<u>Farmland Availability and Affordability</u>
Recap of the SADC outreach meetings in 2007 and overview of the comments shared by the agricultural community

Introduction

In 2004, then-Secretary of Agriculture Charles Kuperus convened a working group to recommend ways to make farmland more available and tenure-secure to New Jersey farmers. This working group developed a package of initial recommendations for the agricultural community to consider. In the years following this work, the State Agriculture Development Committee (SADC) began hearing from an increasing number of agricultural boards and farmers concerned about these issues.

As a result, the SADC worked to broaden the discussion with the agricultural community. It developed a presentation to take on the road, and between April and November 2007, it met with farmers in 15 counties. The purpose of the meetings was to discuss some of the observations, trends and issues the SADC has seen regarding farmland availability/affordability and get input from farmers. What did farmers think? Did they see the availability of preserved farmland for farmers as a problem, and if so, what should be done? The goal was to listen to the agricultural community, get their ideas and solutions, and ultimately to come up policy recommendations with this feedback in mind.

Each meeting had its own dynamic, but the basic format was the same. SADC Executive Director Susan E. Craft, (former) SADC farmer-member Gary Mount, and/or SADC staff-person David Kimmel conducted a short PowerPoint presentation and participated in a dialogue about the issues with the farmers present. The venue was either a county board of agriculture or county agriculture development board’s monthly meeting (or sometimes a joint meeting of the two). If the venue was one board’s meeting, the members of the other board were invited.

The SADC presentation

Titled "Keeping New Jersey's Preserved Farmland Available for Farmers," the presentation helped introduce some of the trends and issues the SADC has recently seen. In doing so, it expanded on a background document the SADC had shared with farmers in advance of the meetings. Both the PowerPoint and this introductory document are appended here, as well as available online at http://nj.gov/agriculture/sadc/news/hottopics/availability.html.

We began the presentation with some background information on New Jersey's history of public and legislative support for agriculture. This segued into the fact that New Jersey has now invested more than $1 billion in farmland preservation (2/3 state and 1/3 local), which led to the following questions: 1) How well is New Jersey's farmland preservation program working? and 2) How available is New Jersey's preserved farmland to farmers? Another way to look at these questions was the following: What is the purpose of the program, and how well are we meeting that purpose?

The Agriculture Retention and Development Act, which helped establish the farmland preservation program in 1983, suggests a dual purpose – preserving an agricultural land base as well as having this land be productively used to support a viable agricultural industry. The legislative findings in the Act reflect this, as does its definition of farmland preservation:

> "Farmland preservation program"…means any voluntary program…which has as its principal purpose [1] the long term preservation of significant masses of reasonably contiguous agricultural land within agricultural development areas…and [2] the maintenance and support of increased agricultural production as the first priority use of that land.

In terms of protecting a significant agricultural land base from development, the program has been very successful. More than 1,900 farms covering more than 184,000 acres have now been preserved. This amounts to more than 25% of all available agricultural land, the highest percentage in the nation. The next question was, how available is that land? How well are we meeting the second purpose of the program to keep that land productive and available, and to support a viable agricultural industry?

We noted that farmland preservation helps make farmland more affordable because it removes development potential. Values for preserved farmland continue to rise, however, as the presentation depicted through a series of graphs showing appraisal value trends (and actual resale value trends) across the state from 2000 to 2005. During this time, the average appraised "after value"/acre increased between 200% and 400% in every region. The average actual resale value of preserved farms was $11,334/acre in 2005, up from $3,848/acre in 2000.

These numbers led to more questions to consider and discuss, including: Can farmers afford to buy preserved farmland? If not, is it readily available to them? Also, who is buying preserved farmland, and does ownership matter? What impact does non-farmer ownership have on the availability of land? What impact does it have on the public's perception of the program? And if we reach a point where we become dependent on rented ground, what does that mean for the industry?

In about half of the meetings, it was at this point, as we moved through the graphs showing the value trends, that people began sharing their thoughts and discussing these types of questions. We also continued to share our observations and pose additional questions. For instance, what kinds of agriculture can afford $11,000/acre land? And for farmers who cannot afford to, or choose not to, purchase farmland, how could we improve their access to land?

This led to a discussion of what contributes to high "after" values and who is buying preserved farmland. One influence highlighted was the market presence of non-farmers, who may be attracted by preserved farms' residential value and willing to pay an "estate value" for a given farm. At the same time, farmers are also still buying preserved farms. We observed that in terms of the SADC's recent fee simple auction sales, although 1/4 of the farms were purchased by non-farmers, about 3/4 were purchased by farmers. So we noted that another influence on values may be the market presence of farmers who can afford to pay more, such as those who grow higher value crops or have additional resources, such as from the sale of another farm. We also noted some cases where new owners had built large houses on preserved farmland and discussed the effect of this on farmers' ability to afford to purchase the land.

We wrapped up the presentation by describing the actions the SADC has taken so far regarding these issues (e.g., creating a house size limit for the fee simple program and preserving a few farms without housing opportunities) and mentioning some of the ideas that had been put forward by the working group in 2004. We reiterated that these and any other ideas proposed by the farming community could only be applied going forward (i.e., they wouldn't affect farms already preserved). We also noted how these starter ideas had spanned a number of topics, including housing on preserved farmland, farm use, leasing opportunities, and models from other states.

Comments and ideas from the agriculture community

Farmers shared many thoughts and ideas during the meetings, from sharing local observations and asking questions about our research, to offering opinions on the ideas presented and making suggestions for program and policy changes. On the whole, most people agreed that farmland availability and affordability were issues, and they felt we should work to address them in some way. The overall dialogue confirmed, too, that the issues are complex and that any answer would require looking at a variety of ideas.

In terms of the major issues raised, much of the discussion focused on topics like the use and ownership of preserved farmland. Often this branched out to include many intertwined and related topics, such as the availability of land for leasing, stewardship issues, the affordability of preserved farmland, and houses and housing opportunities on preserved farmland. Some people also touched on the issues of new farmers' access to land, farm financing, and the availability of non-preserved farmland.

<u>The use, ownership, and availability of preserved farmland</u>

By far, the one topic on which farmers agreed the most was the use of preserved farmland. Most people felt that preserved farmland should be actively farmed and took issue with the fact that some of it was not. "If taxpayers' money is being used to preserve a farm, then it should be farmed," said one farmer. "It's a no-brainer." To have preserved farms not being farmed "is a black eye to the program," added another. "We need to keep it in agriculture to maintain the industry in the state," said a third. These ideas were echoed by farmers from around the state. Many people also went further, drawing a clear distinction between the program and other, non-agricultural preservation efforts or passive uses with comments like, "It's a farmland preservation program, not an open space program – the land should be farmed," and, "If it's not being farmed, it's not farmland – it's open space." One farmer, alluding to the program's broader mission of promoting a viable agricultural industry, concluded, "The program is about more than just protecting land from development."

