Independent Democratic Conference

Preserve, Promote & Grow
A Plan to Help NY Agriculture

The New York State Senate
Independent Democratic Conference

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Introduction

Agriculture is one of the main industries of New York State. New York agriculture employs tens of thousands of people who every day work a quarter of the State's land to produce a variety of products. New York is a national leader in the production of a wide variety of crops, including apples, pears, cherries, cabbage, grapes, and -of course- onions and sweet corn. New York is also a leading producer of milk and cheese, is a leading maple products producer, and is the nation's third largest wine maker.

All of these New York products are brought to us by the small family farms that dominate New York agriculture, with our average farm size being half of the national average. Many of our small family farms are taking the lead in organic farming techniques, and the number of farmers markets across the state is growing. At the same time, between 1997 and 2007 the State lost 1,900 farms and nearly 8% of its cropland. While New York farmers have risen to meet the many challenges they face in a globalized agricultural economy, they can still use the help that New York State's government can provide.

In this report, the Independent Democratic Conference will highlight a number of proposals that would provide our farmers with that help. We highlight policies that would enhance the marketing of agricultural products, allow for the creation of home wine making centers and decrease regulatory burdens on farm wine producers, help farmers with energy costs, increase the number of farmers markets, provide incentives to groceries stores that sell New York produce and products and to companies that purchase farmland with the intention of maintaining it for agricultural production.

Many challenges remain for New York's farms. However, the IDC believes that this package would go a long way towards preserving, promoting, and growing New York's agriculture industry.

Table of Contents

SECTION 1: Agriculture In New York State

New York's Agriculture Economy

- Agriculture is a vital part of New York's economy. Agricultural production returned approximately $4.7 billion dollars in 2009 and employs tens of thousands of workers.
- Nearly one-quarter of New York's land area is used as farmland. In 2010 approximately 7.0 million acres of land was used by 36,300 farms. This is a reduction in acres and farms from 2009.
- Farming is generally done by small family businesses. In 2007, the average farm size was smaller than 200 acres.
- In 2007, less than 20% of farms received more than $100,00 in farm income. Due to tight profit margins many farmers are forced to supplement their incomes by leasing land for mining or wind turbines or even selling portions of their land off for development.

New York's Agriculture Production

- In 2007, New York ranked 26th among the 50 states for total value of agricultural sales.
- New York's top commodity groups were: milk and dairy products; greenhouse, nursery and floricultural products; fruits, tree nuts and berries; vegetables, melons and potatoes; cattle and calves; and grains, oilseeds, dry beans and dry peas.
- Milk is New York's leading agricultural product. Milk sales account for one-half of total agricultural receipts; with a 2010 preliminary value of $1.7 billion. Dairy and animal production in New York accounted for 1.82 billion in 2009.
- The value of all New York vegetable production totaled $409 million in 2010. This was an increase in production from 2009. New York ranked fifth in the nation for area harvested and sixth in value of fresh market vegetables.
- New York's tree fruit and grape crops totaled $332 million in 2010; a decrease from $363 million in 2007; but an increase from $305 million in 2009.
- Wine and grape production ranked New York 3rd in the nation behind California and Washington. This production accounted for $48.3 million.

Challenges Farmers Face

Agriculture is an important part of New York's economy. However, in 2010, New York saw a decrease the number of its farms and farmlands. This could be due in part to the numerous challenges farmers face including:

- Tight profit margins: Most farmers are forced to supplement their incomes by renting or selling their farmlands for other uses.
- Difficulty accessing credit or other financial mechanisms.
- Access to statewide agriculture markets, especially in urban areas, is difficult and costly for farms.
- Out of state and international competition.
- High property taxes and ever-increasing energy costs.

SECTION 2: Preserving New York Farms

New York Farms

- According to an Office of the Comptroller report: between the years 1997 and 2007 New York's farmland decreased by 613,500 acres; the number of farms decreased by 5%
- The USDA, National Agricultural Statistics Service found that for the first time in four years the number of farm land and farms decreased.
- New York's farm acres decreased by 666,000 acres of land since 2001. Between 2009 and 2010 there was a decrease of 100,000 acres.
- New York has lost 1,200 farms since 2001. There was a decrease of 300 farms between 2009 and 2010.

