

PUBLIC HEARING

before

AGRICULTURE SUBCOMMITTEE OF THE ASSEMBLY

AGRICULTURE AND ENVIRONMENT COMMITTEE

on

THE CURRENT ECONOMIC CONDITIONS IN THE AGRICULTURAL INDUSTRY

Held:

June 29, 1984

Old Courthouse

Salem, New Jersey

MEMBERS OF SUBCOMMITTEE PRESENT:

Assemblyman Thomas A. Pankok, Chairman

New Jersey State Library

ALSO PRESENT:

Leonard J. Colner, Research Assistant
Office of Legislative Services
Aide, Agriculture Subcommittee of the Assembly
Agriculture and Environment Committee

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ASSEMBLYMAN THOMAS A. PANKOK (Chairman): Good morning, ladies and gentlemen; thank you for coming. I would like to welcome you to this public hearing before the Agriculture Subcommittee of the Assembly Agriculture and Environment Committee. The subject of the hearing is the current economic concerns of the farmers in our State.

I want to thank all of you for taking the time to appear here today. The matters we will discuss with you are of grave concern to the farming community, and to every resident of the State of New Jersey. Despite the rising tide of our economy, farmers have not prospered. This is due, in part, to the poor weather conditions affecting crop productivity, decreases in land value, cuts in Federal subsidies for farm programs, and Federal and State regulations.

Today, we are particularly interested in paying attention to farm foreclosures and the practices of the Farmers Home Administration, the effects of the peach crop devastation, and the effectiveness of the recently-enacted Agriculture Retention and Development Act. We also welcome your comments on any other issue that is of concern to you.

The Farmers Home Administration informs us they will not be able to attend our hearing. That is unfortunate, as we have some important questions to ask them about their operations, their Program's effectiveness, and recent changes in the way farm foreclosures are handled. Because I feel their testimony is vital to the work of this Subcommittee, I am planning to schedule another hearing. That hearing will be at the end of November. I have talked to several people in the farming community, and they feel that the end of November would be a good time to hold a hearing like this. So, we will schedule another hearing, at which time the Farmers Home Administration will be available to testify. We need your insight and your opinions in order to change programs, produce legislation, or whatever might be needed to help you in whatever way we can.

We will continue to provide input from the farming community to the Assembly Agriculture and Environment Committee, and we look forward to your testimony here today. If there is anyone in the room at this time who wishes to testify and your name is not on the list,

please come forward and have your name placed on the list so we can hear from you. As I have announced, there will be another hearing before this Subcommittee at the end of November.

I would also like to announce that legislation passed the Senate last night, and the Assembly on Monday, that will give a tax incentive for the start-up of a ethyl alcohol plant here in Salem County. This plant will be a \$38 million plant. Frank App of Cumberland County is the primary builder of this plant. This legislation which was passed -- I said last night, but it was actually early this morning -- is very essential in order for Frank to make a decision to-- In fact, Frank just walked into the room. This is Frank App, the gentleman who is going to build the ethyl alcohol plant.

This legislation means the difference between this plant locating in New Jersey or locating in Virginia. The legislation has been through both houses and is on the Governor's desk at this time. We have assurances that the Governor will sign this bill. So, last night was a long night. I left Trenton at five o'clock this morning. I would like to announce, also, that the transportation compromise was passed last night, and the budget was passed last night, so New Jersey will continue to operate. I think the transportation legislation was most important. It took a lot of work and a lot of effort. We have a South Jersey Assemblyman who is Chairman of the Assembly Transportation and Communications Committee, and a South Jersey Senator who is Chairman of the Senate Transportation and Communications Committee. They both worked very hard, and it was through their efforts and the efforts of the Governor and his people that the compromise was reached and worked out last night. We adjourned at five o'clock this morning.

We want to get started with the testimony now. Again, let me thank you all for coming. If I do not seem as intent as I should be, it is because I am very tired. However, I was very happy to be asked to chair this Subcommittee because we know how important the farmers are to us here in southern New Jersey. We will begin with the first gentleman to testify, Mr. William Kenny, from the Department of Agriculture.

WILLIAM E. KENNY: Thank you very much, Assemblyman Pankok. Mr. Chairman, on behalf of Secretary of Agriculture Arthur R. Brown, Jr., the following statement is presented. Secretary Brown sends his apologies for a conflict in schedule which precluded his appearance here today. Regardless, the Secretary is deeply appreciative of the Committee's interest in sustaining New Jersey's farm industry.

It is the Department's position that the retention of New Jersey agriculture will be an economic determination. Our State is blessed with a variety of fertile soils, a climate conducive to abundant production, and a reservoir of farm management talent that is capable of competing with production areas throughout the world.

However, that competitive edge can only be maintained if our farmers are accorded the same production-marketing conditions available to producers in other areas. While farmers take great pride in growing abundant high-quality products, they want to realize a standard of living commensurate with their capital investment, managerial acumen, and work effort.

As you are aware, farmers are price takers -- not price makers. When perishable commodities are ready for market, they must be sold. While our farmers make every attempt to bring their crops to maturity when there are gaps in the supply channels, temperatures and other climatic variations often change their marketing plans. Should there be a market glut, our farmers must accept depressed prices. Accordingly, the primary effort for improving economic opportunities lies in the development of expanded marketing opportunities.

Mr. Chairman, you accomplished an immediate marketing opportunity last night when you moved your bill, A-1713, which will permit the development of a great institution in the production of ethanol products here in Salem County. In view of transportation costs, there is every reason to believe that New Jersey farmers should benefit from this facility. We expect this facility will use some four million bushels of corn each year, and with that transportation differential, our people should benefit. I think a word of thanks is due you because it was a remarkable achievement to put that bill through at the last moment like that under intense pressure.

