged there was a critical mass of retired business professionals offering advice on a volunteer basis, she emphasized there was a different level of engagement and service with hired consultants, who “are hard-charging to get the job done because they’re being paid for it by real money.”

Flexible money like that provided by the Tastemaker Initiative isn’t easy to come by, Briana noted: “What was so cool about the Tastemakers funding is that it was quite literally focused on the question, ‘What you need to make your business grow?’ So you could use it to fund things like digital ads, when that is not something there is usually money for. Quite frankly, that flexibility made fifteen thousand worth more to us than fifty thousand dollars would be if it was limited to something like equipment purchases. We could use it on what’s actually going to make us money.”

LEARN MORE ABOUT ATLANTIC SEA FARMS
Website: https://atlanticeaufarms.com/
Facebook: https://www.facebook.com/OceanApproved/
Instagram: https://instagram.com/atlanticeaufarms
Common Wealth Poultry is a small poultry processing facility, with three primary business lines: 1) commercial-scale processing of birds for New England farms, 2) USDA labeled co packing and 3) Common Wealth Poultry-branded products from throughout the northeast US. Although they are considered a “small” facility, they also happen to be the largest USDA inspected poultry facility in New England, filling a vital niche in the local food system.

Cameron DeLeone, Common Wealth’s Vice President, put it this way. “There is a lot of support for very small-scale agriculture in Maine. Everybody is thrilled to support farmers markets and other hyper local businesses, but as you move away from the seasonal products offered there, you see buying habits go very quickly from local production to the largest scale of commodity production without respect for provenance. 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.”

Common Wealth is looking to fill that gap by being a resource for mid-size farms - bigger than the farmer with a dozen birds in his backyard, but smaller than the industrial-scale poultry farms that supply the national distributors. It’s an important niche, but one that is often ignored.

“There is a huge lack of focus on that level of the food infrastructure,” Cameron laments. “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 $700,000 to cover equipment costs.”

The company struggled to get the financing they needed for the expansion. “It is very difficult to get traditional bank financing, so we ended up going through Farm Credit. It’s always this logistical nightmare to get money, even though we’ve been in business for 10 years and are showing clear growth every year.”

Common Wealth was a member of the Tastemakers program in 2019 and 2020, a partnership between CEI and FocusMaine to help established food and beverage companies with a commitment to local agricultural production, expand and improve production capacity, create jobs, and meet targeted growth goals by offering funding for tailored consulting and access to financial resources and investor networking opportunities.

As a participant in Tastemakers, Common Wealth received $20,000 to redesign/update and expand their processing lines to produce humanely, sustainably raised, premium chicken product. CEI contracted with key consultants – to provide guidance and expertise on equipment and financial services.

Cameron sees a clear role for the state to step in and support mid-scale processing. “It would be a great vote of confidence to see the state say “we are happy to nurture the small-scale, hyper-local agricultural industry, neighbors buying from neighbors, but we also want to support these businesses that have the potential to create a regional impact. The state ought to work to cultivate that, because these
producers have the potential to attract talent to the region, and reinvigorate Maine’s agricultural and manufacturing tradition. It makes these places attractive to live because there are career opportunities.”

Job creation is key to Common Wealth’s business model – one of the company’s stated values is to empower the local community by creating opportunity and well-paying jobs. This is particularly true for Maine’s immigrant communities. Common Wealth’s job page is in four different languages, including Somali, Arabic and Swahili in addition to English, and all their chicken and duck meat is Halal guaranteed. Their commitment to diversity has made Common Wealth one of the largest employers of immigrants in Maine.

“In terms of values, we are really interested in helping people to find meaningful employment in a business where they can grow,” Cameron emphasized. “We pay well over the industry average, not only because we’re in a state with a high minimum wage, but because we promote people after they’ve been here for a while.”

Cameron isn’t shy about the challenges of the industry – “it’s dirty work and the hours are long” - but it’s important both for the employment opportunities and for its role in the regional food supply.