Decreases in Farm Land

Acres (millions)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change from 2001-2010
$1,000-$9,999	1.80	1.77	1.77	1.72	1.66	1.70	1.60	1.40	1.50	1.60	-.20
$10,00-$99,999	2.20	2.20	2.21	2.07	2.00	2.00	1.80	1.70	1.80	1.70	-.50
$100,00-$249,999	1.43	1.42	1.40	1.28	1.30	1.20	1.00	.96	.96	1.20	-.23
$250,000-$500,000+	2.23	2.27	2.21	2.42	2.39	2.37	2.80	3.04	2.84	2.50	+.27
Total	7.66	7.66	7.59	7.49	7.35	7.27	7.20	7.10	7.10	7.0	-.66

Decreases in New York Farms

Farms in (thousands)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Change from 2001-2010
$1,000-$9,999	19.8	19.3	19.5	18.4	17.8	18.6	18.8	18.7	18.9	19.0	-.80
$10,00-$99,99	11.0	11.0	11.2	11.4	11.4	10.7	10.7	10.8	10.9	10.7	-.30
$100,00-$249,999	4.0	3.90	3.70	3.30	3.45	2.80	3.30	3.10	3.20	3.40	-.60
$250,000-$500,000+	2.70	2.80	2.60	2.90	2.95	2.90	3.60	4.0	3.6	3.2	+.50
Total	37.5	37.0	37.0	36.0	35.6	35.0	36.4	36.6	36.6	36.3	-1.2

S. 4296

The purpose of this bill is to provide a new financial mechanism for investment in New York agricultural lands. Increasing The tax exemption will incentivize domestic life insurers to invest in farms. These companies, which invest life insurance premiums as part of their business model, would help fill the void left by commercial banks that by and large have stopped lending to continue farm operations. The requirement of the conservation easement will require that when the land is sold it continues to be used for agricultural purposes.

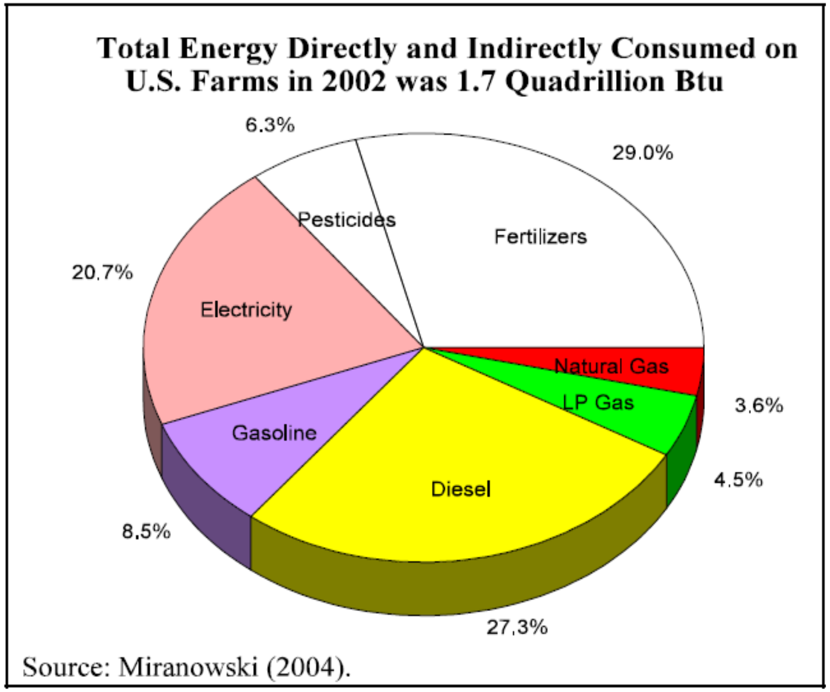
- Section 1: Requires the Commissioners of Agriculture and Markets and Taxation and Finance to promulgate regulations defining “fruit”, “fruit products”, “vegetables” and “vegetable products.”
- Section 2: requires lands that are eligible for the income tax deduction apply and receive a conservation easement. This will ensure that the land when sold will still be used for farming.
- Section 3: Allows domestic insurers to invest up to one percent of its admitted assets in obligations used to finance fruit or vegetable growers that purchase land.
- Section 4: Excludes from a domestic life insurers net income 30% of the interest received by the insurer that was lent to purchase farm land to continued to be used for agricultural purposes.

S. 5377

Senate bill 5377 would direct the Department of Agriculture and markets to create a long term blue print for sustaining agriculture in New York State. The Department would take into account land use, commercial, and environmental patterns and trends to ensure the protection of farm land and continuation of food production in New York.