The Legislature and the Governor have already endorsed our program to advertise and promote "Jersey Fresh." While this effort is just commencing, a survey has already been completed which will serve as a basis to evaluate the effort. We are hopeful and confident that this program will be successful and will benefit both our farmers and our consumers.

While concentrating on domestic and export opportunities for fresh product sales, there is also an urgent need to maintain established and attract new food processors to the State. The fresh market supply simply cannot be absorbed during peak harvests. The loss of substantial processing facilities has already adversely affected farm income and has certainly reduced employment opportunities in southern New Jersey. Until the processing industry is expanded, it is suggested that consideration be given to a proposal offered at the 1984 Agricultural Convention for a "Buy New Jersey Program." In brief, this calls for a State policy that would award bids for New Jersey farm products if within 7% of the lowest bid for comparable quality. We believe such a program would only be utilized on those occasions when the supply/demand relationship was extreme. But, in those situations, it would certainly be helpful if the State purchased New Jersey farm products for its institutions. We believe that such a program exists in some of the other states.

At the national level, the Department has received concerns about special treatments accorded foreign competitors under the general agreement on tariffs and trade. The Congress must be prevailed upon to respond to situations where foreign nations subsidize agricultural exports to favorably compete against American farmers. These subsidies and the strength of the American dollar have seriously affected the nation's balance of trade in agriculture. These mechanisms have and will continue to have very serious ramifications for New Jersey farmers.

Returning to the local scene, trespass and vandalism continue to plague many farmers. Following through on the Secretary's Committee on Trespass and Vandalism, the Legislature and the Governor have enacted two of the proposals. However, three remaining measures need

to be enacted. These are Assembly Bills 4, 656, and 994. They would complete that trespass/vandalism package.

While trespass and vandalism measures address damages caused by humans, in certain areas, wildlife damage continues as a major problem. While the Department of Environmental Protection and its Division of Fish, Game and Wildlife are attempting to abate the wildlife problem, there are many areas of the State beyond their control which serve as sanctuaries. These areas include State parks, private lands posted against hunting, and municipal ordinances which preclude hunting. While farmers have no objection to helping to support a reasonable wildlife population, they cannot be expected to sustain economic harm in this endeavor.

Presently, proposals to restrict pesticide usage are a prime topic of discussion. Most farmers are acutely aware of the need to properly use such materials for their own safety and to avoid excessive costs. If given a choice, they would opt not to use pesticides. However, that choice is not available. When disease or pestilence strikes, immediate action is essential to safeguard the environment, protect investments, and protect the nation's food supply.

While the Legislature and the Governor have now provided a new laboratory to expand the Department's development of biological control systems, we know that pesticides will be needed for many years to come, and they must be available for timely use in New Jersey.

Water supply is essential to crop production. Although the State has adopted a master supply program, farmers are concerned that it is not developing at an adequate pace. While rainfall has been sufficient over the past few years, an extended drought may well find our resources totally inadequate to meet the needs of the State.

The concerns of farmers in the Pinelands will be addressed by the Governor's Study Commission. Secretary Brown will chair that group, and it is hoped that its findings will be available for review before the end of this calendar year.

Lastly, in 1983 and 1984, our farmers encountered emergency conditions relative to the 1983 drought, and excessive cold spells in 1984 which impacted the peach crop. I believe you have a grower here

today who will describe that. At the Governor's request, an emergency declaration was granted for the drought areas. A second request has already been forwarded relative to the devastated peach crop, and we hope to hear something from Washington on that very shortly.

Mr. Chairman and members of your Subcommittee, in deference to the time constraints, this is a brief overview. Again, Secretary Brown applauds your interest, for it is a great encouragement to the farm industry. May I add that from my own experience I have found the Agriculture and Environment Committee very responsive to agricultural needs. It is a great pleasure to work with you.

If you have any questions, I will try to answer them.

ASSEMBLYMAN PANKOK: I have no questions, Bill, but thank you very much. We really appreciate your coming down to testify. You do a marvelous job for us in Trenton, and without your help the legislation would probably still be sitting in a corner somewhere. We appreciate all of your help, Bill.

MR. KENNY: Thank you very much.

ASSEMBLYMAN PANKOK: Mr. Donald Applegate.

DONALD D. APPLGATE: Good morning. My name is Donald Applegate; I am Executive Secretary of the State Agriculture Development Committee.

ASSEMBLYMAN PANKOK: Thank you, Donald. We are pleased to have you with us. Please continue with your testimony.

MR. APPLGATE: Thank you. Like Mr. Kenny, I, too, express the regrets of Secretary of Agriculture Arthur Brown for not being able to be here today. Representing him and the State Agriculture Development Committee, I am pleased to give you the testimony that follows.

I should preface my comments by the reminiscence that I was privileged to sit with you on the floor of the Assembly when the two bills -- the Right to Farm Act and the Agriculture Retention and Development Act -- with your support, passed unanimously in the Assembly.

ASSEMBLYMAN PANKOK: Thank you.

MR. APPLGATE: The Agriculture Retention and Development Act and its companion, the Right to Farm Act, became law in January, 1983.

Together they provided for the creation of the State Agriculture Development Committee, known as SADC, to oversee the administration of the Acts and the expenditures of the appropriations from the \$50 million Farmland Preservation Bond Act of 1981.

The SADC was organized in July, 1983 and is chaired by Arthur R. Brown, Jr., Secretary of Agriculture. To supplement the enabling legislation, the SADC has been developing the rules, regulations, and guidelines for participation in the State Agriculture Retention Program.