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LOOKING TO START OR GROW YOUR FOOD PROCESSING OR AGRICULTURE-BASED BUSINESS?
CEI’s Sustainable Agriculture and Food Systems Program supports an economically just and sustainable food system that creates quality jobs for a diverse workforce and builds wealth and resilience in rural communities. CEI offers free business advising, short & long-term financing and the Tastemakers Initiative, a targeted food and beverage producer accelerator in partnership with FocusMaine. Learn more at: https://www.ceimaine.org/advising/natural-resources/agriculture/
Bivalve aquaculturists (oysters, scallops, mussels) face unique challenges, not seen in either traditional farming or marine harvesting. A typical lobstering season in Maine lasts around nine months. Terrestrial farms plan crop rotations over years, but plant on an annual basis. To grow an oyster from “seed” (known as spat), however, takes three to four years, meaning oyster farmers have to work for several years before they can make a single sale, let alone turn a profit. Long-term planning and patient capital sources are key to an oyster farm’s success.

When Ryan McPherson bought Glidden Point Oyster Co. in 2016, the company was thirty years old and was established as a source of premium Maine oysters, primarily for the high-end restaurant market. Ryan planned to grow the company in two primary ways: by utilizing the full acreage of their aquaculture lease and by expanding to new markets.

Ryan and his team, which include General Manager Jonathan Turcotte and Sales & Purchasing Manager Sarah Xiao, worked to make that plan a reality. Glidden Point shifted production to a new property on the Damariscotta River that also allowed them to add a farm store and dine-in patio area to attract direct retail customers. The company also began acting as a mentor and distributor to other small oyster farms in the state, with the goal of making Maine, not just Glidden Point, a go-to for quality oysters.

By February 2020, Glidden Point’s growth plan was on track with robust sales and partnerships with 20 smaller farms. The company was selected to be part of the Tastemaker Initiative, a business cultivator developed jointly by CEI and Focus Maine to develop Maine’s food economy by providing capital and technical assistance to growth-oriented businesses. Glidden Point received funding to help them develop their distribution arm of their business, which would in turn benefit the smaller farms they sourced from. By March, the Glidden Point team started meetings to develop operating procedures and marketing plans, when the COVID-19 Pandemic struck.

Suddenly, restaurants were shutting their doors and domestic buyers pulled back on orders. Those that were still buying were focusing hyper-local. A business that had thrived on long-term planning had to pivot, and quickly.

With dining out shifting to dining in, the team at Glidden decided to focus to a direct-to-consumer e-commerce/shipping model. The challenge here was twofold: first, the logistics of shipping a sensitive live product to homes; and second, educating consumers used to a raw bar experience that they could prepare and enjoy oysters at home. Key to making this shift successful was the capital provided by CEI via the Tastemakers Initiative and the flexibility CEI provided Glidden Point in shifting the utilization of the funds.

“[The flexibility] was very helpful from a survival standpoint, if no longer a growth standpoint, during a difficult time,” said General Manager Jonathan Turcotte.
Glidden Point isn’t writing off long-term growth though; the team sees a lot of untapped market share, particularly in the direct-to-consumer market. Their e-commerce platform experienced a 1000% growth in sales over the previous year and they are exploring additional add-ons for their at-home oyster kits including additional seafood offerings and private label products, which would involve additional Maine co-producers.

Maine is well-positioned to brand itself as the source for quality farmed seafood of all kinds, and the industry could use deeper financial support to bring an all-inclusive “Maine Seafood” brand on par with Maine lobster. Glidden Point identified a need for providing business support and capital to new growers, particularly to help them overcome the hurdles of complex logistics and licensing, a general lack of expertise with business financials, and the capital-intensive nature of aquaculture starts-ups. The Glidden Point team cautioned that support shouldn’t end at start up, and that assistance is needed to build out and enact those necessary multi-year plans, something that could also be supported by specialized training/education for bookkeepers, accountants and lenders. The opportunity to expand Maine’s aquaculture economy is there, and resources such as the Maine and Federal governments, private funding, non-profit organization support, and engaged producers like Glidden Point can be the leaders in moving Maine seafood products to be among the most desirable in the country – and the world.

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LOOKING TO START OR GROW YOUR FOOD PROCESSING OR AGRICULTURE-BASED BUSINESS?
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