In the context of this discussion, farmers touched on the reason some preserved farmland was being minimally farmed or passively maintained – non-farmer ownership of the land. One central Jersey farmer, commenting on the trend he saw in his area, said that "the majority of new owners have the money to do whatever they want, and some do the minimum." Another person observed how "some new owners will take their land and put it all in WHIP, grasslands, or some other program that does not require production." A farmer in Gloucester, searching for some general information on the situation, said, "Of the farms sold to non farmers, how many were then leased and farmed? This is important to know."

Farmers described the scope of this issue as varying across the state. In some counties, typically the more rural ones, farmers said preserved farms were being farmed or being made available, regardless of their ownership. In others counties, typically the more central ones, farmers said this was not necessarily the case. A farmer in Monmouth, for instance, said, "You can't afford to buy farmland here, so the other option is leasing, but the land isn't available for leasing either." Some farmers in the more rural counties also commented on how they felt this issue would become more prevalent in their areas as people and development continued to spread out. In response to one farmer in Sussex, who had said that his county didn't currently have many gentlemen's estates, another person said, "But what's going to happen in the future?" A farmer in Salem similarly remarked, "Salem doesn't feel the same pressure as in north Jersey, but we do have a lot of RDSOs that could turn into that [minimally farmed estates] pretty quickly." In Gloucester, a farmer added, "Further north you do see non-farmers buying farms and not really farming them; it'll be moving down." Regardless of their current local situation, farmers generally agreed that there should be a standard that preserved farmland be actively farmed.

In some counties this discussion ultimately settled around the following idea: that the ownership of preserved farmland doesn't necessarily matter so long as the land itself remains readily available for farmers to use. As mentioned above, however, availability remains an issue, as do other impacts that "non-farmer ownership" may have. Farmers in Burlington, for instance, expressed concern about the stewardship of preserved farmland. "I don't mind non-farmers owning the land," one farmer said, "but don't abuse the land and not maintain it." This sentiment was echoed by a farmer in Hunterdon, who remarked, "People will come to me and ask me if I want to farm their land, and I have to look at it first." He said some land is not ready to be farmed because landowners have not maintained it well, perhaps because they did not care to lime it. Another issue for farmers might be the location of the land. As a farmer in Warren remarked, some land isn't being farmed because farmers aren't necessarily interested in traveling with their equipment to scattered parcels for small returns.

Another concern farmers raised was that landowners may limit the type of agriculture on their land to less intensive uses, for example field crops rather than vegetables. A farmer in Monmouth remarked, "We're creating estates for the wealthy…and the neighbors of preserved farms are happy with this condition because the land stays open in a non-intensive use – there's no noise, smell, etc." An exchange at the Burlington meeting extended this idea – i.e., that it's the landowner who ultimately controls the terms of how the land is used. (e.g., what is grown, the length of the lease, etc.) One person first commented that "we need estates so that farmers can have ground to rent and get a foot-hold in that way." This prompted another Burlington farmer to respond that the lease terms are not necessarily favorable, saying that some specialty crops, for instance fruit trees or blueberries, need longer-term leases because "it may be four-to-five years before you pick the first fruit." Regarding his own farm business, he said, "I don't even look at a piece of ground if it's not a 10-year lease."

Farmers in Somerset similarly described how some sectors (nursery, Christmas trees, and livestock were the examples they gave) are shut out by short-term leases. "The length of tenancy needs to be addressed," one person said. "You can't do anything on a year-to-year lease." They also commented that "farming right" and investing in equipment and infrastructure is expensive, and there is a disincentive to make these types of investments with short-term leases. Farmers in Salem similarly said that short-term leases are common in their area. They said that many have year-to-year leases because landowners like to increase the rent each year. Agreeing to pay more over time can get you a longer-term lease, but the longest term available is typically only three years. "You're doing something right if you can get more than this," one farmer remarked

Several hunting and wildlife-related issues were also noted by farmers when discussing the impacts of non-farmer ownership. Farmers commented that when landowners do not really farm their land, their farms may become wildlife sanctuaries and add to the overall deer problem. Other landowners, farmers noted, may rent their farms out but will not allow the tenant farmers to control the deer or other wildlife, making it difficult to protect their crops. Farmers also remarked that hunting, in and of itself, sometimes presents itself to landowners as a more fiscally attractive rental use than farming. In Hunterdon, farmers said that the value of the land for hunting is sometimes greater than the value of the land for farming. What sometimes happens, after hunting groups gain prime control of the land, is they will then pay someone to farm the ground in a way that attracts the specific types of wildlife they desire.

Ideas and suggestions from the agricultural community

With these many "use of preserved farmland" and "availability" concerns in mind, farmers discussed and suggested a variety of ideas and responses. Many of these ideas involved strengthening the terms and obligations of the deed of easement in some way. In so doing, they could help address some of the concerns associated with non-farmer ownership. They could also potentially discourage some people, whose ownership interests did not particularly include farming or agriculture, from buying preserved farmland.

One recommendation most farmers agreed on was changing the language in the standard farmland preservation deed of easement to state that preserved farms must be maintained "in" rather than just "for" agricultural production. This consensus was shared by farmers at two-thirds of the county agriculture meetings we attended. At the other meetings, people typically did not discuss the idea in as great detail, a typical comment simply being that most preserved farmland (in that particular county) was being farmed. Some farmers in one county also felt that the idea would have a negative impact on land values.

As a few people noted during the outreach meetings, the recommendation that preserved farmland be actively farmed also mirrors the positions taken by the State Board of Agriculture and the New Jersey Farm Bureau. At the past four State Agricultural Conventions (2007, 2008, 2009, and 2010), the State Board resolved that

> we strongly encourage the SADC to institute a requirement that preserved farmland be kept in agricultural production, rather than available for agricultural production, to ensure these lands continue to contribute to New Jersey's agricultural industry, and further we encourage the SADC to establish stewardship requirements for preserved farmland to ensure that preserved farmland is properly maintained.

Similarly, one part of the "Ag Retention/Farmland Preservation Program" policy adopted by the New Jersey Farm Bureau in 2007, 2008, 2009, and 2010 was the following recommendation: Revise the law to require that

> preserved farms be "actively devoted to a commercial agricultural or horticultural use," not just "available for farming." While this change may not prevent non-farmers from purchasing preserved farmland, it will increase opportunities for New Jersey farmers to lease and farm the properties as part of their overall farm operations.

While there was a general agreement among farmers that preserved farmland should be actively farmed, there was less agreement, or at least more questions and fewer answers, regarding what "actively farmed" should mean and how it might be enforced. A few people suggested tying the standard to the level of productivity in the Farmland Assessment Act. Others were critical of the Farmland Assessment's threshold and suggested using a higher standard, such as the productivity threshold in the Right to Farm Act, or yet something beyond the Right to Farm Act level. One person cautioned not to make it too "Draconian."

