

## **Farmland Availability/Farmland Affordability**

### **What impact do these issues have on NJ agriculture, And how should they be addressed?**

The viability of New Jersey's agricultural industry depends on ensuring that farmland is available to new and established farmers. If farmers don't have access to farmland, they can't farm.

Agricultural land in New Jersey is among the highest priced in the nation. The Farmland Preservation Program helps make preserved farmland more affordable to farmers by removing the development value from the land. However, even preserved farmland may be expensive as farmers sometimes find themselves in competition with non-farmers for this land. With the increased pace of preservation and New Jersey approaching build-out, the importance of keeping farmland available for farmers is a growing concern.

The value of farmland after the development rights have been removed continues to rise statewide, with the greatest increases in areas on the fringe of development. These high values, bolstered in part by housing opportunities associated with the land, can price farmers out of the market for preserved farmland. This is a problem all across the state, not just in highly developed areas. (Farmland preservation appraisal and resale data demonstrate this increase in values over time.)

Wealthy individuals interested not in farming but in the residential value of the land may find preserved farmland attractive for its "estate" value. Prestigious homes with appurtenant farmland are highly desirable in New Jersey's wealthy suburban regions. In most cases, it is the house or housing opportunity that drives estate value. When these farms are sold, bona fide farmers are often outbid for the land. While the State Agriculture Development Committee has sought to limit house sizes, this may not be sufficient to discourage non-farmers from buying preserved farmland.

Under the State Agriculture Retention and Development Act, the investment of public funds is intended to preserve land and strengthen the viability of agriculture. Estate situations – where the landowner does not farm the land or only minimally farms it – run counter to that purpose. When these farms are sold, farmers cannot afford to buy them. To maintain public confidence in the Farmland Preservation Program (an important consideration in light of the Garden State Preservation Trust renewal on the horizon) and ensure preserved farmland remains available and affordable to farmers, the issue of housing on preserved farms needs to be addressed.

The provision in the Farmland Preservation Program allowing landowners to carve out exceptions as part of the preservation process can be problematic. Exceptions are areas of land where farmland preservation restrictions do not apply and for which landowners are not compensated with preservation monies. They can be severable exceptions – meaning they can be sold apart from the preserved land – or they can be non-severable and cannot be sold separately. Though exception areas can help maintain agricultural business flexibility over time,

they may also offer the opportunity for additional houses. Landowners who want to preserve housing opportunities on their farm can “except out” land as part of the preservation process. When houses are built on excepted areas, they can put the resale price of the farm out of the reach of farmers.

Farmers unable to purchase land because of unavailability of land for purchase, high land values and/or limited access to capital turn to leasing. Many New Jersey farmers lease all or a portion of the land they farm. Thirty-six percent of the land farmed in New Jersey is leased, which mirrors a national trend. Leasing is a cost-effective way for new farmers to get started and established farmers to expand. It is an especially attractive option for grain farmers and others whose crops require more land.

One downside of leasing is it can be hard to find available land to lease. One cause may stem from competition for land among farmers. Another cause may be non-farmer landowners limiting the types of agriculture they permit on their land, preferring less intensive uses. Landowner prerogative may also keep preserved farmland unavailable. The preservation easement does not require land to be actively farmed, whether by the landowner or a tenant. The land must be retained for, rather than in, agricultural production.

Short-term leases – often on a year-to-year basis – are also common and create tenure insecurity. This may result in a reluctance to invest in farm infrastructure or to protect soils and other natural resources. Some crops – grapes, fruit trees and nursery stock, for example – demand a greater time commitment than short-term leases will allow and cannot be planted. Similarly, the organic industry is shut out by short-term leases due to a three-year requirement of organic production prior to certification.

Like any industry, agriculture needs to attract newcomers to sustain itself and remain viable. This is particularly important in an industry where 24 percent of New Jersey farmers are at or past retirement age and only 3 percent are under age 35. New farmers face the same barriers as other farmers in gaining access to land. In addition, they may lack access to experience, education, and financial and other resources. New Jersey has few programs – be they to assist with access to land or other resources – targeted specifically to new farmers.

In 2004, Secretary Kuperus convened a working group to examine these issues and consider ways to make farmland more available, affordable, and tenure-secure to New Jersey farmers. This working group developed a package of initial recommendations for the agricultural community to consider. Having heard from an increasing number of concerned farmers and agricultural boards, we want to continue and broaden this discussion to solicit your ideas. Is farmland availability or affordability a problem in New Jersey? How great an issue is it? What might be some ways to improve opportunities for New Jersey farmers? The State Agriculture Development Committee will be visiting with county boards and farmers to solicit input and ideas. Please consider these issues and attend a meeting to share your thoughts.

