

Keeping New Jersey's Preserved Farmland Available for Farmers

SADC Presentation for Counties

2007

Why We're the Garden State

- Nearly 10,000 farms, more than 805,000 acres of active farmland
- >\$866M in annual farm cash receipts, ~\$1.5 billion ag industry, \$82B agriculture and food complex
- Among the top 5 producers nationally of cranberries, blueberries, peaches, bell peppers, and lettuce
- History of public and legislative support for protecting and sustaining agriculture: Farmland Assessment, Right to Farm, Farmland Preservation, Preservation Bond Issues, GSPT



New Jersey's Investment in Farmland Preservation

Since inception of the Farmland Preservation Program in 1983:

- New Jersey has made a more than \$1B investment in farmland preservation – 2/3 state, 1/3 local
- All 21 counties and 231 towns with their own dedicated preservation tax

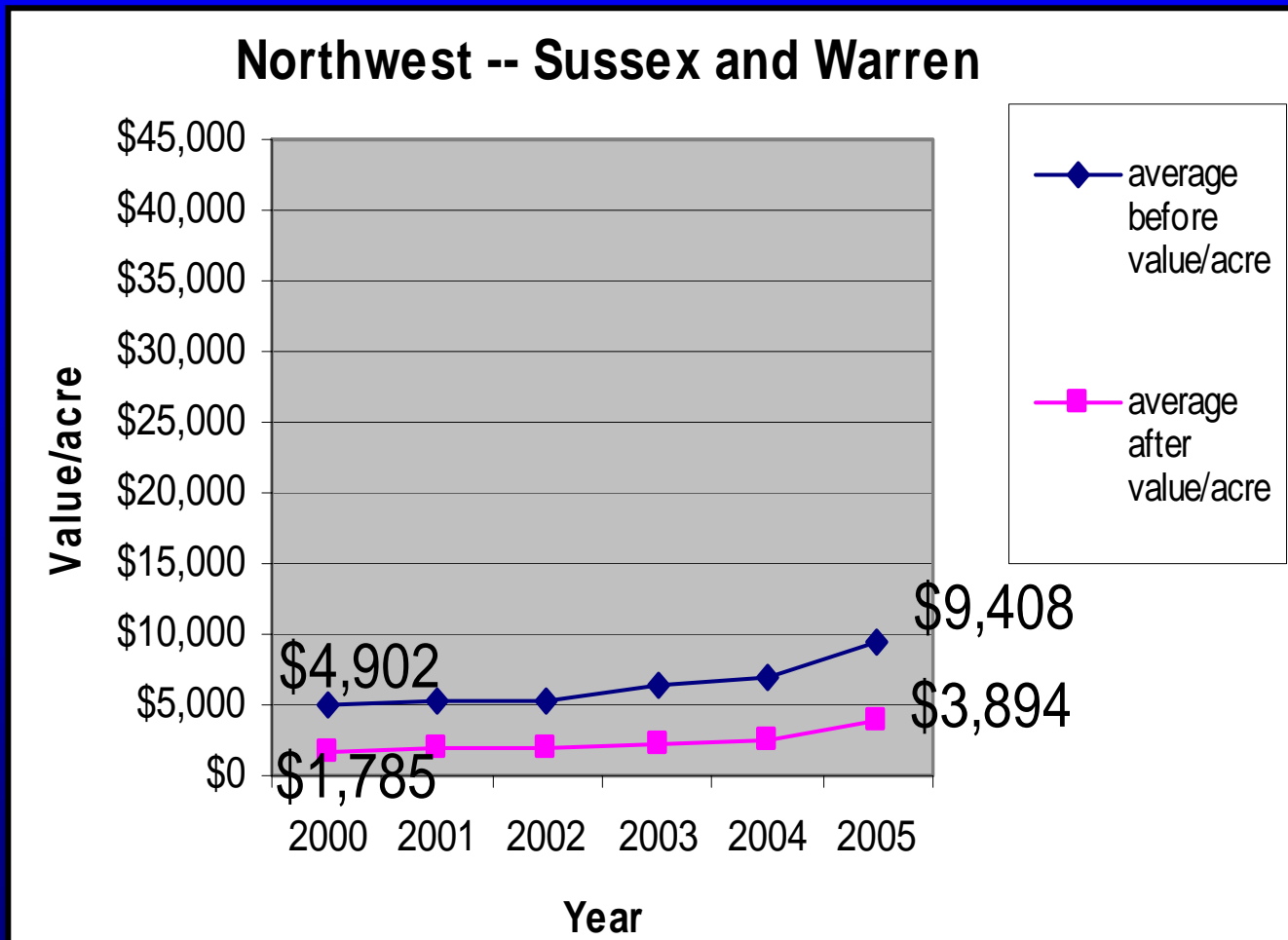


How Available Is New Jersey's preserved farmland to Farmers?