The rules for the identification of Agricultural Development Areas, or ADA's, for agricultural management practices and dispute resolution procedures for the creation of eight-year farmland preservation programs and for the creation of eight-year municipally-approved farmland preservation programs have all been promulgated. Additional rules for participation in the Soil and Water Conservation Cost Share Program and for the acquisition of development easements from farmlands have been submitted for public review and comment prior to their adoption in the near future. That is expected in the middle of December. These regulations have effectively established a working framework for the Program and allow the counties and individual landowners to begin active participation. In developing these rules, the SADC, in the tradition of the entire grassroots Program, actively solicited the input of a wide range of individuals and organizations.

What makes our New Jersey Program unique among other states is the importance of the county role in the Agriculture Retention Program. The legislation, in keeping with the grassroots philosophy of voluntary participation and local control, invites the Boards of Chosen Freeholders of counties to create County Agriculture Development Boards known as CADB's. These are to develop the retention programs at the county level. To date, 11 such Boards have been formed and are found in the Counties of Burlington, Cumberland, Gloucester, Hunterdon, Mercer, Monmouth, Morris, Salem, Somerset, Sussex, and Warren. The Freeholders in Ocean County have also resolved to form such a Board and are in the process of naming the members. In Atlantic and Middlesex

Counties, the County Boards of Agriculture have petitioned the Freeholders to create CADB's. Thus, it is at the county level through the activities of the CADB's that the strength and effectiveness of the Program is becoming particularly evident.

The first step the CADB's have taken is to begin the identification of the important agricultural areas of the respective counties and to identify those areas in which agriculture is deemed to have a chance for long-term viability. Hunterdon County has already identified and adopted criteria for its agricultural development areas, and several other counties plan to have their criteria adopted within the very near future. The CADB's are also heavily involved in determining the criteria for landowner participation in the eight-year programs. These programs provide the eligibility to apply for the sale of development easements, for soil and water cost share funding, and for other non-monetary benefits. With respect to the purchase of development easements, the counties have shown strong support, inasmuch as by referendum or appropriation, counties have indicated approval of \$13.2 million to be matched with State Farmland Preservation Bond funds.

At the local level, it is significant to note that one township in Hunterdon County passed a referendum for \$1 million and another township in Burlington County has committed itself to \$250,000 to match State and/or county funds for the purchase of development easements. Both Hunterdon and Burlington Counties are now in the process of evaluating potential development easement purchases, and interest is high in several other counties at this time. It is entirely possible, and reasonable, that development rights will be acquired under this Program during Calendar Year 1984. The Soil and Water Conservation Cost Share Program has received particular interest in the South Jersey counties. The soil and water conservation phase of the Program encourages landowners to improve their conservation practices and capital investment in their farms by allowing them, the farmland owners, to cost share with the Farmland Preservation Bond Fund directly for certain projects.

In summary, I want to emphasize that while the SADC plays a key role in the administration of the provisions of the Acts and of the approval of expenditures from the \$50 million bond fund, the Program is driven at the county level through the County Agricultural Development Boards and through the voluntary participation of landowners. It is these Boards which determine their own specific criteria for Program participation and for recommendations to the SADC for any request for funding. Thus, in reality, the effective role of the SADC has been to support the CADB's in every way possible to ensure a successful Program based on cooperation and communication.

ASSEMBLYMAN PANKOK: Thank you very much, Don. We appreciate your taking the time to be with us today. Keep up the good work; we'll stick with you.

Next we have Mr. Walter Ellis, President of the New Jersey Farm Bureau.

WALTER ELLIS: Mr. Chairman, my name is Walt Ellis. I am a sweet corn grower from Mercer County. I also have the privilege of serving as President of the New Jersey Farm Bureau. We think the Farm Bureau is the strongest voice for farmers in the Garden State. We are a grassroots organization that represents more than 4,300 farm families.

I am grateful for the opportunity to address this Subcommittee. Agriculture is a very complex issue, one that cannot be neatly wrapped up in a simple single solution. The economics of agriculture are complicated and are influenced to a great degree by national and international situations. In New Jersey, for example, we are affected by Federal programs, the value of the dollar, tariffs, quotas, and things of that sort. We are not masters of our own agricultural destiny. And, of course, our farming endeavors are further complicated by where we farm, which is in the country's most populated State.

To many people it probably seems odd that New Jersey's nickname is the Garden State. Our average value of farm acreage is the highest in the nation. Taxes per acre of farmland in New Jersey are the second highest in the nation. Yet, agri-business is valued at \$3 billion in New Jersey, and it ranks as the State's third largest

industry. The value of total production at the farm gate is \$500 million; our exported crops carry a price tag of \$15 million; and, New Jersey's farmers are among the top five producers, nationally, of blueberries, cranberries, tomatoes, peaches, and summer potatoes. More than 81,000 people find either full-time or seasonal work on New Jersey's farms or in related businesses.

The backbone of this \$3 billion agri-business industry is only 9,000 farm families.

Because we farm in the Northeast Corridor, we face a unique set of problems. Farming in the country's most densely populated State requires great tenacity, even greater management skills, and a supportive government.

We think we, as farmers, have been fortunate in that New Jersey has been willing to pioneer programs to preserve its farmland, to protect its open spaces, and to honor our right to farm. Other states, confronted with sprawling cities and rapid development, have looked to us for guidance in policy making for such programs as farmland assessment, which we pioneered.

Because we had to be the pioneers, it seems sometimes that we are only able to inch along in new directions. The Agricultural Retention and Development Act is a good example. The Act is in place, but the Program is just beginning to take shape and has not been particularly effective yet. However, the Agricultural Retention Program does address the major black cloud that hangs over the farmers in New Jersey, and that is a feeling of impermanence. The Agricultural Retention Act will give farmers a feeling of stability and we hope farmers can participate in it without a fear of losing the equity in their land. We only need to look to the Pinelands to see confusion and unfairness to farmers and landowners.