## **Some discussion topics**

Our goal is to have a conversation about the availability and affordability of farmland in New Jersey. What makes these issues important? And what might be some ways to improve opportunities for New Jersey farmers? We want to hear your input and ideas, and your take on everyone else's input and ideas. Here are some topics to help us start the conversation.

### **Topic 1: Housing opportunities on preserved farmland**

One issue we've seen is the impact houses and housing opportunities have on preserved farmland – their number, size, nature, etc. People interested not in farming but in the residential value of the land may find preserved farmland attractive for its “estate” value. When these farms are sold, bona fide farmers are often outbid for the land.

- What should we make of this residual residential value and how it affects the availability of preserved farms for farmers?
- What kind of housing opportunity policy would make sense for promoting farming?
- The farmland preservation program in Massachusetts (and to a degree in Vermont) preserves farmland without houses and without housing opportunities. The New Jersey program has done this a few times, too. How might we reconcile this approach, designed to discourage the non-farmer “estate” buyer, with the need or desire of farmers to live on the land they farm?

### **Topic 2: Use of preserved farmland**

The farmland preservation program has been successful in amassing a significant preserved land base. Preserved farms owned by non-farmers may be minimally farmed, however, and these farms' important soil and water resources may not be stewarded. Such ideas run counter the Agriculture Retention and Development Act's purpose and intent: to preserve a mass of farmland, for productive agricultural use, to sustain and support a viable agricultural industry.

- What might be done to ensure preserved farmland is farmed or otherwise made available to farmers who would farm it?
- It is okay for non-farmers to own and control the use of preserved farmland?
- What impact does this (e.g. non-farmers minimally farming preserved farms or building estate houses on them) have on the reputation of the farmland preservation program?
- The legislative findings and declarations in the Agriculture Retention and Development Act (Act) state,

The strengthening of the agricultural industry and the preservation of farmland are important to the present and future economy of the State and the welfare of the citizens of the State...It is necessary to authorize the establishment of State and county organizations to coordinate the development of farmland preservation

programs within identified areas where agriculture will be presumed the first priority use of the land...

The Act and its regulations further state,

The principal purpose for the acquisition of development easements is for the long term preservation of agricultural lands in order to maintain and enhance the agricultural industry in the State (and)

“Farmland preservation program”...means any voluntary program...which has as its principal purpose the long term preservation of significant masses of reasonably contiguous agricultural land within agricultural development areas...and the maintenance and support of increased agricultural production as the first priority use of that land.

- What should we do to ensure that the use of preserved farmland continues to meet the goals of the Agriculture Retention and Development Act?
  - One approach used in Massachusetts and Vermont (to discourage estate-buyers and encourage farm transfers at farm supportable prices) is to include an ‘Option to purchase at agricultural value’ in the deed. Could this type of method, in which initial easement prices are greater because of this added component, work in New Jersey?

### **Topic 3: Leasing farmland and tenure agreements**

Another issue we’ve seen relates to leasing – i.e. the availability of farmland for lease and the ability to obtain satisfactory lease terms. Many farmers in New Jersey lease all or a portion of the land they farm, however short-term leases are common. Preserved farmland may also be unavailable if a landowner decides to minimally farm the land.

- How could more leasing opportunities be made available for new and established farmers?
- For those farmers who either can’t afford to purchase or chose not to pursue purchasing farmland, how could we improve their access to tenure-secure land?
- What could we do to promote longer-term leases, so as to allow for greater investment?
- Opportunities may exist for “institutional landowners” to provide farming opportunities: “towns, universities, religious organizations, and other public and private entities with control over agricultural resources” can make their land available for farming. “Middlebury College...developed a policy to guide access to and use of its agricultural lands. The Conservation Commission of Lincoln, Massachusetts, developed guidelines to ensure good stewardship of town-owned agricultural land that is rented to farmers. National Park Service land in the Cuyahoga Valley (Ohio) is being offered to farm families with 50-year leases in an effort to reestablish a working landscape. We have provided many of their innovative lease provisions in this publication...” (Holding Ground: A Guide to Northeast Farmland Tenure, 10)

- Do any of these ideas, or parts of these ideas, seem like possibilities for New Jersey?
- What do you think about access-to-land issues in New Jersey?