Whatever level is chosen, farmers' ultimate concern was making sure it was a meaningful farming standard. It should be something that encourages the use of the land for the purpose it was preserved for, particularly if a non-farmer owns the land. "Preserved farmland can't just sit there," one person said. "If it's farmland preserved, and the community invested it in, it should be in farming." Another farmer added, "If preserved farms are minimally farmed, that's insulting to other farmers." Farmers in more than one county further commented that if there is a requirement that preserved farmland be farmed, the land should not be allowed to qualify for this "active farming standard" if it has been taken out of production through a federal conservation program. One farmer in Warren said, "If we preserved a farm, can we insist it continue to be farmed or not be put in LIP?"

Regarding how the production standard would be enforced, only a few ideas were raised. For the most part, these ideas were related to establishing some type of financial penalty for not complying. Farmers in Somerset envisioned this type of provision serving as a deterrent, something that once it was enforced a few times, would become known and appreciated by non-farmer owners, and thus respected. "Seeing one person get hit with the penalty would wake the rest up," said one farmer. Another idea from Salem was to include some type of rollback penalty if preserved farmland stopped being farmed.

In addition to recommending an active farming requirement for preserved farmland, many people recommended enhancing the terms and conditions for the leasing of that land to farmers. As noted above, farmers expressed concerns regarding the length of their leases and the ability to control wildlife. Additional concerns included not always having written leases and not having access to the best legal resources. A farmer in Warren remarked how he farms 20 farms but only has 4 written leases. With these ideas in mind, some farmers suggested creating a model lease and either requiring or encouraging its use (along with a general requirement that preserved farms be leased to farmers if landowners weren't farming them). The model lease could stipulate longer-term leases (5-10 years was one suggestion for length), specify farmer hunting rights and include any other reasonable protections for farmers. Alternatively, some farmers suggested simply inserting these same types of minimum leasing conditions into the deed of easement as an additional requirement. Farmers in Somerset, citing how agriculture varies greatly across the state, suggested letting counties set their own minimum standards as a part of this process. Overall, the sentiment shared by farmers was that if a preserved farm was owned by a non-farmer (i.e., someone not prepared to farm the land), the land should be leased to a bona-fide farmer in a tenure-secure way. The terms should be acceptable to farmers and let them do what they need to do.

Some farmers also recommended strengthening the stewardship obligations that come with owning a preserved farm – and making sure that potential buyers are aware of these obligations. One idea in this regard was to require that landowners not only have, but also implement, a farm conservation plan. Another idea was to expand the county's role by having CADBs do more education with potential owners regarding their obligations for maintaining preserved farms. Farmers on the Burlington CADB said they had done just this with potential bidders during the CADB's previous round of fee-simple auctions. A related recommendation was that CADBs could be more detailed in keeping track of farms' stewardship issues and practices. In general, farmers described how these ideas could serve two purposes: They would discourage non-farmer ownership, and they would encourage non-farmers, if they did buy preserved farms, to either be good stewards of their farms' resources or to lease the land to farmers who would take care of it. Some farmers said this could also help landowners to appreciate the value of the farmers who lease and maintain their land. One person in Burlington, referring to the stewardship ideas noted above as well as to the idea that preserved farmland should be actively farmed, remarked in summary, "Let's make the duties under the deed of easement real."

One final general idea suggested by farmers was that the SADC or CADBs could also hold onto and lease out some of the land it has purchased in fee-simple (rather than reselling it at auction). This preserved land (and other town, county, and state-owned land for that matter) could be made available to new and established farmers using the type of model lease terms discussed above. Farmers also discussed the idea of creating an agricultural land trust that could, as one of its functions, do the same type of thing. As it turns out, an agricultural land trust was subsequently created by the NJ Farm Bureau, with the new organization holding its first board meeting in September 2007.

<u>The affordability of preserved farmland</u>

As noted above, some people felt that the ownership of preserved farms didn't matter so much as ensuring that the land remained available for farmers. Others farmers, meanwhile, felt it was important that farmers be able to own and directly control the use of preserved farmland. To the farmers in this second category, including those who registered some of the “use and availability” concerns contemplated above, farmland affordability remained an important issue.

One factor farmers recognized as contributing to the increase in preserved farmland values was the presence of non-farmer buyers in the marketplace. Farmers commented on how non-farmers are attracted by the residential value associated with preserved farms. Many people used the term “estate value,” implying that a component of value exists over and above the land’s agricultural value. A farmer in Mercer commented, “Farmland preservation is meant to make land more affordable, but it doesn’t.” Another farmer remarked, “Once you put an improvement on the farm, it’s not affordable.” In general, the sense was that although preserving a farm retires its development rights, some speculative non-agricultural value still remains.

Additional comments reinforced these ideas. A farmer in Somerset said, “Real estate agents who have wealthy clients looking for a house will tell their clients, ‘Why buy this 10-acre house lot when you could pay just a little more and get this 35-acre preserved farm with a house instead?’” His point was that smaller-sized farms with houses are attractive to wealthy, non-farmer buyers. “At 50 acres and under, or whatever the threshold is,” he said, “if it has a house, it’s an estate.” A farmer in Hunterdon added that local townships know they can get more money back from farms they have preserved if they can resell them with housing opportunities. A person in Monmouth, commenting on what he felt was the general attraction of preserved farms, remarked, “Purchased privacy is the new symbol of wealth.” Being able to purchase privacy amidst urbanization, he said, conveys the achievement of success and money. Another person in Morris added that as the supply of preserved farms grows, the farms “will become an irresistible magnet for people who want to do non-farm things.” The one exception to these ideas came from farmers in Atlantic, who said that in light of Pinelands-related land-use restrictions, non-farmer land-buyers in their area were currently more interested in smaller (non-preserved) 5-10 acre parcels since these lots were easier to build on.

The discussion on affordability – which often grew out of the presentation’s graphs showing the increases in preserved farmland values over time – also included farmers’ observations on the ability of different types of agriculture to afford (or not afford) a preserved farm. “You ain’t going to buy one with corn and soybeans,” said a farmer in Sussex. Commenting on the values in north Jersey, a farmer in Atlantic similarly said, “How can you afford those prices and grow grain?” Referring to the statewide average resale value of preserved farmland ($11,334/acre in 2005), a farmer in Salem added, “The sectors in this room (e.g., vegetable, dairy) can’t cash-flow $11,000/acre land.” In Morris, after showing a graph of the county’s farmland preservation values, we asked, “What does this $20,000 per acre figure mean?” One farmer’s response was, “It means that farmers aren’t buying preserved farms. Only equine farmers can buy it.” This general idea, that farmers with higher value crops or businesses can afford to pay more, was reiterated by people in other areas. The Monmouth CADB said that of the farmers who had recently purchased preserved farms in Monmouth, almost all of them were equine farm operators. A farmer in Middlesex added that nursery and sod farms have also helped bid land prices up. These types of farms “have been either the high or back-bidder at recent Cranbury auctions," he said. A farmer in Salem similarly said that "nursery is one sector that can afford to pay more than others."