- NJ agricultural land among highest-priced in the nation
- 2007 Average farm real estate value/acre: \$11,300 (NASS-NJ)...4th behind RI, MA, CT
- 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
- ➔ However, values for preserved farmland keep rising



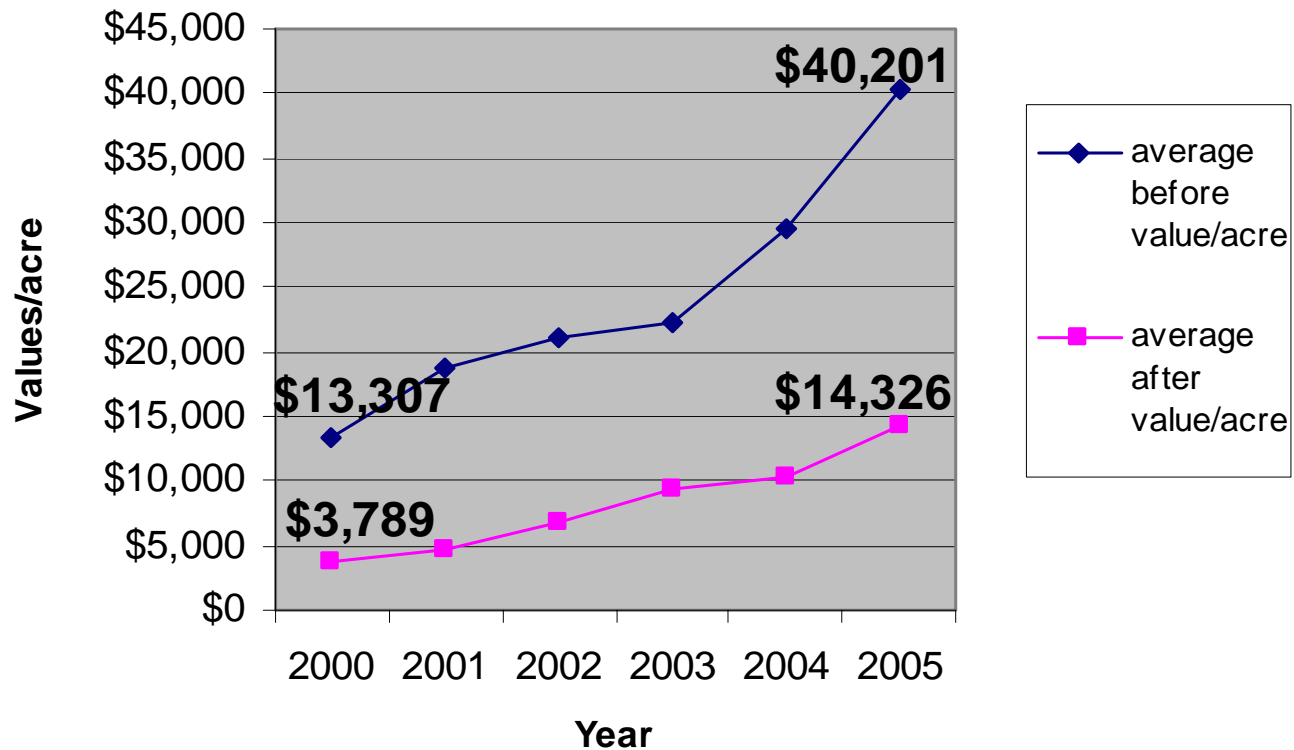
Appraisal Value Trends – Northwest



*All averages are weighted averages (total cost/total acres)

