

Policy Proposal: The NY Food Insecurity, Farm Resiliency & Rural Poverty Initiative

January 20, 2021

Earlier this year, in response to the impact of COVID-19 on the NYS economy, Minority conference members and staff discussed the devastating effects of the pandemic-driven economic downturn on our farmers. While the Governor's \$35 million Nourish NY program provided quick relief, some inherent shortcomings also emerged. This proposal will address the ongoing need to provide a larger market for New York's farmers by creating permanent programs that will allow food banks to annually purchase more produce, meat and dairy products from NY farms, while providing resources to deliver those additional products to those in need throughout our rural communities and urban centers. As a result of research and input from dairy farmers, regional food banks, and local food pantries, the NY Food Insecurity, Farm Resiliency & Rural Poverty Initiative is proposed.

Background

New York State boasts a robust agricultural sector as well as a comprehensive structure of 10 regional food banks which are tailored to each region's resources and needs; New York's farmers and the State's food banks work in conjunction with over 4,000 local food pantries and non-profit partner organizations to serve between 3 and 5 million New Yorkers annually; In support of these efforts, New York agriculture, which employs nearly 200,000 residents, produces 18 billion pounds of fresh produce annually, as well as over 15 billion pounds of milk and 273 million pounds of meat. The agricultural sector in New York State is worth more than \$5.75 billion in direct economic activity annually; 98% of NY farms are family-owned, with an average farm size of about 205 acres and a median producer age of about 56-57 years. However profitable in terms of revenue, it must be acknowledged that the amount of acreage under tillage has been in decline; since 2012, acreage under cultivation has declined by nearly 320,000 acres. In addition, beginning in the 1980s commercial meat processing became regionally concentrated in a handful of western and Midwestern states; with the closure of New York's last large-scale meat processor in the early 1990s, the welfare of a key part of New York's food-supply chain now depends on circumstances hundreds of miles away, leading to increased transportation costs and the possibility of shortages during times of civil and economic unrest.

The COVID-19 pandemic has caused severe disruption to the lives and livelihoods of NY farmers; business shutdowns and capacity limitations related to COVID-19, especially during the Spring of 2020, created a massive deficit in demand for agricultural products and services in sectors ranging from food-service to tourism, especially concerning dairy products. This drastically reduced demand forced NY farmers to dump millions of gallons of milk as unprofitable waste, costing tens of millions of dollars in potential revenue. According to the NY Farm Bureau's *Farm and Agribusiness COVID-19 Impact Survey* published in the summer of 2020, New York's farms and agribusinesses experienced some variant of the following:

- Market Disruption (35% of respondents)

- Lost Customer Sales (43% of respondents)
- Cash Flow Issues (37% of respondents)
- Lost Restaurants/Consumers (19% of respondents)
- Transportation/Shipping Challenges (9% of respondents)
- Lack of Supplies or Needed Business Resources (7% of respondents)
- Lack of Labor/Human Resources (9% of respondents)

New York State’s COVID-19 response has thrown into sharp relief some ways in which the relationship between New York State agriculture and its food banks could be further enhanced and improved, both for the benefit of NY farmers and those in need. This memorandum will highlight some ways in which specific improvements could be affected, in preparation for future periods of medical, social and economic stress.

Based on research and conversations with agricultural and food bank personnel Statewide, Ways & Means Minority Conference staff have crafted a set of specific policy proposals intended to address the most obvious problems associated with the ongoing COVID-19 pandemic- agricultural assistance to prevent agricultural food waste and other problems associated with low demand for agricultural products; access to, and capacity issues with, cold storage equipment; the acquisition and maintenance of food transportation; and commercial meat processing capacity.

The NY Food Insecurity, Farm Resiliency & Rural Poverty Initiative

- **Overall Budget: \$34.7 million**
 - \$34.7 million (\$54.7 million with dry appropriation):
 - \$19.7 million Annual;
 - \$15 million One-Time Capital; and
 - \$20 million dry appropriation during States of Emergency.
- **Permanent Agricultural Purchasing Assistance Program (Annual): \$10 million**
 - This program will create a permanent purchasing program for each NY regional food bank to obtain increased amounts of meat, dairy and produce from NY farmers, much like Governor Cuomo’s Nourish NY program.
 - This program is intended to lessen the financial impact of unprofitable waste on NY agriculture by increasing the market for fresh meat, dairy and produce.
 - This program will provide \$10 million appropriated through Agriculture & Markets, divided between the State’s 10 regional food banks according to need, to provide regional food banks with the ability to purchase agricultural food

products from NY farmers. An additional dry appropriation account of \$20 million will be created within the Aid to Localities budget to permit program expansion during Statewide emergencies, for a program total of \$30 million. This approach will permit the State to immediately mitigate the impact of drastically reduced demand upon NY's agricultural sector, in addition to rapidly providing those in need with fresh meat, dairy products and produce.

