

**LFC Requester:****Julisa Rodriguez****AGENCY BILL ANALYSIS - 2025 REGULAR SESSION****WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO****[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)****(Analysis must be uploaded as a PDF)****SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}***Date Prepared:** 2/15/25 Check all that apply:**Bill Number:** HB 17 Original  Correction   
Amend  Substitute   
ment  **Spons** Charlotte Little, Sarah  
**or:** Silva, Reena  
Szczepanski**Agency Name  
and Code****Number:** NMDA - 199**Short** Commission on**Person Writing Analysis:** Jeff Witte**Title:** Reduction of**Phone**Grocery Costs: 575-294-3817**Email:** Jheitz@nmda.nmsu.edu**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$400.0		Nonrecurring	General

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) indicate revenue decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	N/A	N/A	N/A	N/A	N/A	N/A

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

House bill 17 (HB 17) is an emergency appropriation of four hundred thousand dollars (\$400.0) to the New Mexico economic development department (NMEDD) for expenditure in fiscal year 2025 and 2026 to establish a commission to reduce the cost of groceries to New Mexico consumers from the date of its appointment until March 31, 2026. This commission will evaluate, study and recommend strategies to reduce the cost of groceries in the state and report its findings, including recommendations and proposed legislation, to the governor, New Mexico legislative council, and appropriate legislative interim committee by November 15, 2025.

#### **FISCAL IMPLICATIONS**

N/A

#### **SIGNIFICANT ISSUES**

A commission dedicated to studying and addressing grocery costs in the state could provide both economic and social benefits. This commission would analyze factors driving food prices, including the food supply chain, distribution, local agricultural production, to develop strategies for grocery cost reduction. By identifying ways to enhance local food production, streamline logistics, and reduce reliance on out-of-state imports, this commission could promote food security and affordability for state consumers. In addition, the findings in the report could inform policies that support local producers, encourage sustainable agricultural practices, and expand access to fresh, safe, healthy foods to communities across the state.

As of 2023, the state's median household income was \$62,125 (U.S. Census), below the national average. This economic challenge contributes to food insecurity within the state. According to Feeding America, approximately 321,370 residents, including 100,420 children face hunger, meaning 1 in 7 individuals and 1 in 5 children lack consistent access to adequate food. According to the road runner food bank, New Mexico has the eighth highest hunger rate in the United States. The above statistics underscore the importance of initiatives aimed at reducing grocery costs and enhancing food security for state residents.

According to the United States department of agriculture (USDA), economic research service, U.S. grocery prices have experienced a notable increase. In 2022, food prices surged by almost 10 percent, marking the fastest annual increase since 1979. This trend continued into 2023 with an almost 6 percent rise, and in 2024, prices grew an additional 2.3 percent, indicating a deceleration, but still above historical average. As of this January, the consumer price index reported a 0.5 percent monthly increase, the largest since August 2023, with food prices being a significant contributor. Notably, egg prices spiked by 15.2 percent because of the avian flu outbreak. Overall, food-at-home prices increased 1.2 percent in 2024, while food-away-from-home prices rose by 4.1 percent. Overall, inflation creates a cycle of rising costs at every state of food production and distribution, leading to higher grocery bills for consumers.

According to USDA national agricultural statistics service, in 2023, New Mexico's agricultural sector reported a total production value of almost \$4 billion, reflecting a 4 percent increase from the previous year. State producers purchased \$3.25 billion in agricultural inputs, up 15 percent from the previous year. Increased production expenses can contribute to higher grocery prices for consumers, as producers must adjust their price to maintain profitability amid rising production costs.

The cost of agricultural production, transportation, marketing, and value added transformation directly impacts grocery prices due to the expenses influencing the overall cost of food productions. Key factors include:

- Input costs: Farmers and ranchers face rising costs for seed, feed, fertilizer, fuel, equipment, land, infrastructure, and labor.
- Supply chain costs: Logistics costs (i.e. transportation, storage, processing, energy) added expenses. Rising fuel costs and supply chain disruptions can increase costs at every stage, field to plate.
- Climate: Drought and extreme weather can reduce or delay crops and livestock production, leading to supply chain shortages and higher pricing.
- Regulation and market: Policy changes, tariffs, geopolitics and trade agreements can affect the cost of agricultural products. Additionally, market demand and competition influence pricing dynamics.
- Land and water: The cost of land, water rights, and irrigation can be significant to producers, especially in arid states like New Mexico.

It should be noted that agricultural producers receive only a small amount of each food dollar. According to the USDA Economic Research Service Food Dollar Series, U.S. farm establishments received 15.9 cents per dollar spent on domestically produced food in 2023. This amount, known as the farm share, decreased by 0.1 cent from the 2022 share. The remaining 84.1 cents cover costs associated with processing, transportation, retail, and marketing within the food supply chain after products leave the farm or ranch.

## **PERFORMANCE IMPLICATIONS**

N/A

## **ADMINISTRATIVE IMPLICATIONS**

N/A

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

N/A

## **TECHNICAL ISSUES**

N/A

## **OTHER SUBSTANTIVE ISSUES**

NMDA is a current recipient of the United States department of agriculture's resilient food systems infrastructure program (RFSI) aimed to enhance local and regional food systems by addressing middle of the supply chain needs, thereby benefiting consumers, producers, and rural communities. NMDA received an award of \$4.6 million through the RFSI program to bolster the state's agricultural infrastructure. By investing in critical areas such as storage, processing, and transportation, the RFSI program seeks to reduce operational costs for local producers. This, in turn, can lead to more affordable grocery prices for consumers by streamlining the journey from farm to table. Moreover, strengthening the state's supply chain enhancing resilience against disruptions, ensuring a consistent supply access to fresh, nutritious, safe local food. This is particularly crucial in combatting state food insecurity.

## **ALTERNATIVES**

N/A

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Funding will not be appropriate in fiscal year 2025 to fiscal year 2026 to NMEDD to establish a commission with a mandated study to evaluate and report recommendations and strategies for reducing the cost of groceries to New Mexico's consumers.

## **AMENDMENTS**

N/A