In conjunction with the graphs showing preserved farmland values, two general questions we would ask were, "How do these figures compare with farmer earnings?" and, "What agricultural sectors can produce enough income to cash-flow an $11,000/acre purchase price?" Farmers' responses to these questions fit into the following categories: direct answers such as the comments in the paragraph above (e.g., "most farmers can't afford preserved farms"); requests that more statistical research be done on what different sectors can or cannot afford (we had referenced some initial research done by Rutgers); and other comments urging a look beyond just the income potentials of various agricultural sectors. Farmers said that some growers, regardless of sector, can afford to pay more because they have additional resources to draw from. These resources might include the ownership of another farm whose operation could help spread the purchase impact around, or income from the sale of a separate farm.

Several farmers focused on this last item in particular. They said another factor contributing to the increase in preserved farm values was the movement of established farmers from higher land-priced areas to lower land-priced areas. When farmers made this type of move, the sale of their relatively more valuable farm meant they had more resources to draw on for purchasing the new farm. Regarding recent auctions and resales of preserved farms, a farmer in Atlantic said that many south Jersey farms had been purchased by farmers from north Jersey since they (north Jersey farmers) could out-compete farmers from the south. People also highlighted the use of the "1031 exchange" tax provision, a powerful benefit that reduces a person's tax exposure when selling one farm and buying another – and thus enables them to pay more.

Several of the observations and ideas discussed above were brought together in the comments made by an individual farmer in Cumberland. Describing his view of the affordability situation in his county, he said,

> In terms of a piece of ground's agricultural productivity for vegetables, the ground can support a farmer paying about $2,000/acre. This is about how much you can afford to pay for it, i.e., to run the farm and pay your bills and mortgage, if the only means of supporting that investment is your ag operation.

He then listed the types of people who he felt could afford to pay more than $2,000/acre: non-farmers, farmers who have additional jobs, nursery farmers, farmers who own other farmland that doesn't need to be paid off, and people who have sold other land and now have more cash to invest in a new farm. To give an example of this last type of person, he said that if a vegetable farmer sold another farm for $8,000/acre, that farmer could then pay up to $10,000/acre for the new farm – the $8,000/acre he now had on hand plus the $2,000/acre that the new land's agricultural productivity would support.

Two additional ideas people offered for the increases in appraised and resale farm values were that a greater number of smaller farms were being preserved and that buyer optimism was playing a role. In Morris, the CADB wondered if part of the increase was due to smaller farms now making up a greater percentage of their applicant pool, since such farms typically appraise for more. In Monmouth, one person added that some farmers had been paying more for farms (more than they could cash-flow just from farming) because they either owned other farms that could help support these purchases or were optimistic about the future of agriculture and their business (or both). He added that locally, some relatively high prices had also been paid recently for farms because farmers had made some poor business decisions.

In terms of affordability in general, several people said that affordability was not necessarily a new issue. A farmer in Mercer remarked that farmers couldn't afford farmland in the 1970s, in the sense that they couldn't cash-flow the purchase of a farm based solely on that farm's productivity (i.e., its revenue-generating capacity). A farmer in Middlesex echoed this idea, saying he had only been able to buy a farm back then with the help of other farms that he had owned. Someone also remarked that "affordability is a bigger problem today since the price of land has gone up so much in comparison to the prices for ag products, which haven't gone up very much." Related to this idea were a few other people's comments that today's high costs of doing business should be another component of the affordability discussion. Farmers in Morris and Hunterdon added that the extent of a farm's infrastructure (agricultural and non-agricultural) plays a role as well. In Hunterdon, one person felt that the infrastructure that could be added as part of a new equine or horticulture operation (e.g., indoor riding arenas, greenhouses, parking areas, etc.) would do more to impact a farm's affordability than a 5,000 sq ft. house. In Morris, people also questioned the appropriateness, and the affordability impact, of allowing cell towers and other non-ag uses on preserved farms.

Notwithstanding some of the general comments above (e.g., "preserved farmland isn't affordable" and "farmland preservation doesn't keep farmland affordable over time"), some people still noted how farmland preservation had been or is still used as an initial viability or affordability mechanism. In Atlantic, one person remarked that a lot of farmers "wouldn't be in business if it weren't for the program." In Salem, a few people described how some established farmers have used the program to expand their operations. "People are purchasing farmland," one Salem farmer said, "and in order to afford it, they preserve it." Then, after preserving that farm, they'll use the money they get to buy another farm and work to preserve that one, too. People said that land appreciation is starting to become an issue in this process, though. "Once land passes about $4,000/acre, you can't afford to buy and hold it," another farmer said. Further complicating matters is the fact that funding is not always available for qualified farmland preservation applications. "It's difficult to buy non-preserved land now," one person said, "because you can't immediately preserve it."

Ideas and suggestions from the agricultural community

For the many farmers who felt that farmland affordability was an issue, the discussion on how to address affordability focused in part on how to address the impact of houses and housing opportunities on preserved farms. Farmers agreed, as noted above, that houses attracted non-farmer buyers and helped to produce the "estate value" that could make a farm unaffordable. The presence of non-farmer owners could also led to the use and availability concerns already discussed. With this in mind, farmers suggested and discussed several main ideas, including the following: preserving some farms without housing opportunities; limiting the number and size of houses permitted on newly preserved farms; using only RDSOs (rather than exception areas) for housing opportunities; exploring further the Option to Purchase at Agricultural Value tool; and making some affordability-oriented changes to the fee simple program.

The rationale behind the first of these ideas was fairly straightforward: If you take away a non-farmer's main attraction to the farm (the house), the non-farmer buyer would theoretically disappear. Farmers in at least five counties discussed and debated this idea. In Burlington, one person commented that while many people lease and farm multiple parcels, they only need to live on one of them. If some land could be preserved without a housing opportunity, this would make it more affordable and accessible. "Existing farmers looking to expand don't need more houses, just more land," the person said. A real-life example from a farmer in Hunterdon reinforced this idea. He described how he would have liked to have been able to purchase a farm nearby that he had been renting for the past 40 years, but the farm had a house and was very expensive. "We took care of it and farmed it like it was our own," he said, "and for the past two years [i.e., the time it's been up for sale], we've been in a holding pattern waiting to see who's going to buy it." A farmer in Warren similarly remarked that it should be possible for a farmer to buy an adjacent farm he has been farming and needs to expand onto in order to stay in business, when that farm goes up for sale. One idea contemplated regarding these cases was whether the house could be disconnected from such a farm to make the land more affordable.

A farmer in Somerset added the idea that at whatever the estate threshold is – i.e., the acreage under which farms with houses would become "estates" (he suggested 50 acres and under) – farms under that size should be preserved without houses or housing opportunities. In Cumberland, a farmer noted how Massachusetts uses this strategy in its program, but with all of the farms it preserves. Massachusetts separates the house from the farm during the preservation process, he said, and along similar lines, he suggested creating areas in New Jersey where newly preserved farms wouldn't have houses but where housing opportunities would be available nearby.