#### **Topic 4: Access to land for new farmers**

New farmers face the same barriers as other farmers in gaining access to land. In addition, they may lack access to experience, education, and financial and other resources. New Jersey has few programs targeted specifically to new farmers.

- What kinds of programs or policies could help new farmers gain access to land to get started?
- How important is it to encourage and support new farmers?
- Organizations in other states, such as the Intervale Foundation (IF) in Vermont and the New England Small Farming Association (NESFI) in Massachusetts,

are pioneering non-traditional tenure models. As landlords, they provide affordable access to land, equipment, and mentoring to beginning and developing farmers. For example, NESFI has a long-term lease from the state to manage public land which they in turn sub-lease to farmers... ([Holding Ground: A Guide to Northeast Farmland Tenure](#), 9)

- How might this type of model – in which non-profits or others offer new farmers access to land and the opportunity to develop skills, networks, and markets, (without having to invest in land and infrastructure) – be applied in New Jersey?

#### **Topic 5: Programs and models from other states**

New Jersey is not the only state to consider the issue of farmers' access to land. Farmland availability and affordability concerns have led to program and policy responses in other states. A few of these responses, such as modifications to the Massachusetts and Vermont farmland preservation programs and the tenure models used by the Intervale Foundation and New England Small Farm Institute, are alluded to above.

- How might these ideas be tailored to fit New Jersey?
- What other programs or ideas are out there for New Jersey to consider?

For more information on farmland availability/affordability, including links to the Appendix on the next page, visit <http://nj.gov/agriculture/sadc/news/hottopics/availability.html>.

## **Appendix: A selection of some additional, useful background information**

### **Topic 1: Housing opportunities on preserved farmland**

- Current SADC/CADB farmland preservation housing policy
- Selections from the SADC Appraiser Handbook regarding land values
- News articles:
  - “Critics – Mansion Twists Farm Program,” Trenton Times, January 5, 2003
  - “Cheap Farmland or A Pasture to Wealth,” Star Ledger, August 19, 2003
  - “With its high-priced land, Jersey’s not fertile ground,” Star Ledger, Aug. 14, 2006
- Selection from “Report of the Agriculture Transition Policy Group,” Jan. 10, 2006
- “Land Market Impacts” (Chapter 4) from A National View of Agricultural Easement Programs: Measuring Success in Protecting Farmland, American Farmland Trust and Agricultural Issues Center/Alvin D. Sokolow, December 2006
- More information on MA and VT’s farmland preservation programs (see topic 5)

### **Topic 2: Use of preserved farmland**

- Selections from the Agriculture Retention and Development Act (Act)
- Selections from the Act’s regulations
- Selections from the Garden State Preservation Trust Act
- Selection from 2007 State Ag Convention’s Resolution on Farmland Preservation
- Information on MA and VT’s farmland preservation programs (see topic 5)
- Housing Policy, Appraiser Handbook, Articles, Transition Policy (see topic 1)

### **Topic 3: Leasing farmland and tenure agreements**

- “Introduction,” and “Principles and Challenges of Farmland Tenure,” Chapters I and II from Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship, 2004. (Visit <http://www.smallfarm.org/> for more on Holding Ground)
- “Keeping Farmland Accessible & Affordable: A Conversation with Equity Trust’s Chuck Matthei,” Land Works Connection, Spring 2002
- “Special Supplement on Access to Land,” The Natural Farmer, Spring 2004.
- More information on ‘non-ownership access to land’ models (see topic 4)

### **Topic 4: Access to land for new farmers**

- “What do Northeast new farmers need?” and a few other pages from Growing New Farmers, [www.growingnewfarmers.org](http://www.growingnewfarmers.org)
- Case Study: “Intervale Foundation,” Holding Ground: A Guide to Northeast Farmland Tenure and Stewardship, 2004
- “The New England Small Farm Institute,” The Natural Farmer, Spring 2004.
- More information on IF’s and NESFI’s access to land and resources models
- Some information on more programs in other states that promote access to land
  - New farmer development programs that work with immigrants
  - Tax credit for landowners who lease land to beginning farmers
  - Loan programs for beginning farmers

### **Topic 5: Programs and models from other states**

- Massachusetts and Vermont farmland preservation programs:
  - The “Option to Purchase at Agricultural Value”
  - Preserving land without houses and housing opportunities
  - Portion of Vermont’s “Funding Conservation of Agricultural Land” policy
- Intervale Foundation, New England Small Farm Institute (see topic 4)
  - Non-ownership tenure systems providing access to land and resources
- Some additional programs promoting access to land for new farmers (see topic 4)