

Agricultural Economic Viability Committee

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Attendees:

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Small Discussion-General Notes

QUESTION: Which are the issues that can potentially be addressed through policy or industry change?

Generally: How do we move towards creating benefits for the industry as a whole?

- There has to be some give and take amongst different sectors in the industry to allow the industry to raise itself up as a whole

Workman's Compensation

- The recent New Mexico Supreme Court ruling on workman's compensation presents unknown potential for costs for agricultural operations (especially mid-sized and smaller ones)
- Farmers are unable to financially perform certain mandates- there's no way to recover those costs

H2A foreign labor

- There's a lot of gov red tape and you can't necessarily plan in advance for them
- Especially for producers down in the south they are unable to get labor when they need it

Tribal loans

- There are several layers of government to work with which make it very difficult to get the loans needed to have the capital needed for an ag operation

Cheap Food Policies

- Much of ag are a price takers and not price makers
- This is tied into gov assistance and subsidies, and some years those subsidies may result in a farmer or rancher selling products at a loss

- We have to address the overarching macro policy at some point – cheap food – that’s the cornerstone of federal policy
 - o The feds are willing to sell ag products at the cheapest they can to trade globally
- You can add value, but that can only help so much
- Through the milk program dairy has been able to set up their own process
- Ask: For market value formulas, how do you effect the formula and change it?

Running a budget

- A lot of farmers and ranchers don’t know how to keep a check book. By knowing how to run and monitor a budget you can improve control over your expenses.
- Farm and Livestock Bureau does offer programs to help farmers and ranchers with this.

Ag loans

- The gov has to decide what is an acceptable level of risk so loan agencies are able to help farmers and ranchers. Lenders can’t lend on character anymore.

Operational costs and taxes

- Most ranchers and farmers deal with taxes, insurance, permitting fees and workers comp – that brings a whole new realm of expense
- Variable costs you can handle, costs that are imposed there’s no ability to manage
- There’s also always going to be taxes even when you have a loss on your business
- Estate taxes – most small producers will be exempt. But, your value in net worth is going up and the taxes against heirs are still going to be prohibitive and create huge costs
- Many of these things are federal issues and are difficult to impact

Policymaker and Public Education on Agricultural Economic Hardships

- Ag has been taking care of their own, but they account for minority of people in the state and representation in the legislature. This hurts representation for ag interests.
 - o Ag was not even in the considerations of the leg financial services group. This begs the question: how do we bring a spotlight on ag?
 - o In the state leg there’s also a lot of focus on the Rio Grande corridor – and there needs to be attention on other parts of the state
 - o This could be also a function of populations
- Part of the problem with the messaging is that it’s confrontational, ag needs to be able to talk with people without the confrontation.
- If the legislature was aware of the burden ag undergoes year after year they would not turn a blind eye. People want to support ag, but they don’t know how.

Biggest Concerns:

- There’s a need for centralized, easy to understand information on ag
 - There is pretty good info out there but it’s hard to centralize it
 - NM Mexico’s ag data often accounts for averages but not the diversity of ag

- You have to get buy in at state and federal level for better ag economic policies, but there is public perception that casts Ag as the “bad guy”.
 - Need to figure out how to avoid being vilified and not always feeling on the defense
 - Ag is often seen as self-promoting
 - How do we create messaging that recasts and address issues impacting ag?
 - How do we reach the skeptics?
- We capable of being food independent, but we don’t have policy that recognizes how we are not food independent in practice.
 - Ag is made up of thousands of little pieces (operations) instead of large corporations – in this it is more resilient. But, the interests of those smaller operations are not being paid attention to.
- We need to have more strategic thinking – specifically around swings in the market and how they can impact farmers and ranchers. Specifically, how sometimes these swings can put people out of business.
 - Ex. In the beef market over the last few years, ripples in the market process has destroyed/ broken businesses
 - When there’s big swings in NM we are especially prone
- Federal regulation has really burdened small processors
 - Adding value to the products you sell puts you in a better position to become price makers instead price takers
 - Bottom line is the processing creates large costs for operations
- Economic issues and regulatory reform are big scale and difficult to impact
 - These policies are complex and require a lot of deep thinking; it’s hard to differentiate what happens on a world scale and how it impacts farmers on a small scale
- In the current system there’s a lot of uncertainty/ “gambling”. Farmers and ranchers don’t have assurance that they can handle all the costs and keep businesses afloat each year.