The agricultural programs adopted in New Jersey over the last decade have helped stop the drastic conversion of farmland. In 1950, there were 26,900 farms in New Jersey. In 1982, according to Federal census figures, there were only 8,277 farms, about one-third the number that were here three decades ago.

The land used for agriculture in 1950 was 1.7 million acres. Since then, we have lost 700,000 acres. Our agricultural land has hovered at about one million acres for the last 10 years. I think that shows that the programs we are putting in place are working to a very good degree. Fewer farmers are farming the land; many have shifted to grain crops and away from fresh fruits and vegetables. This is in part due to economic conditions, and in part due to regulations.

If there is one thing I would ask of this Subcommittee, it would be to closely scrutinize any legislation that effectively imposes onerous or burdensome regulations on farmers. All too often, well-meaning legislation is introduced that has a strangling effect or perhaps the letter of the proposed law encompasses agriculture, and that was not the intent of the law.

If regulation is truly needed, I am not going to oppose it. But, if we do not need a regulation to make farming better, or if the proposed regulation duplicates current codes, then we should not waste time and money talking about it.

I know some people think that farmers complain too much about regulation, but I do not think that is quite accurate. I think we complain about over-regulation. It has to be remembered that farmers are less able to absorb the regulatory costs and the mounds of paperwork. Yes, we are small businesses, but we do not have the corporate structures, the clerical staffs, or even the traditional office space. Farms in New Jersey are all family farm operations. In my own case, my office, if you will, is an oversized desk which sits in my living room overflowing with a load of papers, and I think most of them seem to be bills. Also, unlike other businesses -- as Bill Kenny just said -- farmers are price takers, not price makers. We cannot reap returns by passing costs along to consumers. In many cases, the prices we receive reflect national and international conditions sometimes molded by Uncle Sam and his foreign policy.

And again, unlike other businesses, we are at the mercy of Mother Nature. The last four years have seen either bad weather or poor prices. Farmers have had to dig deeper and borrow harder.

At your hearing today, you plan to focus on the financial problems and policies that have brought about foreclosures and bankruptcies. It has been my observation that the Farmers Home Administration in New Jersey has always done its level best to help the farmers in this State within the constraints of Federal regulation. I think that is an important point that has to be made. Again, we are getting back to the point that we are not always masters of our own destiny within the State.

Without the Farmers Home Administration, many farmers would not be able to secure loans. Many commercial banks sometimes consider farming too risky. The disaster loans available from the Farmers Home Administration pick up the pieces after a wrenching loss and get the operation going again. These disaster loans, I must add, are not grants. Farmers do have to pay them back, both the principal and the interest. We are just afforded a lower borrowing rate sometimes. Oftentimes, many people in public look upon these loans from the Farmers Home Administration as pure grants when, in fact, that is not so.

There is one area of the Farmers Home Administration I would like to see strengthened, if at all possible, and that is the amount of money set aside to help our young farmers who are starting out from scratch. Young farmers who do not have fathers who are able to set aside pieces of land to help them out, or to help them borrow funds, need help. They need a place to go to borrow money. We need these people; we need these young farmers to carry on the great tradition of farming here in this State.

I think those who are most under a strain right now after several years of bad prices and bad weather -- a combination of the two -- fall mainly into two categories. They are: farmers who, in the last 10 years, have responded to the call to increase production. They were asked to increase production because we had an excellent export market all over the world. We were asked to plant fence row to fence row, and then the bottom fell out. The other people who have been in real difficulty are the young farmers, of course, who have started within the last 10 years, and who have not had the opportunity to build up a reserve to carry them through the lean years.

In my opinion, there may not be as many foreclosures as might be expected from the disastrous peach situation this year. However, I think the reason for that is probably -- at least in my view, and I'm sure that some of the people who will testify after me will clear this up and will maybe make the point a lot better than I can -- because most of the fruit farms in the State of New Jersey are second, or perhaps third-generation farms, where a farm family has built a pretty good reserve and is now going to live on that reserve by using up some of the reserve and by reducing its standard of living. They will be able to stave off a foreclosure for several years in some cases probably, but that is not to say that things are not in a desperate shape.

In closing, I would like to once again thank this Subcommittee for its concern about agricultural problems. We are under considerable economic stress, and we appreciate your support. Farm families are proud, self-reliant, skilled people. All we ask is that we have a proper business climate so that we can go forward doing what we do best -- making New Jersey the Garden State. Thank you.

ASSEMBLYMAN PANKOK: Thank you very much, Walt. With reference to the Subcommittee, I want to announce that the members of this Subcommittee are Assemblyman C. William Haines and Assemblyman Stephen Adubato, Jr. Bill Haines' father-in-law passed away. He is being buried today, so Bill is unable to be with us. Steve Adubato lives in North Jersey and, due to the fact that we didn't get out of Trenton until five o'clock this morning, I told Steve it wouldn't be necessary for him to come all the way down here without any sleep. That is the reason why I am the only one here. However, you can rest assured that all of this testimony will be taken back not only to this special Committee, but to the entire Assembly Agriculture and Environment Committee. We will review the transcript of this hearing very carefully to see what kind of help can be brought about from hearings of this sort with input from the people who gather at the hearings.

Bill Hancock, a local farmer, sent me a form which farmers have to fill out. We are taking a real hard long look at this form.

I think, after looking at it for a little while, that it would probably take a Ph.D. to fill it out. So, we are going to be taking a look at things like that which farmers have to face.

The next person to testify will be Les Miller, from the Camden County Cooperative Extension Service. Good morning, Les. Thank you for coming; it is nice to have you with us.

