Keeping New Jersey’s Preserved Farmland Available for Farmers

FarmLASTS Conference
June 10, 2009
New Jersey’s Investment in Farmland Preservation

Since inception of the Farmland Preservation Program in 1983:

- New Jersey has made a more than $1.2B investment in farmland preservation – 2/3 state, 1/3 local
- Over 1,800 farms covering more than 176,000 acres have been preserved – or 24% of all available agricultural lands – the highest percentage in the nation
How Well Is New Jersey’s Farmland Preservation Program Working?

- Dual purpose to farmland preservation – protecting the land base, and having the land be productively used to support a viable agricultural industry
- Significant agricultural land mass protected from development
- Continuing strong demand for preservation and for preserved farms
- But concerns with availability and affordability
How Available Is New Jersey’s preserved farmland to Farmers?

- NJ agricultural land among highest-priced in the nation
- 2007 Average farm real estate value/acre: $15,346 (Ag Census)...2nd behind RI
- 2007 Average cropland value/acre: $11,900 (NASS-NJ)...1st among states that publish it

🎉 Farmland preservation helps make farmland more affordable because it removes development potential

 NSError, values for preserved farmland keep rising – $11,334/acre average resale value in 2005
Some of the questions

• Can farmers afford preserved farms? If not, is the land readily available to them?
• Who’s buying preserved farms, and does ownership matter?
• What contributes to higher values?
• What impact does non-farmer ownership have on the availability and stewardship of preserved farmland?
• What impact does it have on the public’s perception of the program?
• What happens if farmers become dependent on rented ground? (“Tenancy: Opportunity or serfdom?”)
Farmland Preservation Appraisal

Value Trends – South

South - Cumberland, Cape May, Salem, Gloucester, Atlantic

*All averages are weighted averages (total cost/total acres)
### North Central -- Mercer, Middlesex, Somerset, Hunterdon, Morris

<table>
<thead>
<tr>
<th>Year</th>
<th># of Farms</th>
<th># of Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>81</td>
<td>5891</td>
</tr>
<tr>
<td>2001</td>
<td>63</td>
<td>3835</td>
</tr>
<tr>
<td>2002</td>
<td>64</td>
<td>4351</td>
</tr>
<tr>
<td>2003</td>
<td>83</td>
<td>4394</td>
</tr>
<tr>
<td>2004</td>
<td>76</td>
<td>4118</td>
</tr>
<tr>
<td>2005</td>
<td>65</td>
<td>4469</td>
</tr>
</tbody>
</table>
Statewide Resale Values

Graph above represents 280 farms and 29,027 acres over 11 years.
How Does That Compare With Farmer Earnings?

- What are the agricultural income requirements to be able to cash-flow $11,000+/acre purchase price?
- What sectors of the ag. industry can meet this income threshold?
What Contributes to High Values? / Who’s Buying Preserved Farms?

- Anyone (farmer and non-farmers alike) may buy a preserved farm – some farms sold at “estate values”
- Attractiveness to non-farmer users (residential value)
- Farmers of higher-value crops willing to pay higher prices
- Farmers who are expanding, or relocating with a 1031 exchange (a powerful tax benefit), able to pay more
What’s the Impact of High Values/ Non-Farmer Ownership Of Preserved Farmland?

- **Affordability**
  - Acquisition of land more competitive among farmers
  - Major obstacle to new farmers who don’t have access to land via the “womb, tomb or the groom”

- **Availability**
  - More land potentially available for leasing, but the land’s not necessarily available or available in a satisfactory way
  - Short-term leases common – can lead to lack of investment, stewardship, intensity

- **Stewardship**

- **Public perception**
  - Estate situations – large houses, minimally-farmed land
What Has the SADC Done?

- **Fee Simple Program**
  - House size limit (3,500 square feet)
  - A few farms resold without any houses/housing opportunities

- **SADC Working Group**
  - Convened in 2004
  - Produced report with recommendations for agricultural community to consider

- **Outreach meetings**
  - Presentations/discussion with farmers in 2007
  - Continuing work in 2009
Some of the Ideas Discussed
(these could only be prospective, not retroactive)

- Strengthen the terms and obligations of the deed of easement
- Modify deed language to require farmland be retained “in” rather than “for” agricultural production (State Ag Convention resolutions; NJ Farm Bureau resolutions)
- Stewardship obligations – change terms so person required to not only have, but also implement, a farm conservation plan
- Recommend more secure lease terms for rented land
- Preserve some land without housing opportunities (MA and VT models)
- Limit number and size of houses on preserved farmland
Some of the Ideas Discussed - Continued

- Explore Option to Purchase at Agricultural Value (an additional right purchased to ensure preserved farmland is resold to farmers at agricultural values – MA and VT models)

- Modify Fee Simple Program to make this land more available and affordable

- Utilize new non-profit agricultural land trust that could purchase, manage, and make land available to farmers (NJ Farm Bureau created one)

- Increase collaboration with Farm Service Agency to preserve its inventory properties (FSA acquires these farms through foreclosure and then auctions them, giving first priority to ‘beginning farmers’ per their regulations) – they would be more affordable if preserved prior to auction
Questions...?

• More information online at: nj.gov/agriculture/sadc/news/hottopics/availability.html

• Contact David Kimmel (SADC): 609-984-2504 – david.kimmel@ag.state.nj.us