One question that farmers in several counties asked was, for the few farms (there were four of them) that the SADC had auctioned without housing opportunities, what were the prices and had it been farmers who bought them? We researched these questions and found that for these four farms, the absence of a housing opportunity did impact two areas: who showed up to bid and what the final prices were. It turned out the majority of the bidders at these auctions were farmers, as opposed to other auctions where the bidder pool is typically a greater mix of farmers and non-farmers. Regarding the final auction prices, the prices were competitive but not as high as they would have been had the farms been auctioned with a house or a housing opportunity. In this sense, the farms were more affordable.

The main comment given in opposition to the "preserve some farms without housing opportunities" idea was that farmers would not be able to live on these particular farms. A person in Hunterdon also wondered whether non-farmers could circumvent this strategy by buying the bare preserved farmland as well as a house lot adjacent to the farm. Another person felt the idea would make the whole package (buying a farm as well as a house) more expensive for new farmers and possibly result in more right-to-farm issues. In Morris, one person added that agricultural labor housing should also be considered under such a housing policy. He said the CADB has gotten requests to construct agricultural labor housing on preserved farms that didn't have housing opportunities. "It's awkward," he said of the situation, "to say the owner can't live there but his ag labor can."

More hotly discussed was the idea of limiting the house size on a preserved farm. Farmers in some counties supported this idea, while farmers in other counties either opposed it or were split. In general, for every person who felt that such a limit would accomplish one or more objectives – e.g., help discourage non-farmer buyers, make farmland more affordable, and eliminate the most egregious examples of huge houses on preserved farms – there was another person who felt the idea would be controversial and wouldn't be able to singularly address every affordability concern. For every comment such as, "You can't have people buying preserved farms, putting large houses on them, and saying, 'Look what I've got,' and not farm it," there would be another comment like, "What if you're a successful farmer and want to have a 7,000 sq ft house?"

Additional comments from around the state help extend and flesh out these different points of view. At the meeting in Warren, for instance, the initial consensus was that non-farmer ownership and extremely large houses on preserved farms was OK as long as the land remained available for farming. "Who cares if they have a 20,000 square foot house if a farmer can lease the land and is able to satisfactorily take care of it?" one person said. This prompted not only a discussion of the availability concerns mentioned earlier, but also led to the following response from one person regarding affordability: "If someone wants to put up a 20,000 square foot house, they probably have enough money to buy a separate lot for it instead." He followed this up by commenting, "Is the purpose of the program to promote houses or to promote farming?" A farmer in Cumberland echoed this idea, remarking, "I don't want my tax dollars to subsidize some doctor's estate." Farmers in Salem similarly said that if people want to build a large house, they don't have to do it with a preserved farm. One farmer added that some farmers, in fact, "have a piece of ground they've set aside [outside of farmland preservation] where they could have a big house if they wanted."

Further regarding support for house size limits, the initial consensus in Salem was that establishing a reasonable limit made sense in that it would discourage the huge non-farmer estate buyer. “A limit like 3,500 square feet would take away the NFL football players” and help address public perception issues, one farmer said. A 3,500 sq ft figure would also mirror the SADC’s current limit in the fee simple program. Farmers in Hunterdon supported some type of limit as well, and people in Mercer noted how their county has had a standard in place for several years (4,000 sq ft). In Somerset, some CADB members felt that the house size should fit in with the surrounding area. This idea had led them to set a relatively larger limit in one recent auction in Montgomery (6,000 sq ft). In Sussex, one person commented that if a bona-fide farmer buys a preserved farm, he or she should at least be able to build a modest house.

Opposition to the house size limit idea generally focused on a couple of ideas. One was the idea that if farmers are successful, they should be able to build a large house if that’s what they want. “It’s no one’s business how big the house is,” a person in Gloucester said. “That’s his land and his right.” Another response centered on the idea that additional restrictions (of any type) shouldn’t be added to the deed of easement because they might discourage participation in the program, which would result in fewer acres preserved. One farmer commented, “The most important thing is preserving the ground – if you don’t preserve it, it’s gone.” A farmer in Salem further remarked that if everyone’s use and availability concerns could be addressed through other means – for instance through an active farming requirement and stronger leasing standards – then house size limits might not be necessary. A farmer in Somerset added the idea that a limit, in and of itself, would not be enough to address farmland affordability. “The size of the house is academic,” he said. “I couldn’t afford it with a 2,500 square foot house.” This comment echoes the already mentioned thoughts of another Somerset farmer, who said, “Once you put an improvement on the farm, it’s not affordable.”

Another affordability-related idea suggested was to use only RDSOs for housing opportunities. This would make the residency standards on a preserved farm more farmer-focused. Rather than having unrestricted housing opportunities on large exception areas – a set of conditions that farmers in Atlantic and Burlington agreed is attractive to non-farmer buyers – using only RDSOs would mean that a person would need to be actively engaged in the farm’s operation in order to live in the house.

Farmers in many counties also discussed the Option to Purchase at Agricultural Value (OPAV), a deed-of-easement tool used in Massachusetts and Vermont as part of those states’ strategies for addressing farmland affordability. Over the course of the discussion in New Jersey, some people supported implementing this tool in some way to make farmland more affordable, while others did not. Many, meanwhile, had questions about OPAV and said they wanted more information on how, exactly, it would work. (For reference, a concise overview of the tool, originally written by SADC staff for these outreach meetings, is appended at the end of this document.) In its simplest sense, OPAV represents an additional right that is purchased at the time of preservation to ensure that preserved farmland is later resold at agricultural values. This broaches the idea that when farms are preserved (through the current process), they retain more than just an agricultural component of value. As a farmer in Cumberland remarked, "the after value isn't just the ag value" – there is more to it than that. What OPAV attempts to do is buy up and retire the extra, non-agricultural value during the standard farmland preservation process. Because an additional restriction is added to the deed-of-easement to accomplish this, the farmer gets more money up front for the easement. "OPAV would be a one-time cash payment that gets you to ag value," was how one person in Somerset put it. The ultimate result is that the land would remain more affordable in the future.

The comments of those opposed to the Option to Purchase at Agricultural Value idea revolved mostly around those people's desire to maintain the farmland preservation program the way it is. Some felt that any changes in the program, particularly anything related to farm values, would discourage participation and result in fewer applications. Representative of these ideas were the following comments from some farmers in Morris: "The more parameters we have, the bigger mess we have;" "You shouldn't make it more complicated;" and "You shouldn't add artificial market restrictions." In response to these ideas, it was noted that the program already affects the market, since the nature of the easement (i.e., buying rights, adding restrictions) affects how farm properties are used and subsequently valued.

Another typical comment was that the program shouldn't set a cap on preserved farmland values. Actually, OPAV wouldn't set a cap or place a limit on the value of a farm. What it would do is specify that a farm could only be sold at a fair-market agricultural value. This value would be determined based on what the market will pay – i.e., what a farmer is willing to pay for the land (when competing with other farmers) in order to operate a profitable farm business. The other traditional part of a preserved farm's value (i.e., the additional residential or "estate" value) also would not be lost; it would have already been paid for through the OPAV mechanism at the time of preservation. Overall, the idea is that farms' values would continue to appreciate but on a farm basis.