- **Commercial Meat & Dairy Processing Incentive Program**

- This program component would establish the Commercial Meat & Dairy Processing Incentive Program, in an attempt to increase the available processing capacity for meat and/or dairy products in New York State.
- Similar to past efforts such as SolarCity, this program component would support efforts by the State to purchase commercial real property and build facilities suitable for occupancy and use by private commercial meat and/or dairy processors, in order to alleviate the shortage of processing capacity for meat and/or dairy products that the State currently faces, due to the departure of many commercial processors from New York to states with more favorable business/economic climates.
- This program would include a provision that meat and dairy processing facilities based on SUNY campuses would be required to continue full-scale operations during declared States of Emergency.
- This program would create a "blue ribbon" commission composed of various representatives of the Department of Agriculture & Markets, the Department of Labor, dairy farmers, producers, meat processors and other personnel in order to study the regulatory and business environment in New York State relative to dairy and meat processing. The commission will be tasked, among other matters, with examining the following challenges facing meat and dairy processing:
 - Lack of inspectors;
 - Utilities Infrastructure (costs of water/sewer lines, etc.);
 - Lack of additional companies to perform rendering functions- SUNY will be directed to develop a training program for rendering;
 - Shortages of skilled, trained employees;
 - The attraction and retention of personnel;
 - Regulations and required documentation;
 - Labor law and regulations;
 - Financial cost of construction; and
 - Economies of scale.

- Any further issues that the commission shall deem necessary
 - This commission will issue a report detailing recommendations for improving the State’s regulatory environment within six months of the enactment of this legislation. The recommendations made by this commission will have the full force and effect of law.
 - In addition, the commission will submit recommendations to the legislature and the executive concerning the number of processing plants to be constructed and where these facilities should be located, in order to achieve the most beneficial economic impact in various regions of the State.
- **Farm Infrastructure & Equipment Grant Program (One-Time Capital): \$5 million**
 - This program component would establish the Farm Infrastructure & Equipment Grant program in the Agriculture & Markets Capital Projects budget and fund it in the amount of \$5 million, to provide grants to established farmers up to \$50,000 per grant in order to help bolster the backbone of NY’s agricultural sector.
 - This program would provide grant funding for infrastructure improvements and equipment purchases for established NY farmers who have been in business for 10 years or more. Farmers would be responsible for 10% of funding, leveraging 90% in State funds. Capital grants may be utilized to improve farm profitability, purchase machinery (including automated farming equipment) and/or for the construction or improvement of physical structures.
 - Grant funding will also be authorized for accessibility improvements to vehicles and infrastructure, to assist disabled persons who wish to remain in agricultural occupations.
- **New Farmers Grant Program (One-Time Capital): \$1 million**
 - In 2014-15, the Beginning Farmers NY Fund was created (A.8555-D of 2014, Part Z) to provide grants up to \$50,000 to support beginning farmers and to encourage them to consider farming as a career. Farmers must not have produced an agricultural product for more than 10 consecutive years; they must demonstrate innovative agricultural techniques and have less than 150 acres of farmland. This program has been amended several times, most notably in 2015-16 (A.3008-B of 2015, Part FF) which amended the Beginning Farmers Fund to clarify the definition of agricultural products, remove the requirement that eligible farmers utilize innovative techniques and provides for additional uses of the grants. In addition, capital grants must be matched one-to-one with private investment and may be utilized to improve farm profitability, purchase machinery or for the construction or improvement of physical structures.

- The New Farmers Grant Fund was last funded in 2018-19 in the amount of \$1 million; no funding has been allocated since that year, and there are no applications currently being accepted.
- This program component will re-fund the New Farmers Grant program in the amount of \$1 million, to provide grants to new farmers up to \$50,000 per grant in order to support beginning farmers and those who wish to consider farming as a career, in order to help bolster the long-term prospects of NY's agricultural sector.
- **Personal Service Cost Assistance (Annual): \$2 million**
 - This program will provide financial support to regional food banks to enable hiring of additional personnel in support of increased food bank operations due to the Permanent Agricultural Purchasing Assistance Program.
 - This program will provide direct annual support of \$2 million from State funds divided between all 10 regional food banks in the State, to offset personal service costs associated with the hiring of additional full-time personnel; no raises or additional compensation for existing FTEs will be permitted from this funding. This will help to mitigate each regional food bank's reliance on donor contributions for this purpose, which might be less forthcoming during periods of fiscal and broader social stress.
- **Commercial Real Estate & Warehousing Grant (One-Time Capital): \$6 million**
 - This grant program will support increased food storage capacity for each of NY's regional food banks due to the larger volume of food that each regional food bank will be expected to handle because of the increase in agricultural produce purchases through the Permanent Agricultural Purchasing Assistance Program.
 - This grant program will provide \$6 million in Capital Projects funding through Agriculture & Markets to provide each NY regional food bank with an award of up to \$600,000 for the construction of additional warehouse space to support expanded food bank operations. Regional food banks must provide 20% funding, leveraging 80% provided by State funds.
- **Cold Storage Equipment Grant Program (Annual): \$500,000**
 - This grant program will support expanded cold-storage capability and capacity at local food pantries and non-profit organizations to enable increased distribution of dairy, fresh meat and produce; this is needed to enable a larger volume of perishable agricultural produce to be stored, handled and distributed to those in need in NY's local communities, both urban and rural.
 - This grant program will provide \$500,000 in annual Capital Projects funding through Agriculture & Markets to provide non-profits and local food pantries with grant opportunities to purchase commercial and residential-scale cold-storage equipment (sizing dependent upon need and support capability) up to a maximum

price of \$5,000 per unit; local food pantries and non-profits for this purpose must provide 10% funding, leveraging 90% provided by State funds.