LESLIE A. MILLER: Thank you, Assemblyman Pankok. My name is Leslie A. Miller. I am the agriculture agent for Camden County, and I am representing, as an area fruit agent, a four-county area in the State of New Jersey. I have been involved with peaches and agriculture for the past 28 years, and I am fully aware of what is happening as far as the peach problems are concerned.

I would like to call your attention to the serious crop loss and damage some of the peach growers in our State have suffered. We had the coldest temperatures in 50 years during January, 1984, which caused freezing of the fruit buds. Temperatures of minus 10 to minus 20 degrees were recorded on January 22. Anytime temperatures of minus 10 degrees or lower are recorded, you can expect an increasing loss of fruit buds and, of course, even trees.

Present estimates are for a possible crop of about 30% to 35% for the State this year, but we are finding that some growers have no crop and some growers are fortunate enough to have maybe 60% to 70% of a crop at this particular time. Approximately 13,000 to 14,000 acres of peaches are grown in the State of New Jersey, but over 90% of this acreage is concentrated in the southern New Jersey area. Gloucester County ranks number one in the production of peaches, followed by Atlantic County, Camden County, Burlington County, Salem County, and Cumberland County. Normally, we can expect a production of three to three and a half million 38-pound boxes in our area, but I don't believe that in 1984 we will see much more than 800,000 to a million boxes, if we are fortunate.

In a survey which was completed in 1983 involving 12 Gloucester County peach growers, it was revealed that the average production cost for producing peaches amounted to about \$1,485.00 an acre during any particular year. Even during a year with no

production, you must still anticipate annual costs to go on for maintaining the orchards. Our estimates at this particular time are somewhere in the neighborhood of \$800.00 to \$1,000.00 an acre to maintain these orchards. So, a 100-acre peach farmer must realize an output of about \$80,000.00 to \$100,000.00 to be absorbed this season. Not only does he need to look at this, but he must look at next year when he must expend at least that amount again until he can anticipate bringing in any particular crop. This is barring any further weather problems.

This expense is placing a severe economic strain on even some of our better-established fruit growers. I think it is important that New Jersey be declared a disaster area for the State concerning peaches, and that FHA be provided with the tools to carry out these insurance and disaster loans. The growers are now facing applications of sprays that are amounting, as I said, to somewhere in the neighborhood of \$800.00 to \$1,000.00 per acre for this year. A number of them told me when I met with them for discussions as I traveled around the farms that some of them have run out of money. They are asking for support and aid from the institutional agencies, the lending agencies, and they are now paying normal interest rates of 11% to 13%, and even higher at some of the banks. They are asking for support so that all growers -- not only those who would be turned down by the local lending agencies -- would be allowed the ability to borrow money at a low interest rate and return loan.

Thank you very much.

ASSEMBLYMAN PANKOK: Before you leave-- You quoted some numbers on production -- the number of boxes -- for one year and then what you expect this year. May I have those numbers again, please?

MR. MILLER: Normally, we produce about three to three and a half million 38-pound boxes of fruit annually in the State of New Jersey. At this particular time, we do not foresee any more than 800,000 to one million boxes of fruit being produced in this State. We are lucky to even do this, because some of the trees that do have a few boxes on them-- I have looked at them during the last few weeks and we are starting to see injury from the freeze, resulting in poor quality,

what we call split pits, misshapen, and some fruit diseases coming in which have not been controlled. I foresee that perhaps in some of these areas we won't even pick half of those.

ASSEMBLYMAN PANKOK: Then your estimate is that, of the crop you will pick, the peaches are going to be of a lesser quality--

MR. MILLER: (interrupting) They will be of poor quality--

ASSEMBLYMAN PANKOK: (continuing) and a lesser price.

MR. MILLER: That's right.

ASSEMBLYMAN PANKOK: Okay. That is the point I wanted to make.

MR. MILLER: The other thing I would like to point out is that in the last two years, the South was devoid of the production of peaches. This year, the South has one of the largest crops on record. We anticipate that low prices, combined with our other problems, are going to create further problems, especially for our early to mid-season peaches.

ASSEMBLYMAN PANKOK: Thank you very much. We really appreciate your testimony.

MR. MILLER: Thank you.

ASSEMBLYMAN PANKOK: Mr. Kenneth Costill. Kenneth, welcome and thank you for coming. We really appreciate your taking the time to be with us to give us your thoughts on the devastation of the past winter and spring.

KENNETH COSTILL: Good morning. My name is Kenneth Costill. I have always been a farmer. I don't want to take up too much of your time, but I would like to go back a little ways. My dad passed away in 1958. My mom took over the farm at that time and she farmed. When she got older, my brother and I bought our own farm in 1978. In 1980, we had a disastrous year. We lost about \$150,000.00 farming. Okay? So, we went to FHA and borrowed disaster money for seven years. In 1981, we had a better year, and we made our payment with no problem. When 1982 came, we had a bad year on the farm, probably because we had a lot of sweet potatoes and they did not sell. We could only sell them for a dollar a bushel, and we lost about \$45,000.00 on the sweet potato crop in 1982.

When 1983 came, it was a disastrous year from the drought and everything. We went to FHA and we told them we wanted to make a partial payment on the disaster money we had for seven years. Am I going too fast for you?

ASSEMBLYMAN PANKOK: No, no, go ahead.

MR. COSTILL: Okay, thank you. So, anyhow, we went to FHA last fall to see if we could get some help in order to keep on farming. We went in there in December and we filled out an application for disaster funds. It took them three months to approve us. So, that took us into March or April. We were approved for \$37,000.00 to get disaster money to pay old bills. We need FHA to help farmers, I admit.