As noted before, farmers face many problems and the amount of land used for agricultural production in New York is declining. Fertile land is the most important resource for successful agriculture, and nothing threatens the continued viability of our State's agricultural industry than its loss. By creating a long term blueprint for the maintenance of agriculture and farmland, the Department can help bring together all the necessary stakeholders to create a joint strategy that will stem this dangerous decline.

Energy Use in Farming



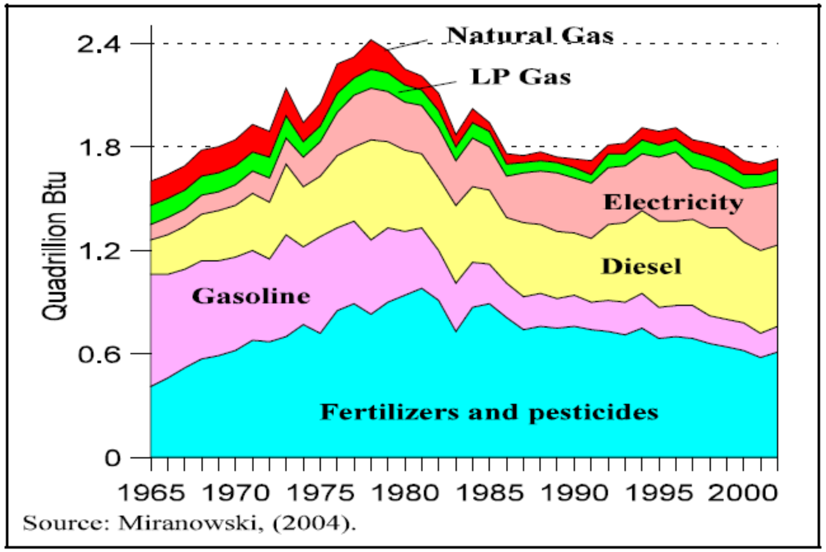
Modern farming requires a significant use of energy, even if the total amount of energy used by the agricultural sector is very small compared to that used by the Industrial, transportation, or consumer sectors.

Most of the energy consumed by agriculture is consumed directly by farms and farmers, such as electricity or fuel. Over a third is used in the creation of the fertilizers and pesticides that have helped farmers increase their yields in the last few decades.

Electricity Costs

In farms, electricity is used primarily for lighting and temperature management (heating/cooling).

As this chart shows, the amount of electricity being used in agriculture has grown significantly since 1965. Each year, the cost of electricity becomes a larger portion of a farmer's cost of production.



Producing Electricity on the Farm

As the cost of electricity rises, farmers are investing in ways to create their own electricity. This helps them cut costs and possibly raise additional revenue.

There are various renewable energy options that farms have begun investing in, for example:

- Photovoltaic cells
- Wind turbines
- Biogas produced through Anaerobic digesters

Unfortunately, besides the high initial costs of many of these options, farmers can face penalties or extra charges from their existing electricity providers

S. 652

Senate bill 652 would amend section 65 of the public service law by adding a section 6-a that would:

- Prohibit any corporation or municipality from charging any fees or penalties to qualifying farmers beyond those needed to cover the cost of services and from implementing policies meant prevent farmers from installing on-site generation equipment.
- It defines qualifying farmers as anyone with $10,000 or more in gross federal income derived from farm products who has installed on-site electrical generation equipment and has given notification to the corporation or municipality thereof prior to the cutoff date.
- It defines the cutoff date as the point at which the corporation or municipality has received sufficient notices from qualifying farmers so that the on-site production has equaled or surpassed 1/10 of 1% of the local demand for electricity based on departmental estimates of use in 1996 or in 2016, whichever comes first.
- The bill amends section 66 of the public service law to prohibit a corporation or municipality from seeking a rate increase from consumers to recoup any revenue lost from on-site generation by qualifying farmers.

