

2006 Maryland Farm Bureau Issues of Concern

The following issue summaries are provided for your consideration as you continue your policy development process. We believe that these issues may be the subjects of debate in Annapolis, in Washington or before you local county government during the 2007. Some of the issues were identified by Farm Bureau members during our Spring Issue Identification Process. Please call Valerie or Kurt if you have any questions or need additional information. We thank you for your commitment to an inclusive and thorough policy development process in 2006!

Raw Milk / Cow-Share schemes (State Policy)

Since the late 1980s the federal Food and Drug Administration has required the pasteurization of all milk and milk products in final package form intended for direct human consumption that moves in interstate commerce. The state of Maryland has adopted similar policy for milk sold in the state. Scientists have demonstrated that pasteurization destroys a host of pathogens that can cause very serious and even fatal diseases in humans.

Since the pasteurization requirement was put in place, advocates of raw milk consumption have worked to find ways to make the unpasteurized product available to consumers. Raw milk advocates believe that pasteurization kills not only the pathogens but also destroys the nutritional value of milk. Many have invested in "cow-share" schemes, whereby they pre-buy their milk by purchasing a portion of a cow in order to be considered an owner. They then own the milk and can pick it up and consume it raw.

The FDA soundly denounces the claims of raw milk advocates and holds that all scientific evidence shows that pasteurized of milk is the best way to protect consumers. FDA cites numerous studies and cases that link raw milk consumption to disease outbreaks in Iowa, California, Oregon and Wisconsin. FDA finds that the most vulnerable populations are the very young, the very old and those with compromised immune systems. These are the same populations that raw milk advocates say should consume unpasteurized milk.

Questions to Consider:

- 1) What are the possible impacts on the dairy industry as a whole of illnesses that occur from the consumption of unpasteurized milk?
- 2) Are there "cow-share" schemes being used by Farm Bureau members or in our communities?
- 3) Should Farm Bureau support or oppose efforts to close the loophole in state law in order to insure that all milk consumed in MD is pasteurized?

Tobacco - Maryland Tobacco Authority - Future Responsibilities (State Policy)

The volume of tobacco produced by Maryland farmers has decreased dramatically as a result of the Tobacco Buyout Program instituted in 2000. Today there are only around 150 producers growing approximately 2 million pounds of tobacco annually.

At its height in 1964, Southern Maryland farmers produced more than 43 million pounds of tobacco. As with other tobacco growing regions, most Maryland tobacco has historically been sold at auctions conducted by licensed sales warehouses. As recently as 1998, there were 6 licensed tobacco auction warehouses in Maryland. Nearly 10 million pounds of tobacco were sold that year. Only one warehouse opened in 2006 and auctioned a total of 321 thousand pounds; the smallest volume of tobacco marketed since records have been kept.

The Maryland Tobacco Authority was established in 1947 to license and regulate tobacco producers, buyers, and sellers for the purpose of alleviating the disorderly conditions surrounding the marketing of leaf tobacco. In recent years, the Authority's primary function has been to establish sales dates and allocate tobacco pounds to competing warehouses. Additionally, revenue from license fees and a tobacco poundage tax has been used to employ a part time Executive Secretary to oversee the tobacco auction and insure that the Authorities rules and regulations are followed.

The dramatic reduction in tobacco production, coupled with the elimination of the federal tobacco quota system, has rendered the auction market system in Maryland obsolete. Today, tobacco manufacturers are free to contract directly with growers throughout the country for their tobacco needs. Since enactment of the Fair and Equitable Tobacco Reform Act of 2004 (FETRA), Maryland farmers have had the opportunity to grow burley tobacco under contract. A number of companies are now offering production contracts to Maryland tobacco farmers.

These recent developments suggest that the Tobacco Authority is no longer necessary, at least in the regulatory role that it has served since its inception.

Questions to Consider:

- 1) Should the Tobacco Authority continue to operate?
- 2) What role could/should the Tobacco Authority play in the future, particularly if the auction ends and farmers use production contracts?
- 3) What services do the existing and future tobacco growers need from the state government?