Some people also expressed concerns about how any potential changes to the program would affect current owners of preserved farmland. In response to these comments, we reiterated that already preserved land would not be affected. Any changes made to the program (e.g., applying leasing or housing standards, or using OPAV) could apply only to farms preserved in the future. The rights of existing preserved farms would not be affected. Another concern some people had was related to how much money might be needed to implement OPAV. Because easement prices would be greater in order to reach a farm's agricultural value through OPAV, using OPAV would cost more. One person in Monmouth said, "Sounds like a good idea, if you have enough money to do it." In response to this idea, farmers offered several suggestions, including the following: Make it a voluntary component of the program (i.e., applicants could choose whether or not to include it with the other deed restrictions); use it only in certain geographic areas or counties; or use it only with certain farmland preservation programs. A related SADC idea was to look into if, and how, tax-benefit provisions (e.g., HR 4) could apply if a person chose to donate the extra easement value that OPAV creates.

In Cumberland, one person suggested using the fee simple program as a way to pilot OPAV and to demonstrate how it worked. He said that doing so could help educate appraisers as well as the public about how the "ag value" is less than the "after-value" and how this would make easement prices greater. A farmer in Sussex similarly suggested that OPAV be used only with the fee simple program. People also recommended that the SADC do sufficient outreach and education should the OPAV tool be used in any way. Another suggestion from the agricultural community touched on how to define a "farmer" for the purposes of implementing OPAV (e.g., in Vermont, the "Option" is automatically waived when a farm is being transferred to a qualified farmer). In Hunterdon, people recommended that any definition of farmer be based on a person's sources of income – i.e., that a certain percentage of one's income should have to come from agriculture.

Aside from being used to possibly pilot OPAV, the fee simple program was the subject of some additional affordability ideas shared by farmers. One idea was that rather than the SADC reselling all the land it had purchased (or leasing some of it, as mentioned in the "availability" discussion earlier), it could offer some of it back to farmers through lease-purchase agreements. Farmers could present a business plan to qualify themselves, and after leasing the land for 5 years (or some other period of time) and getting settled, they could pay the rest of the amount back as a lump sum. "Let him get established and see if he can make it," one person said. "Not having to pay it all right off the bat" would make it more accessible and affordable, he added, noting that this could help young farmers access land, too. A second idea was to allow only farmers to bid on farms that had been preserved through the fee simple program. One thought people had for implementing this idea was to create bidding criteria specifying that in order to bid, a majority of a person's income would have to come from agriculture. This approach would also require a provision to ensure that future transfers would be held to the same standard. Otherwise, the initial buyer could simply turn the farm around to another person who would pay much more than agricultural value, and the initial availability/affordability benefit would be lost.

Further regarding the fee simple program, people in Burlington and Morris suggested modifying the way in which fee simple farms are prepared for auction and then advertised. The Burlington CADB described how for its round of auctions in 2006, it followed a few famer-centric tenets. It divided the farms into manageable sizes, e.g., about 100 acres, and used RDSOs when possible. It also spoke with all potential bidders "to make sure they knew what they were getting into" regarding the stewardship and maintenance obligations of owning a preserved farm, and to explain how RDSOs come with certain restrictions or non-guarantees. The CADB also gave the auctioneer rules for how he could market the farms. A person in Morris echoed this idea, saying, "You can control how and to whom you advertise the farms." According to the Burlington CADB, the result of this overall approach was that the farms, in this case, were purchased by farmers of high-value crops at fair prices. Notwithstanding this outcome, farmers and others at the Burlington meeting still commented on and made suggestions regarding many of the availability and affordability concerns outlined throughout the preceding narrative. This reinforces the idea that the issues are complex and that addressing them will likely require looking at a variety of ideas.

Additional comments and ideas from the agriculture community – new farmers, farm financing, and land availability in general

In addition to the narrative above, farmers shared many additional comments on farmland availability and affordability during the outreach meetings. These comments focused primarily on the following topics: the access-to-land issues faced by new farmers (and some ideas for assisting new farmers); farmland affordability from the financing (as opposed to the land-value) side; and the availability of non-preserved farmland.

Regarding new farmers, one initial observation that several farmers made was that there aren't very many of them and that more should be done to support and encourage them. A farmer in Cumberland asked, for instance, "Why aren't we keeping young farmers?" Added another farmer in Warren, "We need to get the younger generation interested in farming." Others noted that many of the people who are interested in starting farms now and getting involved in agriculture are coming from backgrounds other than farming. The children of farmers, meanwhile, are not necessarily following their parents' paths. As one person in Mercer put it, "Not everyone does what their parents do. My dad is in insurance and I'm doing this [agriculture]."

Regarding availability and affordability, several farmers said that new farmers face the same issues that established farmers face, if not more. A farmer in Warren, for instance, said it's difficult to get started if you don't have land and other resources passed down to you. A farmer in Somerset added, "I'm young farmer, and there's no way I could afford a farm, even at $3,000-$5,000 per acre." These sentiments were reiterated by a person in Sussex, who remarked, "Young farmers aren't able to buy farms here – just like other places." People also noted that new farmers (typically the younger ones) often have few outside resources to draw on to help cash-flow a farm purchase. Farmers said that this lack of equity and collateral makes it more difficult for beginning farmers to get loans. The one exception that famers gave to these ideas was if someone had come to farming later in life with more non-agricultural resources available, such as money from a corporate job.

Farmers' discussion of the "access-to-land" issues faced by new farmers also included some criticisms of the farmland preservation program. Reflecting on the program in general, a farmer in Middlesex said, "The initial idea of farmland preservation was that ag would continue because we could get new farmers on the ground, but this unwritten tenet has been lost." He felt that preserved farmland was neither available nor affordable for new farmers, concluding, "The ultimate goal is being overlooked; we're more concerned with acres than preserving farmers." Commenting on and critiquing the situation in general, a person in Hunterdon added, "If I was starting out and getting established, I'd want to own and control and be able to invest in the land. Why [try to] do it in New Jersey when I could do it in Pennsylvania 100 miles west?"

Farmers suggested several ideas in response to these concerns. One area that farmers focused on was the USDA Farm Service Agency's programs for beginning farmers. To help address a new famer's farm-purchasing ability, a person in Mercer suggested that FSA increase its beginning farmer loan minimums. Another person remarked that FSA's "inventory land" – i.e., farms that FSA has foreclosed on and then sells back to the public, with first priority given to beginning farmers – was too expensive. He suggested that this land instead be offered to beginning farmers through lease-purchase arrangements. "If they [FSA] could hold it and lease it out," he said, it would make it more affordable. Commenting on the situation in general, a farmer in Cumberland added, "FSA ought to have a better program to help young farmers access land." Several non-FSA ideas were also suggested by farmers. A person in Burlington, for example, suggested that tax incentives be considered to help facilitate farm transfers from one generation to the next or from one farmer to another. A person in Cumberland added that the Department of Environmental Protection could also lease its open, farmable land to new farmers. And a farmer in Burlington suggested that the SADC's outreach process include speaking with FFA, Cook College, young farmers and other related individuals to ask them what they think and what they need.