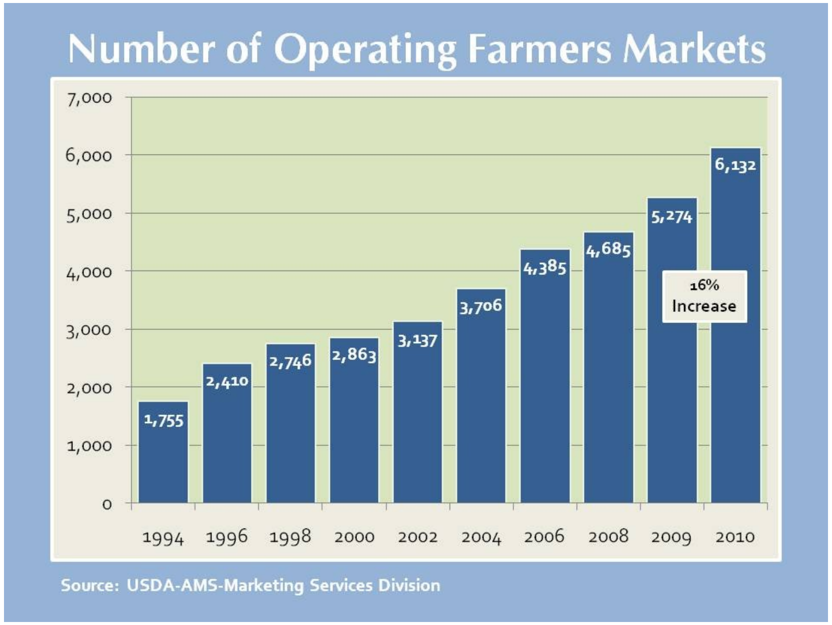
SECTION 3:Promoting New York Farm Products

Facts and Figures

Over the last few years consumers have become more aware of the benefits of buying local produce. Figures from the U.S. Department of Agriculture show that the number of farmers markets around the country has grown by 16% between 2009 and 2010. Since 1994 they have grown close to 250%.

New York is a leader in buying locally, having the second largest number of farmers markets in the United States, at 461 in 2010. In fact, every one of New York's 62 counties has at least one farmers market.

New York is also home to the Hunts Point Terminal Produce market, which is the highest volume wholesale produce market in the U.S., with over $2.3 billion in annual revenues. 50% of the market carries local New York produce.



Pride of New York

New York State developed the Pride in New York Program to encourage the sale of agricultural products grown in New York and foods processed in New York.

The program allows a wide variety of businesses, from food retailers, wineries, farms, and food wholesalers to apply for the ability to carry the Pride of New York logo. The logo tells consumers that the business sells New York agricultural products or food processed by New York businesses.

A growing number of restaurants are also participating in the Pride in New York program, which allows them to show their commitment to buying local foods. This is a coveted selling point for many restaurants as the local food movement grows here in New York.

S. 4889

This piece of legislation would allow restaurant owners who purchase locally grown produce to receive a tax credit on their purchases. We need to work to help promote locally grown produce from around the state. The best way to do this is to provide incentives for locally owned restaurants to purchase locally grown produce. This will create a powerful mechanism that will assist in building a stronger economy locally and to keep our communities the best place to live and work.

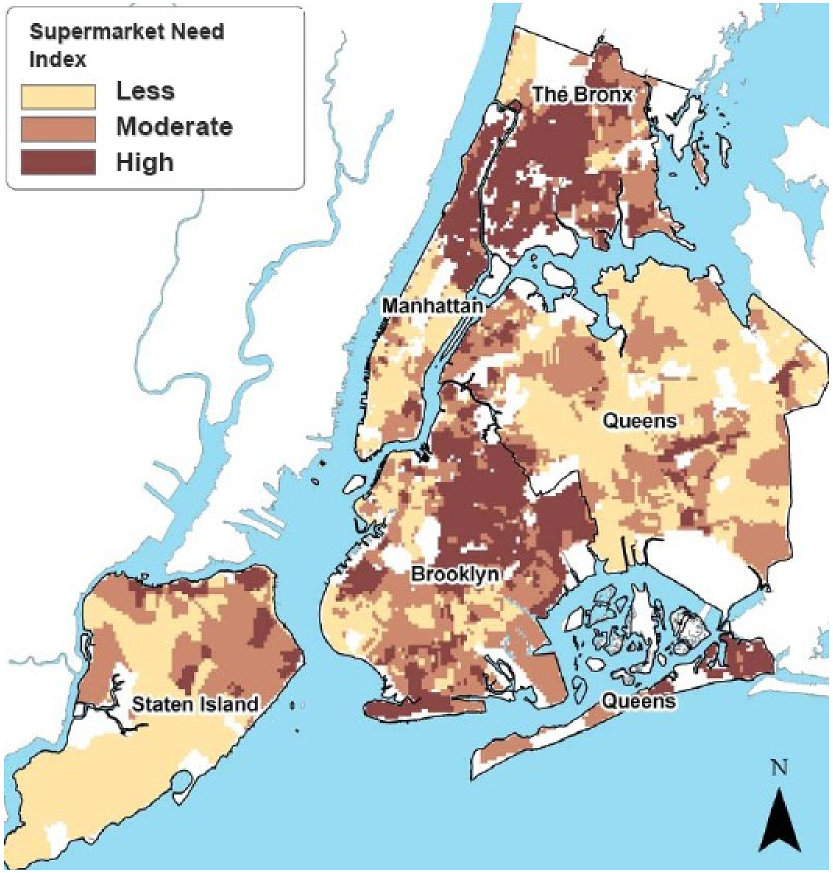
- For produce purchased from a farm that is a participant of the Pride in New York program.
- For every $1,000 in purchases from qualifying farms, you will receive a tax credit of $100.