Admission and Amusement Tax - Agritourism Exemptions (State & Local Policy)

Maryland law authorizes county governments and municipalities to levy a tax on the gross receipts derived from any admission and amusement charge in their jurisdiction. Admission and amusement charges include those charged for admission to a place, the use of a game of entertainment or recreational facilities or equipment and the sale of any merchandise or refreshments in connection with entertainment. Over the last several years, bills have been

introduced and passed in the Maryland General Assembly by local delegations to exempt "agritourism activities" from the tax. Exemptions have been added to the state law for Harford and Baltimore counties. Several local governments have taken the initiative and exempted agricultural activities from the tax under county ordinances. The local exemptions exist in Howard and Prince George's County.

As farmers continue to search for ways to increase the economic return on their farmland, many see great potential in seasonal activities like corn mazes, hay rides and pick-your-own days on the farm. While the new activities yield additional cash flow, they are not without increased expense and liability to the farmer. Many farm advocates - including state & local government officials and environmentalists like the Chesapeake Bay Foundation - believe that all efforts should be made to encourage farmers to stay on the land and stay profitable. Non-farm families appreciate the wholesome family-friendly environment of a day on the farm.

Exempting these newly developing agritourism activities from the local admission and amusement tax should have very little impact on local revenues while providing a huge boost to struggling family farms.

Question to Consider:

- 1) How important are agritourism opportunities for the farmers in your area? For the non-farm families in your area?
- 2) Should local governments amend their admission and amusement tax ordinances to exempt local agritourism activities?
- 3) Should the state provide a blanket exemption in all counties for the agritourism?

Definition of a Farm (State & National Policy)

The USDA definition of a farm - any place from which \$1000 or more of agricultural products were produced and sold, or normally have been sold, during the census year - has been in use since 1974.

In 1900, a farm was defined as an agricultural operation requiring the continuous service of at least one person. In 1910, the definition changed to an agricultural operation that needed to utilize three or more acres or normally produced agricultural product worth at least \$250 for sale or home use. In 1945, and again in 1950, the \$250 requirement was dropped to \$150. And, in 1959, the three-acre requirement was increased to 10 acres and a requirement for at least \$50 in production for sale was added. As an alternative to the 10-acre rule, if the operation had sales in excess of \$250 of agricultural products, it was also considered a farm.

Then, 1974 saw a major change in the definition of a farm. This was the first introduction of the concept that an operation must have or normally have sales of \$1000 or more per year to be classified as a farm. It is important to understand that production strictly for home consumption did not count as sales. This new definition removed an estimated 300,000 operations from the census and reduced the farm population to 21 percent.

Based upon these definitions, the number of farms in the U.S. peaked in 1935 at 6.8 million operations. Today there are just over 2 million farms in the country. Of those, 143,000 operations produce 75 percent of the total agricultural output.

Some believe it is time to redefine a farm in a way that includes multiple definitions of farming that incorporate both the commercially viable units - those with \$100,000 or more of revenue, and those that are pursuing farming more as a style of living, as opposed to earning an income. If something like rural living were to be incorporated into the mix it might actually expand the number of units involved and make the idea more politically feasible.

Here in Maryland, the horse industry would like to pursue a new definition agricultural that would expand beyond the traditional "food & fiber" parameters. They would like to include as agricultural products and activities the breeding, training, riding and more.

Questions to Consider:

- 1) Should the definition of a farm be changed for the purpose of increasing the ag census?
- 2) What level of revenue should constitute a viable economic farm unit?
- 3) Should there be an alternate definition for smaller, non-commercial, farm units?
- 4) Should "food & fiber" be the determination of a farm product or should it expand?

Tax Assessment on Subdivided Farmland (State Policy)

County proposals to downzone farmland have led many farmers to consider subdividing their land now to preserve their equity into the future. Many say they do not intend to develop the land but want to make sure they still have the equity against which to borrow to keep their farm business running.