- **Cold Storage Transportation Grant Program (One-Time Capital): \$3 million**
 - This grant program will enable regional food banks and local non-profit organizations to purchase refrigerated trucks and trailers to support increased transport of perishable foods (such as dairy, meat and fresh produce) from regional facilities to local communities, both urban and rural.
 - This grant program will provide \$3 million in annual Capital Projects funding through Agriculture & Markets to provide regional food banks and other non-profits with grant opportunities to purchase refrigerated box trucks and trailers up to \$100,000 per unit. Fundraising by regional food banks for this purpose must provide 20% funding, leveraging 80% provided by State funds.

- **Transportation Fuel Reimbursement (Annual): \$500,000**
 - This reimbursement is intended to defray fuel cost increases due to purchases of refrigerated trucks and trailers combined with increased vehicle use/transportation volume, in order to ease some of the costs of food transport and, ultimately, distribution.
 - This program will provide \$500,000 in Aid to Localities funding through Agriculture & Markets for reimbursements of fuel costs associated with increased food transport/ vehicle use.

- **Nutrition Outreach Education Program (NOEP) Expansion (Annual): \$2 million**
 - The Nutrition Outreach and Education Program is the primary method of SNAP outreach in New York State. Hunger Solutions New York is the primary contractor for NOEP in most counties in the State, supported by several smaller actors.
 - This program will provide \$2 million in additional Department of Health funding for the various contractors supporting the State's Nutrition Outreach Education Program, for a total increase of \$4 million including federal 50% matching funds. This would bring the total amount of State funding for NOEP (assuming FY 2020-21 funding levels) to \$5.02 million, matched by 50% federal funding for a total of \$10.04 million.

- **HPNAP Contract Expansion (Annual): \$4 million**
 - The Hunger Prevention and Nutrition Assistance Program (HPNAP) provides State and federal funding to Emergency Food Relief Organizations (food banks, food pantries, etc.) to improve the quality of food distributed by those organizations to those in need.

- This program will provide \$4 million in additional Department of Health funding to facilitate Statewide contract expansion. A portion of this funding will be directed toward City Harvest NY and Island Harvest.
- **Food Donation Tax Credit: Minimum Loss of Revenue to the State**
 - The Farm Donations to Food Pantries Tax Credit is a refundable tax credit for tax years beginning on or after January 1, 2018 that is available to eligible farmers who made a qualifying donation to an eligible food pantry. The credit is worth 25% of the fair market value, up to \$5,000, of the donations made to a food pantry operating in New York.
 - An “eligible farmer” is one whose income is primarily attributable to farming in New York State and is subject to Personal Income or Corporate Franchise Tax. A farmer who is in a partnership or a shareholder of a New York S corporation may also qualify. A “qualifying donation” includes fresh fruits, vegetables, eggs, and meat products grown or produced in New York State. An “eligible food pantry” is a food bank, food pantry, or other emergency food program operating in New York that qualifies for tax exempt status under the Internal Revenue Code.
 - This program component will adjust the Food Donation Tax Credit upwards to 50% of the fair market value, up to \$5,000, of the donations made to a New York food pantry.
- **Estate Livestock Exemption: Loss of Revenue to the State**
 - According to current Estates Law, one tractor and any livestock can be made exempt from the value of an estate, up to a total of \$20,000.
 - This program component would increase the value of the exemption to two tractors and any livestock up to \$100,000 total, which reflects a more realistic perspective on the current costs of major agricultural equipment. This benefits farm estates while maintaining the current principles of inheritance and land conveyance.
- **FARMNET (Annual): \$718,000**
 - Since 1986, FarmNet has provided full-spectrum on-farm consulting services that focus on both the financial side of operating a farm, and the dynamics (and stresses) that come with owning this type of family business.
 - This program component will increase funding in the Aid to Localities budget through Agriculture & Markets for FARMNET by \$718,000 (for a program total of **\$1.5 million assuming FY 2020-21 funding**), to enable increased levels of support to farm families which have been highly stressed by the socioeconomic environment created by the COVID-19 pandemic.
- **Repeal Chapter 105 of the Laws of 2019**

- This program component will repeal the Farm Laborers Fair Labor Practices Act (“NY Farm Labor Bill”) passed during the 2019-20 Legislative Session. It should be noted that there is another Conference proposal undergoing consideration (Jump Start), which would delay implementation of the Farm Laborers Fair Labor Practices Act for a period of one year after the present emergency period expires.