SECTION 4: Growing New York's Agriculture Industry

A Need for Produce Remains

A 2008 study by the NYC Department of City Planning showed that, even as the numbers of farmers markets increase, the number of food stores and groceries in large portions of NYC has been declining. This has been particularly acute in low income neighborhoods.

As more groceries close, people are forced to buy food at chain pharmacies and convenience stores, which have less diversity of products and many times do not carry fresh food.



S. 614B

Senate bill 614B would amend the Chapter 174 of the Laws of 1968, which established the Urban Development Corporation (UDC), in order to allow the UDC to make low interest loans, interest subsidies, and grants to a variety of entities for the purpose of financing projects to improve the transportation of farm products to institutional food service purchasers, such as farmers markets, schools, restaurants, and others.

The bill would give farmers and farmers organizations a new way to finance more effectively the transport their products to those places in the State where demand for fresh farm products is high but supply is currently lacking. This is especially true of urban neighborhoods underserved by groceries stores and supermarkets.

S. 627

Senate bill 627 would amend the Chapter 174 of the Laws of 1968 in order to allow the UDC to make low interest loans, interest subsidies, and grants to organizations establishing, expanding, or rehabilitation of wholesale regional farmers markets.

As noted before, the Hunts Point Terminal Produce Market is one of the largest wholesale produce markets in the world and it features New York products, but unfortunately, even this vast market is unable to meet all the demand for fresh New York grown produce that exists in New York City.

Establishing a wholesale regional farmer's market in New York City comparable to world famous markets such as Pike's Place Market in Seattle, Borough Hall in London, or San Francisco's Ferry Building and farmer's market would be a great boon to farmers in New York who might lack the size to sell at Hunts Point or the specialization or experience of farms that sell at typical retail farmers markets.

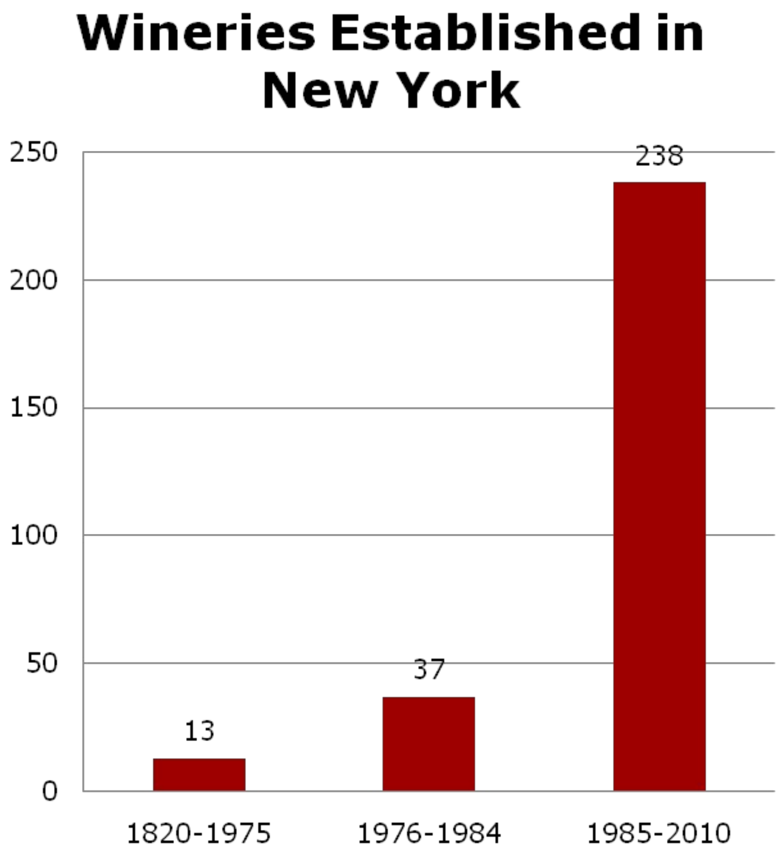
The bill would help finance such markets in other cities of the State, such as Syracuse, Buffalo, Albany, or Rochester.