Possible Actions/ Reforms

Education on Economic Hardships facing Agriculture (Ag Econ 101)

- Put together projections and a fact sheet of what it looks like to run a farm business
- Talking to the reps and senators – they need to be educated on the problems of farmer and rancher constituents

Main headlines of a messaging strategy

- Processing
- Labor
- Impartially and correctly portray the industry
 - There should be third party to put together all the pieces correctly – the end goal of being that legislators/public can see the whole picture
 - Needs to be a credible entity that is respected and impartial
 - Ex. Brookings Institute
 - Identify funding organizations
- Think about questioning census data and looking at more localized ag data

- Or more particular to the different ways that folks run their ag businesses
- Account for the economic impact collectively and how it breaks down individually
 - There needs to be a balance of what policymakers/consumers need to know at a macro level and at a micro level
- Paint the picture of the balance sheet
 - The census data can break it by industry category and create an income statement for different operators and different industries
 - Same with tribal – all included on the budget
- Illustrate how a producer accepts his price – create specifics scenarios, illustrates impacts
- Delve into market impacts including foreign sources and how they impact New Mexico farmers and ranchers
- Produce research that gives both a high level picture of ag’s economic impact AND the personal stories and information as seen in the income statements and budgets of ag operations
- Provide legislature recommendations
 - Generally:
 - Do no harm – seldom does ag ask for something
 - Create a more even playing field
 - Show that ag is different from other industries because works for the betterment of the state. Requests from ag are not about making money – but ag needs to stay in business to feed people.
 - If ag had living wages farmers and ranchers would be able to pay workers comp
- Need to emphasize to the Legislature that many top down and command and control policies create uncertainty economically.
 - The Legislature needs to work harder to create certainty for businesses and have a more consistent regulatory approach to the costs that businesses should bear and what costs they should not
- **Characterizing New Mexico Ag**
 - There’s a need to break open the barriers of understanding where you fit into in the industry sector- understanding how where it comes from and where your products go
 - A lot of native producers don’t know how they fit into the bigger picture of ag
 - Advocating on science based information and trying to work around the emotional based decisions making
 - The hard numbers don’t always win out over emotion
 - Figure out how to put a face to ag and utilize emotion to tell the story of farmers and ranchers.
 - Figure out how to bring people to the farm and make emotional connections. Ex. having “customer appreciation days” – Ask: how to do that to transfer to the industry?
 - Make it known the good guys are the norm the bad apples are few and far in between
- We all struggle with money and we all pay bills. But, ag’s economic situation is hard to identify with for some people because farmers are paid at the end of the year. Many farmers and ranchers have to rely on credit for most of the year – everyone else is paid every 2 weeks.
- Messaging needs to strike a balance between the stereotypes of urban and rural

- Reinforce ag's voice and importance in the economy and to the state of New Mexico
- Get people who are not connected farms to understand them and to care about them
- Encapsulate the diversity of New Mexico ag
 - There are a lot stories to be told
 - Account for the differences and similarities in the agriculture industry

Lending

- Allow for servicing the debt without retiring it under amortization
- Allow for lending institutions to take on more risk in lending
 - In the past loans were made on inflated values and character- this was a problem in the 80's but now it's impossible for most farmers and new farmers they can't afford this
 - They will service the debt but they won't retire it under amortization – extend amortization period - or have a lending instrument that is backed somehow to ensure that cash flow is not the issue

Regulatory changes to ease pressures on lending organizations

- Be able to make a “C loan” – average loan
- Get flexibility on absorbing some loss and not losing credit quality
- Allow for risk

New sources of capital

For Tribes: Learn from IEC

- Gives out low interest loans to native producers
- This organization needs more money – but trying to get it off the ground

Understand the expectations of non-ag legislators and the public

- Could put together a focus group to ask:
 - Does public that we take care of the land?
 - Ag fairly compensates workers?
 - What do moms want from their produce etc.?
- Figure out how to know what questions to ask (Beef Council – Farm bureau, other orgs can)
- Identify the key points and common ground from all different types of farmers and ranchers
- People want healthy and food – the prep and processing phase is where the health changes
- People want quality food with a known source and this contrasts with cheap food policies

Tax Issues

- There needs to be information from the messaging to inform any tax reforms
- Arm the legislature with the tools to be able to do what's best for ag
- Not be on the defense
- The issues FLB defends itself on are many more than the issues they put forth in front of the legislature - hard to be a proactive resource
- There's a concentration on getting more native farmers and ranchers in the mix

- Get everyone on the same page
 - Ag is so dispersed it doesn't look like a centralized business

What We Don't Know

Follow up issues and research requests for next meeting:

- Research and identify what kind of messaging has been effective in creating trust with policy makers and consumers AND helped shape economic policies for ag.
 - Texas AM may have done a report on agricultural economic issues
 - Kentucky seems like they have similar policy challenges. Could see how they dealt with this in their ag plan.
- What kind of legal/ regulatory new tools and mechanism are available to overcome the incredible cost of land?
 - There are no markets in – or conventional lending mechanism that can overcome the costs to the next generation.
- Is there some new type of lending that is affordable in terms of collateral and down payments?
 - What lending instruments/ types of lending are other countries using?
 - Are there different types of lending instruments that could be a model for US or New Mexico?
 - Look at interest rates for loans
 - Farmers are paying little interest but they are still struggling
- Start thinking about risk management for potential actions