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TRAC Commission Testimony
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Chairman Maybank – Commissioners – ladies and gentlemen:

I appreciate the invitation to speak with you today... about agricultural and forestry property taxes and about ACT 208 and it's incentives for farmers and forest land owners to maintain undeveloped green space.

I'd like to begin my brief remarks with a few general statements before I get into some specifics...

As the president of the largest general farm organization in the state, I try not to miss opportunities to share the good news about agriculture.

Few Americans today pay any attention to where their food comes from. They buy it at a store, or order it at a restaurant. They expect it to be safe, nutritious, affordable and ... mostly ... they expect it to be there on when they want it.

US farmers and ranchers are the world's most efficient food producers in the world. As a result, Americans spend only 10.7 cents of every dollar earned on our food. Compare that dime to more than 51 cents spent for food in India, 33 cents in Mexico, 21 cents in Spain, and 18 cents in Japan. Because of the great deal we enjoy on food costs, we have more money to spend on houses, cars, college educations, and other things, which boosts local economies and I might add -- to the local tax base.

The average U.S. farmer feeds almost 130 people every day – even though the number of farmers and ranchers is rapidly declining. Campaigns like the South Carolina “Locally Grown” initiative... have been tremendously successful – but the fact is, we still rely on food from other countries – other countries where, in many cases, our own State Department warns us not to eat the produce when we travel there.

Our food - and our farmers and ranchers – have been taken for granted – far too long. This is more than a tax problem or business problem - or regulatory problem for a few farmers or ranchers.

Commissioners - - Agribusiness is more than just another business venture - it is our food and fiber supply. It is more than just a value that enhances our quality of life - it is our life support system. Agribusiness in South Carolina contributes \$34 Billion (with a “B”) to our state’s economy each year... and creates 200,000 jobs. I believe Commissioner of Agriculture Hugh Weathers is right... when he projects that agribusiness in this state can grow to contribute \$50 Billion by the year 2020 – if the right environment remains to foster that growth and success.

Unfortunately, we often find that government - at all levels - is driving farmers and ranchers out of business - **not on purpose mind you** – but more by default.

But, the effect is the same. Every day, government policies, estate taxes, and regulations whittle away at our farms.

Profits disappear, competition for land and water intensifies, families are forced to sell their land to satisfy taxes, farms are taken out of production to protect wildlife habitats and urban sprawl devours fields – never to return to the beautiful and beneficial green spaces they currently provide.

What's more, market benefits of farming and forestry do not reflect their full values to society. The public benefits of agriculture and forestry include clean air, clean water, water recharge, wildlife habitat, open space, decreased crime, decreased congestion, freedom from sprawl, pastoral views, local food security and diversity, and a rural lifestyle. None of these community and ecosystem values is included in the product prices of goods farmers sell. It's hard to assign a dollar figure to these attributes, but they are important... as they provide an array of environmental benefits... and contribute to quality of life for **all** our citizens.

Because of these benefits, we believe environmental groups would say ACT 208 has been beneficial to our state's overall quality of life by making open and "green" spaces more affordable... to maintain and in production. These groups realize that without incentives to keep land in agricultural production, there will be stronger pressure... to develop open land... to gain a higher return on the investment.

The current property tax system was put in place to provide a fair system for the farmer, forest land owner, and local government. It's been in place since the mid-1970s. The property tax rate farmers and forest land owners pay is in line with the tax rate other small businesses pay to local governments when capital requirements and return on equity is considered. And most importantly – it is based on the use of the property – and the productive capability of that land (the asset) for producing commodities (including grains, timber, and other agricultural commodities).

Additional reasons that Act 208 was developed are the typically low returns... on capital investment that are integral to agriculture and the immobility of agriculture's major asset. These facts have not changed in the three decades since it was implemented. Agriculture and forestry have their major asset ... land ... locked into a single location. Changes in agricultural operations can take a decades... and changes in forestry operations are measured in growing cycles... that are 15 to 40 years long. Tax policy necessary to allow for these operations to make proper management decisions... must be extremely stable... like Act 208 has been.

A key item that is often overlooked and needs to be pointed out... is that Act 208 for farm and forest lands does not exempt all farm property... from all market value assessed property taxes. Farmers pay the same property taxes as all other households on their homes and property improvements. They also pay market value taxes on farm structures like barns, fences, irrigation systems, sheds, and grain bins – often with a great degree of discretion demonstrated by local tax assessors.

In addition to paying our fair share of property taxes on non-ag-use property, a pair of independent studies (one from Rutgers University and another from Stewardship America)... shows agriculture actually pays more taxes to local governments... than the value of services those governments provide for that same land.

I understand from these studies that residential developments can often burden local infrastructures with expectations of services. They can create an ongoing local tax deficit – but please realize that even though agriculture receives a tax break – it more than pays its own way through taxes.

These studies show that on average for every \$1.00 generated in revenues by agriculture – local governments and schools – spend an average of only \$0.17 in services. In contrast, residential dwellings cost local governments and schools an average of \$1.55 for every \$1.00 generated in taxes and other fees.

Stated another way, the farmer has to pay almost \$6 to get \$1 in services, while the urban resident receives over \$9 in services when only \$6 is paid in taxes.

If assessment levels were changed and farmers were required to pay a rate equal to industrial or development value assessments – there's no way farmers could stay in business. It just isn't possible to generate enough income from farming... to afford development value assessments and maintain a competitive agribusiness.

Most of the state's farm income is earned through the sale of crops and commodities sold at wholesale prices, not the retail prices seen at the grocery store. Many commodity prices have increased little over time – only about 18% over the last 25 years – while farm input costs have increased by 150% over the same period. The difference has been made up by increases in productivity.

In closing, let me say that agribusiness is a major component of South Carolina's economy and a positive contributor to fiscal budgets... especially in our more disadvantaged and rural counties. It would be devastating to see changes made that would force farmers out of business...cause those rural economies to suffer... and jeopardize the abundance, affordability, and safety of our domestically produced food and fiber.

Please recommend that the property tax incentives for legitimate agricultural operations provided through ACT 208 be preserved.

Thank you for your time – I'll be happy to answer any questions you may have.

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