Wine in New York

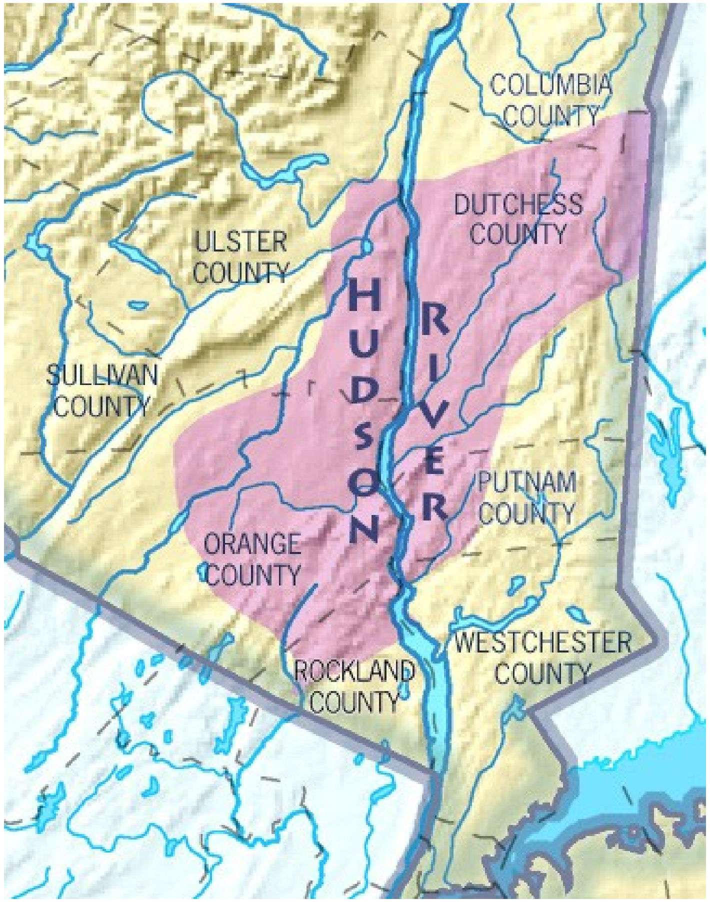
Wine has a long history in New York State, beginning in the 17th Century when Dutch and Huguenot settlers began to set up vineyards. New York is home to the oldest continually operating winery in the United States, Brotherhood winery in the Hudson Valley, the first bonded winery in the United States, the Pleasant Valley Wine Company in Steuben County, and the oldest dedicated sacramental winery in the United States, Oh-Neh-Da Vineyard in Livingston County.

In 1976 with the Farm Winery Act, New York became one of the first states in the nation to allow for farms that grew grapes to start wineries on their land, recognizing the connection between growing grapes and making wine. Since the passage of that law, the number of wineries in New York has exploded.

Today, the wine and grape industry have an annual economic impact in New York of around $3.76 billion, not only in the production and sale of wine, but also from wine tourism.



Wines in the Hudson Valley



The Hudson River Region is one of five Official Wine Regions in New York State as recognized by the Tax and Trade Bureau.

According to Uncork New York! , there are 30 wineries in the Hudson River region which currently cultivate 500 acres of vineyards.

The four other official wine regions in New York State are:

- The Niagara Escarpment in Niagara County
- The Lake Erie Region running along Lake Erie in Erie and Chautauqua Counties
- The Finger Lakes Region across a number of counties in Central New York
- The Long Island Region in Suffolk County

There are a number of New York wineries that are located in other parts of the state outside of these five officially recognized regions.

Wines in Central New York

The Finger Lakes region is the heart of New York's wine country, producing 90% of the State's wine and housing the oldest wineries in New York.