The current property tax law on agricultural use assessment provides that a farm may have a maximum of 5 lots less than 10 acres and only 2 of those may be less than 3 acres in order to keep the agricultural use assessment. If the farmland is further subdivided, a higher use assessment is levied.

According to the Maryland Code, the purpose of the agricultural use assessment is to main-

tain a readily available source of food and dairy products, to encourage the preservation of open space land, and to prevent the forced conversion of open space land to more intensive uses because of economic pressures caused by assessment of land at levels incompatible with its practical use for farming.

Questions to Consider:

- 1) Is the purpose of the Ag Use Assessment achieved with the current lot rules?
- 2) Is the current law sufficient to protect true farmland while preventing developers from taking advantage of the agricultural use assessment?
- 3) Should farmers be allowed to subdivide land and keep the ag use assessment while they are farming?
- 4) Is there a middle ground on this issue?

Use of Agricultural Land Preservation (MALPF) Funding (State Policy)

The Maryland Agricultural Land Preservation Foundation (MALPF) was created by the Maryland General Assembly in 1977 to preserve production agricultural land and woodland that provides for the continued production of food and fiber for the present and future citizens of the state. In order for landowners to participate in the foundation's program, they must first establish an Agricultural Land Preservation District pledging to keep the land in agricultural use for the next five years. After the district is established, landowners may apply to sell easements to MALPF.

MALPF has secured over 400,000 acres in ag preservation districts and has purchased agricultural easements on over 250,000 acres. In 2002, the General Assembly set a goal of 1,030,000 acres of preserved farmland by 2022.

Funding for the MALPF program comes from a combination of sources including portions of the state transfer tax and the agricultural transfer tax. Local and federal dollars are also included in what will be a fiscal year 2007 funding level of \$89 million. This is up from \$47 million in FY06. Funds are spent through a formula that divides the money in two, divides the first half by 23 and distributes it evenly among counties for easement purchase. The second half is used to provide matching funds for counties with certified agricultural land preservation programs and for additional rounds of easement offers. In 2004, MALPF was paying an average of \$2,200 per acre for easements.

Over the years, MALPF has been unable to purchase the majority of easements offered for sale by landowners because of limited funding. The Task Force to Study MALPF reported to the General Assembly in 2005 that it would take \$1.2 billion between 2005 and 2022 to reach the goal of over 1 million acres preserved. The Task Force recommended new dedicated funding to achieve the overall goal.

Maryland Farm Bureau policy supports the MALPF program and recommends increased funding. We have defended the program whenever funding cuts or funding diversion has been suggested. In recent years, however, there have been several attempts from farmland supporters to divert funding from the traditional MALPF program to efforts like Priority Preservation Areas and Next Generation Farmer programs.

Questions to Consider:

- 1) Should we support using funds designated for MALPF for other program designed to secure farmland and/or farmers for the future? If yes, what type of programs should be supported?
- 2) Can your county Agland Preservation program achieve its goals if we change the funding structure to include other programs?
- 3) What additional or alternative funding mechanisms should we support to increase funding for MALPF and/or provide funding for the Next Generation Farmer Program and PPAs?

Nutrient Management Voucher Program (State Policy)

The 1998 Water Quality Improvement Act required those who apply nutrients to more than 10 acres of land to obtain a nutrient applicator voucher or be a certified nutrient management consultant. Nutrient applicator training is provided to farmers through local workshops sponsored by Maryland Cooperative Extension. Farmers are required to attend the voucher program once every three years. So far, 4688 vouchers have been issued.

Questions to Consider:

- 1) Has the voucher program in your county been effective and useful to farmers? How could it be improved?
- 2) What type of information would be of interest to farmers during the voucher sessions?
- 3) Should nutrient application training be combined with other training programs (like pesticide training) to reduce the number of programs a farmer must attend?
- 4) Should we try to amend the 1998 law to eliminate the nutrient applicator voucher program?