Now, after we were approved, we asked them if we could have operating money so that my brother and I could operate. They said, "No." First of all, why take disaster money if you cannot get operating money to farm? We asked them, "How come?" They said, "Well, you borrowed too much money." Well, that's fine. So, we went home and we said, "What can we do?" We decided we could go and get subordination. I don't know whether or not you know what that is.

ASSEMBLYMAN PANKOK: No, I don't.

MR. COSTILL: That is if you would-- Say, for example, a fertilizer company gave me a \$10,000.00 credit, or whatever. When the crop came in, that company would get its money back first. We went to FHA and they said, "Fine, we will give you subordination. Who are you going to borrow your money from?" Then, they would get their money back first, which is only common sense. Well, they changed the records at FHA. We walked into FHA and we said, "Sir, may we have subordination?" and he said, "No." We said, "Why take the disaster money?" He said, "Well, you're lucky to get that."

We then went home and we called our lawyer. He advised me not to farm, so I rented the farm to my mom. She always owned a farm, and we're working for our mom this year. I have the farm up for sale. We have no other choice because my brother and I have no money to operate in order to farm the farm.

Now, we did not ask for operating money -- well, we did, but we got turned down. We never really got turned down because he said

not to apply for it since we would get turned down. So, we took the disaster money and handed it back in. We said, "There is no use of us taking the disaster money if we cannot get money to operate." Do you know what I mean? And that is where I am today. I have the farm for sale. It is 94 acres. I sold six acres two weeks ago, and now the whole farm is for sale.

My point is this. I have always farmed. During the last four years I have had a lot of problems with paying my bills. I admit that. I am not trying to get out of my debts. In 1982, we had potatoes; we lost money and we went to FHA. The man at FHA told me to file for bankruptcy. He told me to file for bankruptcy. I can't tell you what would solve my problems. I can only tell you about the 20 different predicaments I've had. I know you are probably getting bored, and I don't want to hold you up.

ASSEMBLYMAN PANKOK: No, no, absolutely not. This is why I am particularly happy that you are here. These are the types of problems we want to face. After this meeting, I would like to have a conversation with you to see if there are any programs anywhere. I'm sure there are people from the Farm Bureau here and some other people who might be able to advise you.

MR. COSTILL: One of the things I asked-- I asked them if I could have a 40-year mortgage. I have a first mortgage on my farm with a private person. I owe a second mortgage to FHA, which is basically my mortgage. If someone who had nothing wanted to begin farming today, he could borrow \$200,000.00 and start farming. But, because I had bad years, and because I couldn't pay back my debt, they could not give me a mortgage. Now, I am not trying to wriggle out of paying my debts; I know what I owe. My point is, I'm young yet, and I don't want to lose my farm. I need help, and the only way to get it today is to get a long-term mortgage. A seven-year payback at 5%, or whatever, is no help. You know?

ASSEMBLYMAN PANKOK: Yes.

MR. COSTILL: Now, I cannot predict what the future is going to be; no one can. I know that prices are not where they are supposed to be and the farmers, in case the prices begin to go up, are going to

have more serious problems. I can bring up different experiences I have had with FHA. For example, one time last summer I went to FHA and the director there signed a check back. Last year we did not borrow money from FHA, so he signed the check back so we could keep on farming. He said, "The next time you come in here, we are going to pay all your interest up to date, and with the balance, we are going to give you your money back." That was his comment, you know? I said, "Okay." When I went in there the next time, I sat down, but the director was not there. The man there said, "Well, I'll do it for you. What do you want to do with this check?" I said, "Sir, what do you want to do?" You know, I said it real nice. He said, "Well, I can't give you the check back. You might go down to a casino and blow the money."

I didn't think that was right. Do you know what I mean? But, the guys at FHA are not from a farming background, and they have a different attitude than a banker. I do need help, and I do want to continue farming. That is why I am here today -- to help all of the farmers.

ASSEMBLYMAN PANKOK: We certainly appreciate your taking the time because you are exactly the example we are looking for to talk to FHA about. That is why we are holding this Subcommittee meeting.

MR. COSTILL: I called Washington, D.C. and I talked to them. They said, "Well, you can't talk to us; you have to talk to the State office." I called the State office, and the State office said, "You have to talk to the county." Why talk to the county--

ASSEMBLYMAN PANKOK: (interrupting) What did the county say when you called them?

MR. COSTILL: Well, I never went back there after they turned me down.

ASSEMBLYMAN PANKOK: Okay.

MR. COSTILL: So, why call them?

ASSEMBLYMAN PANKOK: Where is your farm located?

MR. COSTILL: Where is my farm located? Do you know where Seven Stars is?

ASSEMBLYMAN PANKOK: Yes.

MR. COSTILL: It is right before Seven Stars on the left. My mom's farm is right down the road.

ASSEMBLYMAN PANKOK: Okay, I know where you mean. Again, I want to thank you very much for coming in here and for having the courage to sit down to tell this Subcommittee that you have a problem. That is why we have brought this special Subcommittee together, to gather information.

In New Jersey, there are 40 cases of major farms which are in some sort of a foreclosure or going-out-of-business type situation at this time.

MR. COSTILL: I am concerned because I want to keep on farming. One thing about farmers is -- their biggest problem is they just don't want to quit.

ASSEMBLYMAN PANKOK: That's right.

MR. COSTILL: So, they keep right on going until the end. A lot of farmers won't come up and tell you their problems because they are embarrassed to speak in front of people. Do you know what I mean?

ASSEMBLYMAN PANKOK: Well, we appreciate your coming. It was very courageous of you to come in here to testify, and we appreciate it very much. Thank you.

Mr. Ron Caltabiano? Thank you, Ron. We very much appreciate your coming up to testify.

