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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Taylor, J. G. LAST UPDATED _____ HB _____

SHORT TITLE Promote New Mexico-grown Chile & Salsa SB 363

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$250.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates House Bill 411.
Relates to House Bill 720.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Department of Agriculture (NMDA)
Higher Education Department (HED)

SUMMARY

Synopsis of Bill

Senate Bill 363 appropriates \$250,000 from the general fund to the Board of Regents of New Mexico State University for expenditure by the Department of Agriculture to fund a marketing campaign to promote out-of-state sales of New Mexico-grown chile and salsa products.

FISCAL IMPLICATIONS

The appropriation of \$250,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2007 shall revert to the general fund.

SIGNIFICANT ISSUES

The New Mexico Department of Agriculture provided the following facts about chile production in New Mexico:

1. New Mexico ranks no. 1 in the country in chile production – 214 million pounds.
2. In cooperation with New Mexico chile growers, shippers, and retailers NMDA conducted a very successful New Mexico green chile sales/promotion campaign in five different states (California, Texas, Colorado, Kansas, & Nebraska).
3. The New Mexico chile promotion included 45 growers/shippers, 15 retail super-market chains, and 2,200 stores.
4. NMDA provided promo kits to retailers with recipes, cooking DVD's, NEW MEXICO–Taste the Tradition® signage, freezing instructions, and roasting DVD's.
5. The promotion cost \$200,000 to implement but resulted in \$19 million in sales! Almost a 100-1 return in investment.
6. NMDA provided assistance to the industry to place New Mexico salsa's in out-of-state markets. New Mexico salsa's are in 12 out-of-state supermarket chains representing over 3,800 stores.
7. Funding is needed to maintain the chile and salsa sales/promotional momentum and to address the increased demand for services.
8. All sales and promotion activities represent a minimum 50/50 match from chile industry.

According to the Higher Education Department, Chile production ranks first in horticultural crop cash receipts for New Mexico. The annual direct contributions to the state's economy are estimated at \$60-100 million. Currently Mexico is New Mexico's biggest competitor for fresh chile sales in the U.S. marketplace. Efforts are underway to employ electronic telecommunications tools to assist the chile industry in moving forward. A comprehensive website and distance learning workshops are being developed to provide up-to-date information and training to growers and crop consultants. In fall 2003, the NM Chile Task Force launched a marketing initiative. Task force members are looking for new ways to enhance their position in the global market place. This bill's funding would help support this important effort.

DUPLICATION AND RELATIONSHIP

House Bill 411 is a duplicate of this bill.

House Bill 720 is related to this bill. It would appropriate \$140,000 to the Board of Regents of New Mexico State University for expenditure to increase the profitability and yield of chile and to increase the economic sustainability of the New Mexico chile industry.

CH/nt