One additional idea a few people suggested was establishing a farm business incubator to help new farmers access land and experience. Under this idea, a non-profit, university or public body would 1) lease out a portion of the land it controls to qualified beginning farmers, and 2) provide them with shared, affordable access to resources like equipment, farm infrastructure, and guidance from experienced farmer mentors. This would enable beginning farmers to develop skills, networking opportunities and markets without having to invest heavily in land and infrastructure.

During the outreach meetings, we mentioned the existence of a few model incubator programs we were aware of (two general ones operating in Massachusetts and Vermont). A farmer in Somerset mentioned reading about another such program (one to help new dairy farmers in Pennsylvania), and at least one organization in New Jersey (NOFA-NJ) has done some research on the feasibility of setting one up (with some plans to move forward on it as part of a greater, working lands center for new and established farmers). Regarding how such an incubator program might work in New Jersey (if Rutgers were involved), one farmer envisioned it being organized in the following way: Rutgers and/or community colleges could coordinate it with assistance from the industry, and beginning farmers would apply for the program (i.e., apply to access a portion of the farm's land and other resources) by completing some agricultural business coursework and submitting a written business plan. These plans would then be reviewed by Rutgers faculty and industry leaders and be scored based on their probability for success. Along somewhat of the same lines as the farm incubator idea, a person in Ocean also commented that the N.J. Department of Agriculture should start an easily accessible mentor program to assist new farmers.

Of the handful of "new farmer" ideas mentioned above, one in particular – the idea of increasing FSA's beginning farmer loan minimums – touches on another idea that a few people raised: that of addressing a famer's inability to afford a farm by focusing less on the land-value side and more on the financing side. This idea essentially recognizes how there are two approaches to overcoming the farm ownership barrier of a farm's cost. One approach is to make the farm more affordable, e.g., through farmland preservation and other ideas (such as preserving the farm without a housing opportunity). The other approach is to make the buyer more able to afford the farm's advertised price, e.g., through financial assistance such as farm loans.

In Morris, one farmer suggested a focus on this second approach and gave a detailed description of her idea for a new "Farmland Loan" program. In this program, New Jersey would provide a state guarantee on loans made by private institutions and secured with the farmland itself as collateral. To qualify for one of these state-guaranteed loans, a person would agree to follow various provisions (inserted within the loan-debt agreement) designed to address some of the use and availability concerns mentioned earlier. The agreement would require that the loan holder actively farm the land, for instance, and follow specified agricultural management practices. The loan could also include financial incentives, such as a lower interest rate, to encourage people to employ additional conservation measures. Finally, a flip-fee provision could be added to ensure that the program does not become a speculative vehicle for land investments. Overall, this Farmland Loan idea stemmed from the farmer's perspective that any new availability/affordability land requirements – e.g., that the land be farmed, be properly stewarded, and have a farm conservation plan implemented – should be "attached to the vehicle used to fund a farmland acquisition [rather than] attached to the property deed."

In addition to new farmers and farm financing, a topic that farmers discussed was the availability of non-preserved farmland. Several people commented on how the use and availability concerns associated with preserved land were present with non-preserved land, too. In Gloucester, one farmer commented that a lot of people have year-to-year leases, with some of the leases on "approval ground" – land that has approvals for development. "We have a lot of 'hold-your-breath' leases," he explained. "[People sign contracts for one season] and you hold your breath and hope you can get them again the next year." A farmer in Salem added that on non-preserved land in his area, the length of a lease typically depended on the motivations of the owner. The lease term could be short, or it could be long.

Along with these tenure-security concerns, people said that some non-preserved farmland (as they had said was the case with preserved land) was not being used as productively or being made as available as it could be. One particular area that drew farmers' criticism was the Farmland Assessment Act, with people citing the Act's productivity thresholds and its sometimes lax enforcement by local assessors as their primary concerns. "How can a property get Farmland Assessment and not really be farmed?" a person in Monmouth said. In Mercer, another person remarked that if the Act's issues were addressed, it would open more land up for farming. Citing a concern related to larger farms, he said, "If you have 100 acres but only have to make the same amount as someone with 6 acres, then the land is not being used productively." A general suggestion that farmers in several counties made was to raise the Act's required level of productivity. This would create a greater incentive for farm owners to keep the land in active production. It could also result in more land being leased out to farmers. Regarding where and how to set this new threshold, only one suggestion was offered. A person in Morris suggested that after increasing the standard to some new appropriate level, it should be indexed to inflation. Another general idea someone suggested was to include a “per-acre productivity criterion” in the Act so that larger tracts would similarly have greater productivity. The one opposing view to these suggestions came from a person in Gloucester. Concerned that any adjustment to the Farmland Assessment Act could lead to some open land being developed, he supported maintaining the Act the way it is.

Making publicly-owned farmland more available and making better use of the Farm Link Program were the final two availability-related ideas that people raised. Regarding the use of public land, several farmers said that the Department of Environmental Protection should make more of its land available. “Any DEP land that could be farmed and is lacking management should be made available for farming,” said a person in Somerset. Another person recommended that any available DEP land be leased to young farmers first (as alluded to above), commenting that this could help “solve two problems at once.” (The SADC has worked with DEP to establish model lease terms for the farmland that DEP owns.) In Ocean, a farmer also suggested that the SADC work with military bases to have the bases lease some of their land for agriculture. He said this is done a lot on the west coast and that the state could play a brokering role in the process. Another person said that additional township and county-owned open land could be leased for farming. In terms of the township land that does get leased, a farmer in Mercer added that towns should be required to put this land out to bid on a more regular basis. “The same farmers keep getting their leases renewed year in and year out with no competition from publicly advertised bids,” this person said, criticizing how the process is handled in his town.

Regarding the Farm Link Program, a number of farmers recommended that the SADC conduct more outreach to remind people that the program exists and to make others, who may not be aware of the program, more aware of it and what it offers. Indeed, several people indicated they were not too familiar with the program. One person, in fact, recommended establishing a program that could help connect people who have farmland with people who are looking to farm. The fact that this description matches one aspect of what the Farm Link Program is set up to do is illustrative of the need for additional outreach.

Policy recommendations

Compiled here, based on the input provided by the agricultural community during the 2007 local outreach meetings, is a list of initial policy ideas for working on farmland availability and affordability in New Jersey. As alluded to in the narrative above, no single recommendation will be able to fully address every issue. Collectively, however, the ideas (some of which recall the efforts of the earlier task force) have the potential to improve opportunities for farmers in New Jersey. The ideas outlined below from the agricultural community represent a new starting point for discussing this work.