104 Bonded wineries operate in the Finger Lakes Wine region, and the area of Central New York that produces wines keeps growing, expanding eastward beyond the City of Syracuse and northward, towards the shore of Lake Ontario

Wine and Grape Statistics

- In 2009 New York planted 37,000 acres of grapes and produced 133,000 tons.
- Two thirds of New York grapes go to making grape juice and one third towards making wine.
- New York was the 2nd largest producer of grape juice.
- New York was the 3rd largest wine producer in the Country, after California and Washington State.
- New York produces more than 200 million bottles of wine annually.
- More than 3 million people visit our wineries as tourists.

S. 1909

Senate bill 1909 would amend section 1136 the State's Tax Law, which imposes certain reporting requirements on wine wholesalers. Under New York's Alcoholic Beverage Control (ABC) Law, small farm wineries must be licensed as wine wholesalers to be able to sell their wine to restaurants and liquor stores. This legislation would allow farm wineries and other small wine operations to make wine without having to worry about excessive record keeping requirements that they lack the expertise or workforce to comply with.

- Farm wineries or wineries licensed pursuant to sections 76, 76a, 76d, and 76f of the ABC Law would become exempt from the requirements of subparagraph (C) of paragraph 1 of subdivision (i) of section 1136 of the Tax law.

S. 4533

Senate bill 4533 amends the agricultural and alcohol beverage control laws to allow for the creation of home wine making centers here in New York. This would allow New Yorkers interested in producing small quantities of wine for their own home consumption to pool their resources by sharing equipment and storage facilities. Other major wine producing states, such as California and Washington, have already allowed their citizens to set up these centers in accordance with existing federal regulations, and this bill would allow New York to follow suit. The legislation would:

- Add the definition of licensed home wine making centers under the existing definition of food processing establishments in the Agricultural and Markets Law. Under this definition, home wine makers would be able to work independently inside these centers to produce wine for home consumption as permitted under federal law.
- Outlines what home wine makers must do to ensure that their wine is produced in a manner that satisfies existing federal regulations on home wine production and clarifies what assistance home wine makers can be given by employees of home wine making centers.
- Allows existing wineries, farm wineries, and micro-wineries to obtain licenses to operate home wine making centers with the approval of the State Liquor Authority. Clarifies the rules wineries must follow to segregate their production and storage spaces from that of the home wine making centers in order to satisfy all existing federal and state guidelines.

Brewing in New York

Brewing has a long history in New York – the initial Dutch colonists who settled along the Hudson at New Amsterdam and Fort Orange brought brewing with them. New immigrants, particularly from Germany, made New York one of the centers of American beer production. By 1880, the largest brewery in the country, led by George Ehret, was in New York.

In this period, most consumers drank beers produced locally. While in the coming decades breweries like Anheuser-Busch were able to expand production and began to sell national brands of beer, most beer was local until the Prohibition Era forced most breweries out of business. Only a small number of breweries survived, and once Prohibition ended came to dominate the industry. By the early 80's less than 100 Breweries existed in the United States. The 80's also saw the beginning of the microbreweries, businesses that sought to regain the beer culture that existed before Prohibition by creating small and local breweries producing styles of beer that had gone largely out of production.

New York has seen a number of breweries and brew-pubs open in all parts of the State, from Long Island and New York City to Lake Placid, Syracuse, Rochester, and the Southern Tier. According to the New York State Brewers Association, by 2007, 49,880 New Yorkers were employed in breweries, and the industry contributed $3.9 billion to the State's economy, including over $615 million in State and local tax revenue. Even while sales of national brands of beer declined 1% in 2010, the sale of craft beers grew by 12%.

In order to continue the resurgence of small scale and craft brewing here in New York, the IDC proposes to allow for the creation of farm breweries.

S. 5078

Senate bill 5048 would change the Alcohol Beverage Control law to create a new farm brewery license. Farm breweries would be required to brew beer with a percentage of ingredients grown in New York State and would have to be located on a farm and would not be able to produce more than 15,000 barrels of beer a year. The percentage requirement for the use of New York State grown ingredients would grow over time in order to stimulate the growing of necessary beer ingredients, such as barley or hops here in New York State. The bill included provisions that would protect farm breweries if for unforeseen reasons a shortage of ingredients grown in New York were to develop.

The bill allows for the commercial sales of beer on premises, including the ability to host beer tastings and sell complimentary items. Licensees would be able to sell their products for off-site consumption in certain businesses and to individuals, as well as in businesses owned by the licensee, such as restaurants located on or near the farm.

The State Liquor Authority would be empowered to write all the relevant regulations necessary to ensure the granting of these new farm brewery licenses.