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Economic Hurdles in New York State Farm Production

New York State has long featured a thriving agricultural industry. However, recent legislation to increase the New York State minimum wage to $15.00 per hour, coupled with the state's already high property taxes, may stifle agricultural output and profitability in New York State in the coming years. This may result in detrimental effects on local food security and increase the price of locally grown, nutritious food.

Scope of the Problem

Agriculture has been and continues to be a notable segment of New York State's economy. Agricultural activity in the state accounts for over $4 billion in sales annually and employs thousands of people. In Upstate New York and the Capital Region, dairy, livestock, vegetables, and fruit are some of the main crops that farmers produce (DiNappoli 2010). However, aspects of New York's business climate may limit farm production and strain the resources of small farms.

Some of the biggest hurdles to production that farmers face in New York State are economic in nature. Minimum wage hikes and taxes are two major concerns that may threaten the production and operations of a farm. Small farms have lower income than many other businesses and are particularly vulnerable to losing money due to changes in market demands. As New York seeks changes in its business and economic policies, many farmers and farm advocacy groups have called on the state government to consider the impact these changes may have on local farms.

Past Policy

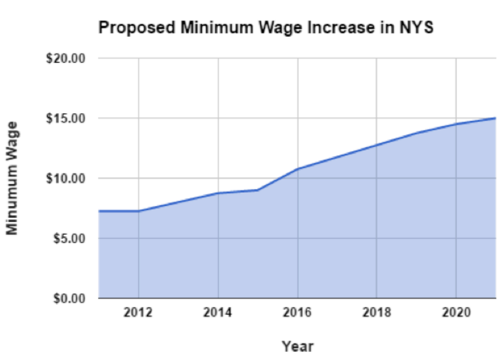
Various government bodies in the United States have offered crop insurance, subsidies, and land rental programs since the 1930's. Notably, the USDA and its regional offices have been some of the biggest actors in facilitating and implementing these programs. The programs the USDA offers seek to protect arable farmland and the environment, ensure profits for farmers, and maintain market prices. A variety of programs have been implemented to accomplish these goals.

One of the oldest crop insurance programs in the nation is the Federal Crop Insurance Corporation (FCIC) which was implemented in 1938 to help with massive farm profit losses as a result of the Great Depression and Dust Bowl. FCIC began as a temporary program to combat the issues facing farmers during this period in history, but has since been cemented into public policy by the Federal Crop Insurance Act of 1980, which was later amended with the Federal Crop Insurance Reform Act of 1994 (USDA 2013).

In 1938, the FCIC served largely as a way to aid struggling Midwest farmers. The Federal Crop Insurance Act of 1980 expanded the FCIC by increasing the number of counties and farmers eligible to participate in the program. Additionally, the act offered more subsidies to farmers who partook in the program. The program did not gain the level of participation that was hoped for and ultimately failed to provide sufficient relief in a few instances of natural disasters, particularly during severe droughts. (USDA 2013).

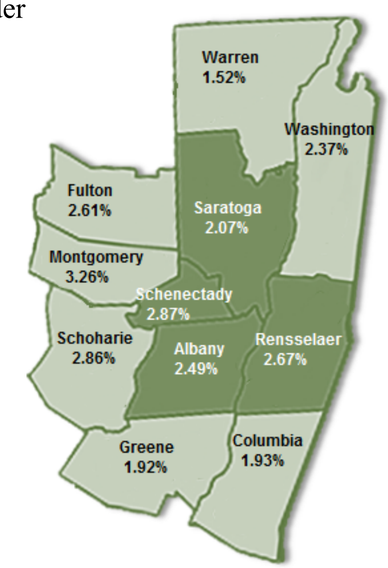
The Federal Crop Insurance Reform Act of 1994 amended the the Federal Crop Insurance Act of 1980. The new act made it mandatory that farmers participate in the program in order to receive benefits such as federal farming loans and price support. In 1996, the act was revised to release farmers from mandatory participation in FCIC, but still required them to have some form of crop insurance in order to benefit from certain programs. Crop insurance is an agreement between a farmer and a crop insurance provider that is contractual. All eligible acreage or heads of livestock are insured against loss. This insurance can come from a private provider or a government provider, such as the USDA (USDA 2013). Crop insurance is a widely utilized financial investment farmers may seek. Between 1995 and 2014, about 14,400 New York farms received crop insurance disaster benefits from the USDA (EWG 2016).

Additionally, the 2008 Farm Bill was a key piece of federal legislation in American agricultural policy. The bill provided new programs and initiatives for agriculture in the nation. The major actions of the 2008 Farm Bill provided new programs to assist commodity farmers, boost conservation and energy independence, develop rural areas, and insure crops. Notably, new subsidies were given to farmers for producing certain amounts of certain crops, such as corn, livestock, and dairy. Many farmers seek crop subsidies as a way to increase profitability. Between 1995 and 2014, about 57,100 farms in New York received some sort of crop-specific subsidy (EWG 2016). The 2008 Farm Bill was a 5 year piece of legislation that was replaced with the 2014 Farm Bill, the current version (Gould 2008).