<u>Use and availability of preserved farmland</u>

A. Strengthen the terms and obligations of the farmland preservation deed of easement, to ensure that preserved land is farmed and available for farmers

1. Require that preserved farmland be actively farmed

    a. Change the language in the deed to say that preserved farmland must be maintained "in" rather than "for" agricultural production

        i. Choose an appropriate level of production that would create a meaningful farming standard (e.g., the Farmland Assessment, Right to Farm, or some other level)
        ii. Specify that farms would not qualify for this "active farming standard" if they were taken out of production as part of a conservation-related program
        iii. Decide on how to enforce the standard – one suggestion was some type of financial penalty to serve as a deterrent

2. Strengthen the leasing terms and requirements for when preserved farmland is owned by non-farmers

    a. If the land is owned by someone not prepared to farm it, it must be leased to a bona-fide farmer in a tenure-secure way

    b. Insert minimum leasing conditions into the deed of easement, or otherwise create and require the use of a new model lease with these same conditions

        i. The lease terms should stipulate longer-term leases, specify farmer hunting-rights, and include any other reasonable protections to ensure one's ability to farm
        ii. To ensure tenure-security, the standard lease terms should include a minimum lease-term length (e.g., three years)

3. Enhance the stewardship obligations that come with owning a preserved farm

a. Require that landowners not only have, but implement, a farm conservation plan
b. Make potential buyers better aware of what their obligations would be if they were to buy a preserved farm (i.e., regarding maintaining, stewarding and farming it)
    i. Have the CADBs and the SADC do more education, particularly with potential buyers of farms to be auctioned
    ii. Have the CADBs and the SADC keep better track of preserved farms' stewardship issues and practices over time

B. Have public bodies that own and control preserved farmland lease some of it to farmers using at least the same model lease conditions discussed above

1. Have the SADC, CADBs, towns, etc., hold onto and lease some of the land it has purchased in fee simple, rather than reselling it at auction

C. Have private entities (e.g., the NJ Agricultural Land Trust) similarly hold onto and lease some of the preserved farmland they own

D. Conduct more research to get a better picture of the availability situation

1. Determine the extent to which preserved farms that are purchased by non-farmers (through the fee simple program or other transfers) are being leased out and actively farmed

<u>Affordability of preserved farmland</u>

A. Create a farmland preservation housing policy to address farmland affordability/availability concerns, and public perception issues, associated with houses and housing opportunities on preserved farms

1. Preserve some farmland in the future without housing opportunities

2. Develop appropriate limits for the number and size of houses on newly preserved farms

3. Use RDSOs rather than exception areas when reserving future housing opportunities on farms to be preserved

4. Include and address agricultural labor housing in the new housing policy

B. Further explore the use of, and provide more information/outreach on, the Option to Purchase at Agricultural Value (OPAV) affordability tool

1. Use the fee simple program (or some other logical subset of the farmland preservation program) to pilot the use of OPAV and demonstrate how it works

2. Consider implementing OPAV in other parts of the program, e.g.:

    i. Use it on a voluntary basis (applicants could choose whether or not to include it with the other deed restrictions)
    ii. Use it only in certain geographic areas or counties
    iii. Use it only with specific preservation programs or partners

C. Modify elements of the fee simple program to make the program's land more affordable and available

1. Make some fee-simple land available through lease (as mentioned above) or lease-purchase arrangements, rather than reselling it at public auction

2. Auction some land without houses or housing opportunities

3. If auctioning a farm with a future housing opportunity, do so via an RDSO

4. Auction some land with the OPAV affordability mechanism, to pilot and demonstrate OPAV's use (as mentioned above)

5. In the lead-up to auctions, control how and to whom the farms are advertised

    i. Market them to farmers, and not to non-farmers
    ii. Educate all potential buyers regarding the stewardship and maintenance obligations that come with owning a preserved farm

6. Create bidding criteria specifying that only farmers can bid on the land (e.g., in order to bid, a majority of a person's income could have to come from agriculture), and ensure that this affordability/availability benefit runs with the land

D. Consider ways to increase farmers' ability to pay for farms (i.e., also look at the farm financing side of affordability, as opposed to just the land value side)

1. Increase the loan minimums in the USDA Farm Service Agency's beginning farmer loan program

2. Consider a new program in which the state provides a guarantee on loans made by private institutions, with the loan-debt agreement including various provisions to address "use and availability" concerns (e.g., the

farmer must actively farm the land, follow appropriate stewardship practices and implement a farm conservation plan)

E. Conduct additional research to get a better picture of the affordability situation

1. Update the graphs from the outreach presentation to include the most up-to-date appraisal and resale information (i.e., to include available data from 2006 to 2009)

2. Support continued research plans by Rutgers to do a more in-depth analysis of recent resales of preserved farms, e.g., to understand what contributes to farms' values and the increase in values over time

3. Support continued research by Rutgers to model and analyze what different agricultural sectors can afford to pay for a farm, based on that land's agricultural productivity

4. Coordinate additional research with CADBs

   i. Expand the SADC's sample of who has bought preserved farms and whether the land is being farmed
   ii. Collect additional examples of farmers attempting or wanting to buy/lease a preserved farm but not being able to

<u>Access to land for new farmers</u>

A. Develop new programs or modify existing ones to help beginning farmers gain access to land and experience

1. Support the creation of a farm business incubator to provide beginning farmers with affordable, shared access to land, equipment, farm infrastructure, and guidance from experienced farmer mentors

2. Create a mentor program to assist new famers

3. Modify the USDA Farm Service Agency's "inventory land" program to make the land more affordable, e.g., make it available through lease-purchase arrangements or preserve it (if it's not preserved) before selling it

4. Increase the FSA's beginning farmer loan minimums (as mentioned above)

5. Create tax incentives to help facilitate farm transfers from one generation to the next or from one farmer to another

6. Continue outreach with FFA, Cook College, young farmers, and others to ask them what types of programs would best assist new farmers

Availability of farmland in general

A. Develop a model lease or model lease terms for non-preserved farmland, to increase the tenure security and availability of this land

B. Work with other public entities (e.g., state agencies like DEP, municipalities and counties, and other bodies like military bases) to make more publicly-owned farmland available to farmers

C. Conduct more outreach for the Farm Link Program to increase the use of the program and people's awareness of what the program offers (e.g., how one function of the program is to help connect farmland owners with farmers seeking access to land and farming opportunities)

D. Increase the Farmland Assessment Act's required level of production to encourage farm owners to use their land more productively and lease it to farmers

Appendix

A. The SADC's outreach presentation
(PowerPoint presentation used to begin the discussion with county boards)

B. Introduction to the issues and some discussion topics
(Document shared with county boards in advance of the meetings)

C. Programs and models from other states
(Background document that has a synopsis of the Option to Purchase at Agricultural Value (OPAV) affordability tool used in MA and VT)

D. Additional background information, e.g., related news stories, excerpts from statutes/regulations, reports and summaries

Please note: all of this appendix information is available on the SADC website at http://nj.gov/agriculture/sadc/news/hottopics/availability.html.

\S:\Working Groups\Farmland Affordability Availability\2006 and forward\public comments and presentations\report - summary of comments and recommendations.doc