

California Food Banks, Farmers Celebrate the Farm to Food Bank Tax Credit in the 2016-17 State Budget
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MEDIA CONTACT:

Andrew Cheyne, Director of Government Affairs, California Association of Food Banks, 510-350-9915 (office), andrew@cafoodbanks.org

Tax incentive enables farmers to help cover costs of donating excess crops, preventing waste while moving healthy foods to those in need

Oakland, CA (June, 2016).

California food banks and farmers are celebrating the inclusion of the Farm to Food Bank tax credit in the 2016-17 state budget. The agreement between Governor Brown and the Legislature contains several provisions that improve and extend the original tax credit, first signed into law by Governor Brown in 2011.

Key provisions of the agreement include:

- Shifting the credit from inventoried cost, which uses a complicated section of IRS code not normally used by farmers, to the much simpler wholesale value.
- Raising the credit to 15 percent from 10 percent to provide a more meaningful incentive to cover farmers' costs to donate.
- Extending the sunset by five years to 2022.

California leads American agricultural production, producing half of our nation's fruits and vegetables, yet one in seven Californians suffers from hunger – including one in four children. Farmers, food banks, and environmental groups all praised the decision for helping move excess crops to those in need and prevent them from going to waste.

"This policy is vital to a healthy California" said Andrew Cheyne, Director of Government Affairs for the California Association of Food Banks. "Farmers face what are called 'picking and pack out' costs of labor and cold storage to prepare crops for donation. Our farmers need an incentive or there's no business case to donate even when they want to."

"The Farm Bureau is very pleased to see the incentive for fruit and vegetable donations continue for another five years, in addition to using the more readily available wholesale method for determining the value of a food donation," California Farm Bureau Federation President Paul Wenger said. "We look forward to expanding those incentives to additional food products, such as proteins."

Jim Bates, Chief Financial Officer of Fowler Packing in Fresno, praised the policy decision as both a farmer and Certified Public Accountant who understands the hardship that the previous rules placed on

potential donors. “As a retired CPA, I know the fiscal pressures the State faces, and the credit is a wise decision on the part of Governor Brown and the California State Legislature to partner with food banks and farmers in our fight against hunger in this Great State. What better way than by leveraging the State’s limited dollars to further encourage the donation of nutritious food from California? A \$1 tax credit to a tax paying farmer who donates nutritious food is worth nearly \$14 in retail value. That is a prudent use of State dollars in this fight against hunger.”

Initially introduced as Assembly Bill 1577 by Assemblywoman Susan Talamantes Eggman, the policy was also heard through the Legislature’s budget process and became part of the budget agreement. This path followed the Governor’s veto message of similar legislation in 2015, AB 515, which indicated that tax credits should be accounted for in the state budget instead of enacted as legislation.

Cheyne underscored the value of Ms. Eggman’s deep commitment to the issue. “Being from an agricultural region that also struggles with areas experiencing poverty, Assemblymember Eggman intuitively understood the need for this policy. She knew that farmers wanted to donate but faced costs to harvest and store excess crops, and that this was a key opportunity for the state to galvanize the private sector and help solve a pressing need. We are so grateful that she was able to carry this important legislation two years in a row, as well as help guide it through the budget process so that we could achieve this important victory toward ending hunger in California.”

In reducing food waste, the policy also helps the state achieve its environmental goals of reducing climate change-producing gases such as methane when food goes to landfill. Presently, up to 40% of all food produced is wasted, while even a 15% reduction in food waste could reduce hunger by half.

Nick Lapis, Legislative Coordinator for Californians Against Waste, said “We commend the Governor and legislative leadership for extending and expanding the tax credit for donating food, a policy that has been proven to help align the incentives to encourage the donation to those in need. It is outrageous that we pollute our air and water over by landfilling 5 million tons of food every year at a time when one in four children is food-insecure.”

The credit helps support the California Association of Food Bank’s nationally-recognized Farm to Family program that works with farmers, ranchers and packers to get California farm products from the field to food banks throughout the state. Boosted by the initial credit in 2011, Farm to Family now moves 150 million pounds of produce from California farms to food banks, and this year celebrated 1 billion pounds donated to those in need.

“The policy is a true win for everyone involved,” added Cheyne. “Farmers receive the incentive they need to donate, food banks receive nutritious produce to distribute, and the state only has to contribute 15 cents on the dollar to help ensure a well-fed, healthy community that is better able to learn, work, and provide a better future for all of us.”

About the California Association of Food Banks

California Association of Food Banks partners with 43 food banks and over 6,000 local agencies. Our mission is to end hunger in California, and our vision is a well-nourished and hunger-free California, where all people have enough food to lead a healthy life.

www.cafoodbanks.org