RON CALTABIANO: Good morning, Assemblyman Pankok. My name is Ron Caltabiano. I am a farmer in Gloucester County. We have undergone a situation this past winter where, as some people noted earlier, we had temperatures in the 20's -- 20 degrees below zero. I believe that was on January 22. With that, what has happened is that we have lost a great portion of our crop.

For example, one farm we rent is a 70-acre farm. If we have 20 trees on that farm that have peaches, we're lucky. On an overall spectrum, as far as our farm is concerned, it is approximately 300 acres. Of that 300 acres, we have lost approximately 85% of the crop. In a normal year we are looking at 30,000 to 50,000 boxes of peaches -- 38-pound boxes -- and this year we're looking at approximately 2,000 or 3,000 boxes.

Not only have we lost the fruit for 1984, but also with that, we have lost some of the fruit trees. On a percentage basis I would say we have lost about 15% to 20% of the trees themselves. A fruit-bearing tree is anywhere from four to six years old. So, we have lost a good portion of our fruit-bearing trees, which gives us another setback.

The last thing I would like to say -- as Bill Kenny said -- I am one of those third-generation farmers. My grandmother started the farm. I don't remember exactly what year, but then it was handed down to my father, and now it is being handed down to my two brothers and myself. I can only revert to a little story in a movie I saw. The movie was called "An Officer and a Gentleman." A gentleman volunteered for the Army. He was in the Army because his father was in the Army. His father was an officer. He had a Drill Sergeant who wanted to make him quit. The Drill Sergeant did everything in his power to make the fellow quit. He put his face in the mud, and just tore down his ego. He said, "Boy, I want you to quit." The guy turned to him and said, "This is the only thing I know. I know nothing else." That is just like our farming situation here in the State of New Jersey. There are a lot of farmers here in this State who know nothing else. If we don't get some help somewhere, we are going to be in a sad situation, not only in this State, but nationwide.

ASSEMBLYMAN PANKOK: Thank you very much. That was very well put.

MR. CALTABIANO: Thank you.

ASSEMBLYMAN PANKOK: We really appreciate your taking the time to be here to testify. Thank you again.

Mr. Douglas Zee, Chairman, New Jersey Peach Promotion Council. Thank you for being with us, Doug.

DOUGLAS ZEE: Assemblyman Pankok, thank you for taking the time after your all-night vigil to be with us today. I am Chairman of the Peach Promotion Council, but I am also owner and operator of Zee Orchards, Incorporated, which is a family farm, but not in the eyes of the Farmers Home Administration. I, like my counterparts before me, have had problems obtaining disaster loans and with not being able to get operating capital the following year. But, we survived that.

The year 1982 was a bad year for some of the fruit farms in New Jersey also. We are in the fiftieth anniversary of what happened in the 1930's. Three years out of five they lost their crop, and we are going through that again. Farmers as a whole, and fruit growers in particular, have been a very resilient group and have been able to bounce back. My grandfather came over with fifteen cents in his pocket and started a farm in Gloucester County. He was my mother's father. My father bought a farm in Ridgewood in 1944, and we operated on borrowed money. My grandfather was fortunate enough to make money. He thought interest was to collect, not to pay, but the last two generations have enjoyed paying it, and have been able to pay it.

There is no other way to operate in this day and age, when a speed sprayer costs more than a house used to cost, than to do it with borrowed money. Some of our lending institutions were formed as cooperatives in days past and, as are our supply outfits like Agway and Farm Credit, they were basically cooperatives. But, they have gotten to be such big business today that they have forgotten where they came from, a little bit like some of the other things that have happened in this country.

The peach center years ago was Burlington County. It has moved to Gloucester County, and now there is a good start of peaches here in Salem County. The way the Farm Credit system is set up, they have four regional offices. They have been basically dealing in grain crops and dairy items down in this area, and when they get a peach person down here talking the kind of money you need to operate a peach farm, some of them find it a little hard to understand. There have been some problems that way. So, it is not just FHA where the problems are; it is all of the lending institutions. And, it is not just the young farmers who need the help. I was a young farmer when I started; now I have five kids, four grandkids, and a million dollars worth of debt. But, we will survive, hopefully. Route 55 came through, and I think you provided the money to finish it. So, we're not far from that either.

You just can't sell all this ground overnight. There are no people out there to buy it. As Chairman of the Peach Promotion

Council, I initiated action to look into Federal property insurance, which has been the big hue and cry the last couple of years. They want to go away from disaster loans to crop insurance. This is not a palatable program. It doesn't work. We have gone the full route. They went to Kansas City and the directors came back and said, "Well, we are going to qualify apples in Sussex County this year. There won't be any crop insurance for peaches in 1985." So, that is how the government works.

Also, with FHA disaster loans the problem lies in the definition of a family farm and how much extra labor you have to hire. In the fruit industry we are very labor-intensive. The thinning, picking, and pruning all have to be done basically by hand. This calls for a lot of extra labor on the farm, which keeps you from qualifying as a family farm. The group known as American Agriwomen has a definition that would change this, but we got a very bureaucratic letter back from Secretary John Block saying, "Oh, we have to have several definitions of a family farm for different types of programs. We have too many programs in the USDA." So, this is the kind of--

ASSEMBLYMAN PANKOK: (interrupting) May I interrupt you for a second? May I have a copy of that letter? Do you still have a copy of that letter?

MR. ZEE: We can get it for you. It was a resolution at the State Ag Convention. I'm sure Mr. Kenny could get you a copy of that definition of a family farm.

ASSEMBLYMAN PANKOK: Thank you.