Current Policy

The current New York State minimum wage legislation has increased the state's minimum wage to $9 per hour for 2016, up $0.25 from 2015 and $1 from 2014. Neighboring states Massachusetts ($10/hour), Connecticut ($9.60/hour), Vermont ($9.60/hour) have similar minimum wages (US Department of Labor 2016). Recently, there have been calls to change the New York minimum wage, over time, to $15 per hour. This pay structure includes farms in New York State (NYS Department of Labor 2016). Many farmers and agricultural advocacy groups, such as the New York Farm Bureau, fear that a wage increase to $15 per hour may make it considerably harder for farmers to maintain current market prices and production rates. On the other hand, wage advocacy groups argue that raising the minimum wage will increase the buying power of consumers and stimulate the economy. Currently, New York State has the one of the largest percentages in the nation of agricultural sales spent on the cost of labor. On average, New York farmers spends about 14% of agricultural sales on paying labor, whereas the national average for this measure is 8.5% (New York Farm Bureau 2015). New York's high percent of profits paid to labor is due to the state having a higher cost of labor and higher minimum wage than most other states with similar agricultural activity.



Foodshed Average Property Tax Rates by County

Taxation is also a major hurdle to New York farmers and agriculture. Higher than typical taxes pose greater taxation expenses for farmers. Property tax is determined by the assessed value of a property multiplied by the set property tax rate for the area, typically determined by school district, municipality, or county (NYS Department of Taxation and Finance 2014). This value varies by location, but the average property tax in New York State is around 1.64% (Walczak 2015). The average property value for a farm in the local food shed as of 2012 is about $521,000. In the Capital Region, property taxes are higher than the state and national averages. In Albany, Rensselaer, Saratoga, and Schenectady counties, the average property tax as of 2012 by county was 2.49%, 2.67%, 2.07%, and 2.87% respectively (Syracuse Post Standard 2011).

New York State and the USDA allow farmers to have their property assessed based on its agricultural value and taxed based on the farm's agricultural output. This allows for a slightly lower tax rate. Agricultural assessment eligibility is determined by gross output and income from rented land and land that is being cultivated. A set per-acre tax rate is then applied for all acreage in production based on the estimated output. Buildings and other land improvements are not included in the tax. The agricultural assessment tax rate depends on soil quality, size of the farm, output, revenue, and various other measures pertinent to determining the potential agricultural output of a farm (NYS Department of Taxation and Finance 2016).

There are also various crop insurance and profit protection programs offered to farmers. The major USDA programs for insuring crops are the Agriculture Risk Coverage (ARC) Program and Price Loss Coverage (PLC) Program. These two programs were enacted under the 2014 Farm Bill. The programs pay for lost revenue in the event of lost crops due to unforeseeable instances such as natural disasters. ARC and PLC pay a certain amount of money, dependent on the product destroyed, per-acre or per-head of crop or product lost. Crop insurance programs help to ensure that farmers will still have sufficient funds to pay their bills and operate their farms if some event is to wipe out their crops (USDA 2015).

		County Name and Tax Rate		
Assessed Value	Saratoga (2.07%)	Albany (2.49%)	Rennslear (2.67%)	Schenectady (2.87%)
$100,000	$2,070	$2,490	$2,670	$2,870
$200,000	$4,140	$4,980	$5,340	$5,740
$300,000	$6,210	$7,470	$8,010	$8,610
$400,000	$8,280	$9,960	$10,680	$11,480
$500,000	$10,350	$12,450	$13,350	$14,350
$600,000	$12,420	$14,940	$16,020	$17,220
$700,000	$14,490	$17,430	$18,690	$20,090
$800,000	$16,560	$19,920	$21,360	$22,960
$900,000	$18,630	$22,410	$24,030	$25,830
$1,000,000	$20,700	$24,900	$26,700	$28,700

What seems like a minute percent difference in tax rate between areas can have a major impact on the amount one pays.

Policy Options

Farm Minimum Wage:

New York State may offer a different minimum wage for farm labor as it increases the state minimum. This is already done with workers who earn tips. By paying farm laborers a slightly lower wage than other laborers, farmer and farm advocacy group interests in the affordability of labor may be protected. Additionally, it would help small farmers to keep more of their profits.

Farm Property Tax:

The counties in New York State may offer a lower property tax rate for properties that are deemed agricultural. Though agricultural assessment tax rates do tend to be lower than property tax rates, not all farmers seek this alternative or are aware of its existence. A county-level system of property taxation for farms may be more inclusive and reach more citizens.

Key Organizations

New York State a variety of institutions to help farmers. These institutions are both governmental and non-governmental.

- **The New York Farm Bureau:** The New York Farm Bureau is a nonprofit farming advocacy organization. The Farm Bureau offers resources and information to farmers and helps to develop agriculture in New York State.
- **The New York State Department of Agriculture and Markets:** The New York State Department of Agriculture and Markets is a state agency tasked with implementing many of the policies of the New York State and federal government related to agriculture.
- **The Cornell Cooperative Extension:** The Cornell Cooperative Extension is a nonprofit organization operating under Cornell University. The organization provides a vast variety of information and services to farmers often at little to no cost.

Glossary of Terms

Crop Insurance: An insurance agreement between an insurer and an insuree to pay a certain amount of money for lost profits and products in the event of an unforeseen event destroying the insuree's crops (USDA 2013).

Agricultural Assessment: An alternative taxation program administered under the USDA to help with property tax burdens on farmers (Department of Taxation and Finance 2016).

Property Tax Cap: A New York State regulation that places a statewide maximum on the percentage local governments can tax property at (NYS Department of Taxation and Finance 2016b).

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Community Policy Institute

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