MR. ZEE: It is basically that if the one who makes the entrepreneurial decisions-- As long as he or she is within the family, that constitutes a family farm. Our major problem is, as Max Brunk, an economist from Cornell University, told us, "You fruit growers are in good shape as long as you are paying 6% interest and there is 12% inflation. But, when you're paying 12% interest and there is only 6% inflation, you are going to find yourselves in the biggest cost-price squeeze you have ever seen." That is where we are right now. That is one of the major problems.

We thank you for the marketing money you appropriated last year. The Peach Council is the recipient of some of those matching funds. In a short year like this, in order to market those 800,000 boxes to the best of our ability, we need more marketing probably than we do in a big crop year, because in a big crop year, the chains are here ready to buy our peaches. They know we are one of the leading growers in the country. They will come to New Jersey as soon as South Carolina is finished.

Also, money was appropriated last year for the Cream Ridge Research Station to build facilities there. I understand that to this date -- and a new budget has just been passed -- not one spadeful of earth has been turned over up there. We wish the Assembly Agriculture and Environment Committee would look into that to see if something can be done along these lines.

Also, years ago, on labor rates, time and a half was put in for the can houses, and there were exemptions granted. Because they have run all of the can houses out of the State, last year the Department of Labor went to work and said, "Well, your packing houses now qualify for this time and a half labor." This is a regulation that needs to be overturned and sent back to where it was. You can't pay a kid out of high school working in a packing house time and a half when your full-time man is working right alongside him. Because he works outside most of the time, he doesn't qualify for it. We do not want to go the other route and have it time and a half for everyone either.

DEP has the power to fine people without the benefit of hearings. We have a problem in Gloucester County right now along these lines. Several of these fines have been issued, but have never been paid. One fellow requested a hearing, and for a year he didn't hear anything. A \$1,500.00 fine has now turned into a \$9,000.00 fine a year later. They did not come back to him at all. They just turned it over to the Attorney General and that was it. That is going to be his hearing, I guess.

Regarding the inheritance tax situation, Federally we have gotten some exemption. Most of the Sunbelt states have done away with the inheritance tax now. This is where the population is going, as you

learned from the last congressional shift. While you have plenty of money up there in Trenton, if you could do away with that little bit of income instead of reducing the sales tax by 1%, it might help things.

I do not want to belabor the situation much longer. I appreciate your taking an interest in agriculture. We are here to stay, and maybe somewhere down the road we need a State FHA. You hear about the infrastructure banks and all that. Maybe we could start our own self-insurance program within the State so we would not have to go through the Federal government bureaucracy. I'm sure that if they could get a viable insurance, farmers would-- We pay thousands of dollars of insurance as it is right now. If you get some kind of property insurance that is realistic and isn't all in favor of the insurance companies, I'm sure people will participate in it. Thank you.

ASSEMBLYMAN PANKOK: That is an interesting idea. Thank you, Doug. We appreciate your being here.

That concludes the people who were on our list. Does anyone else wish to say anything? (no response) Perhaps, Mr. App, you would like to at least introduce yourself. Mr. App is a farmer himself, and he is going to do some big things here for the farmers. (Mr. App stands up to acknowledge Assemblyman Pankok's introduction.) Thank you, Frank.

If no one else wishes to testify, I will conclude this public hearing of the Subcommittee of the New Jersey Assembly Agriculture and Environment Committee. Thank you all for attending. We will take your messages back to the entire Committee, and a report will be made to them. There were some interesting ideas brought forth here today, and we will be acting on some of them. I like Doug Zee's idea of a Statewide FHA. I think that is something to really take a look at. Mr. Costill's problem is not a unique problem. I think it is a typical problem, and we need to get FHA working for farmers, not hamstringing them.

So, we will be taking all this information back. Again, let me thank you very much for being with us today. This concludes the public hearing.

(HEARING CONCLUDED)

APPENDIX

**COOPERATIVE
EXTENSION SERVICE
COOK COLLEGE**

Phone 609/881-1200

June 28, 1984

Mr. Leonard J. Colner
Subcommittee Aide
Assembly Agriculture & Environment Committee
State House Annex
CN-042
Trenton, NJ 08625

Dear Leonard:

I received the notice of your phone call of the Friday, June 29 hearing on Thursday morning June 28. I'm sorry I was not able to attend.

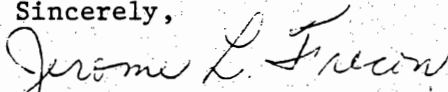
The peach crop in South Jersey was lessened and potential fruit buds frozen by a temperature as low as -20°F on Saturday, January 21 and Sunday morning, January 22. Subsequent low temperatures on March 10 of -5°F injured buds that survived the January freeze. As a consequence my guestimate of a state peach crop for 1984 (97% of crop in Burlington County south) is 34,000,000 lbs or 890,000 boxes (38 lb). Based on a normal crop of 2,750,000 boxes and an average sales price of \$10.80, last year this normal crop was worth \$30,000,000. This year the crop may be worth a maximum of \$8,000,000. This represents a \$22,000,000 loss to our peach growers with 97% of loss to South Jersey growers.

While I do not have privy to fruit growers financial records, I know from recent research completed that it cost approximately \$1,450 to produce an acre of peaches. The average state yield is 210 boxes or \$2,200 net per acre. While some production cost may be reduced, one can easily see that considering marketing cost the average grower with 30% of a crop would never meet production cost.

I have many Gloucester County growers who have no crop. I have growers who carry heavy indebtedness. Most growers need to borrow operating money. Three growers have confidentially told me, they do feel they will survive without FHA monies. I am sure others will face severe long term financial problems without financial assistance.

We badly need prompt financial assistance for these growers.

Sincerely,


Jerome L. Frecon
County Agricultural Agent

JLF:sh
c Thomas Pankok
C. W. Haines
S. Adubato, Jr.

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New Jersey State Library