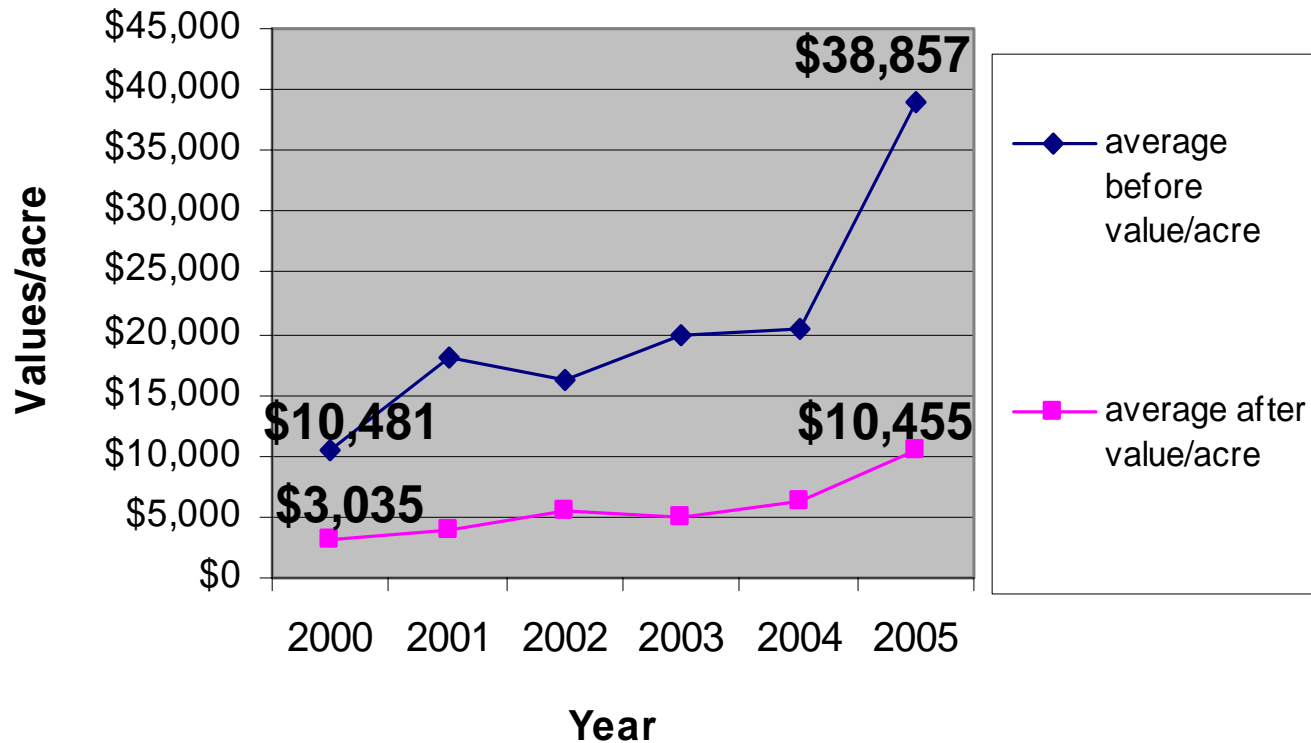
Appraisal Value Trends – North Central

North Central -- Mercer, Middlesex, Somerset, Hunterdon, Morris



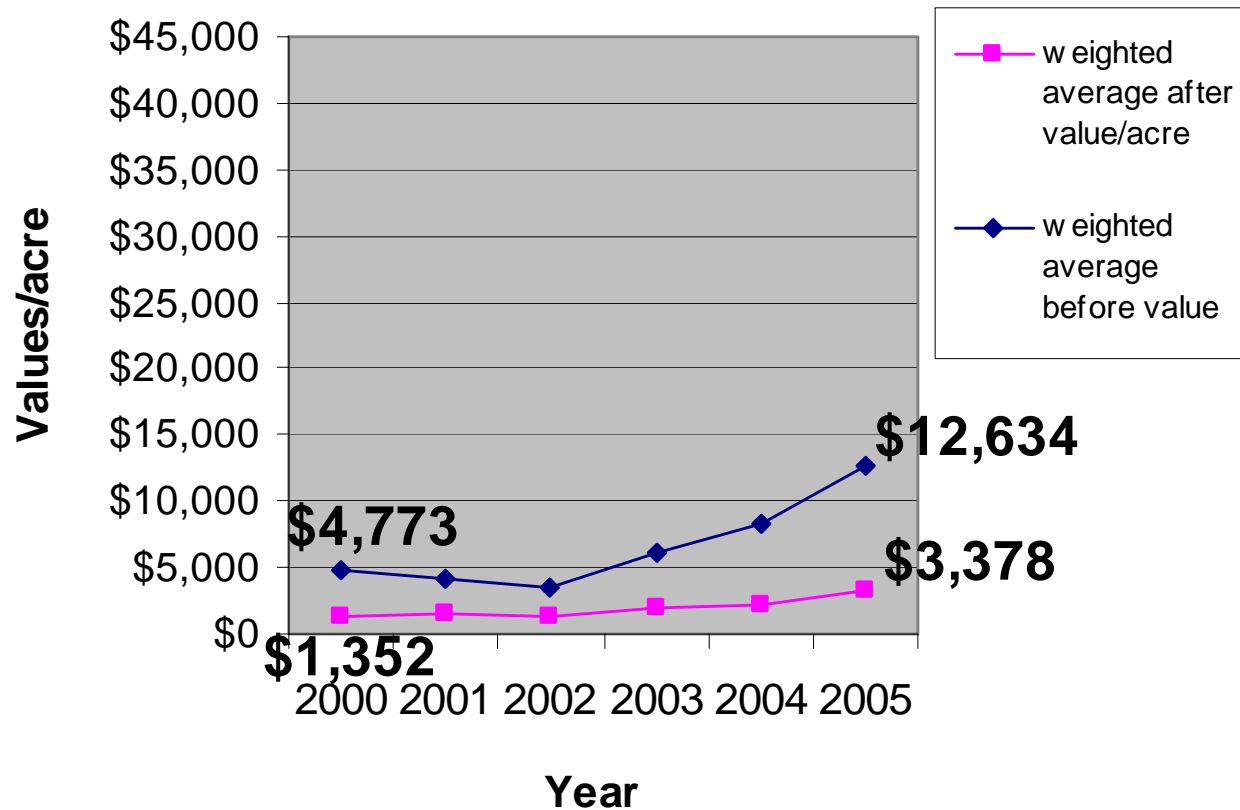
Appraisal Value Trends – South Central

South Central -- Monmouth,
Burlington, Ocean

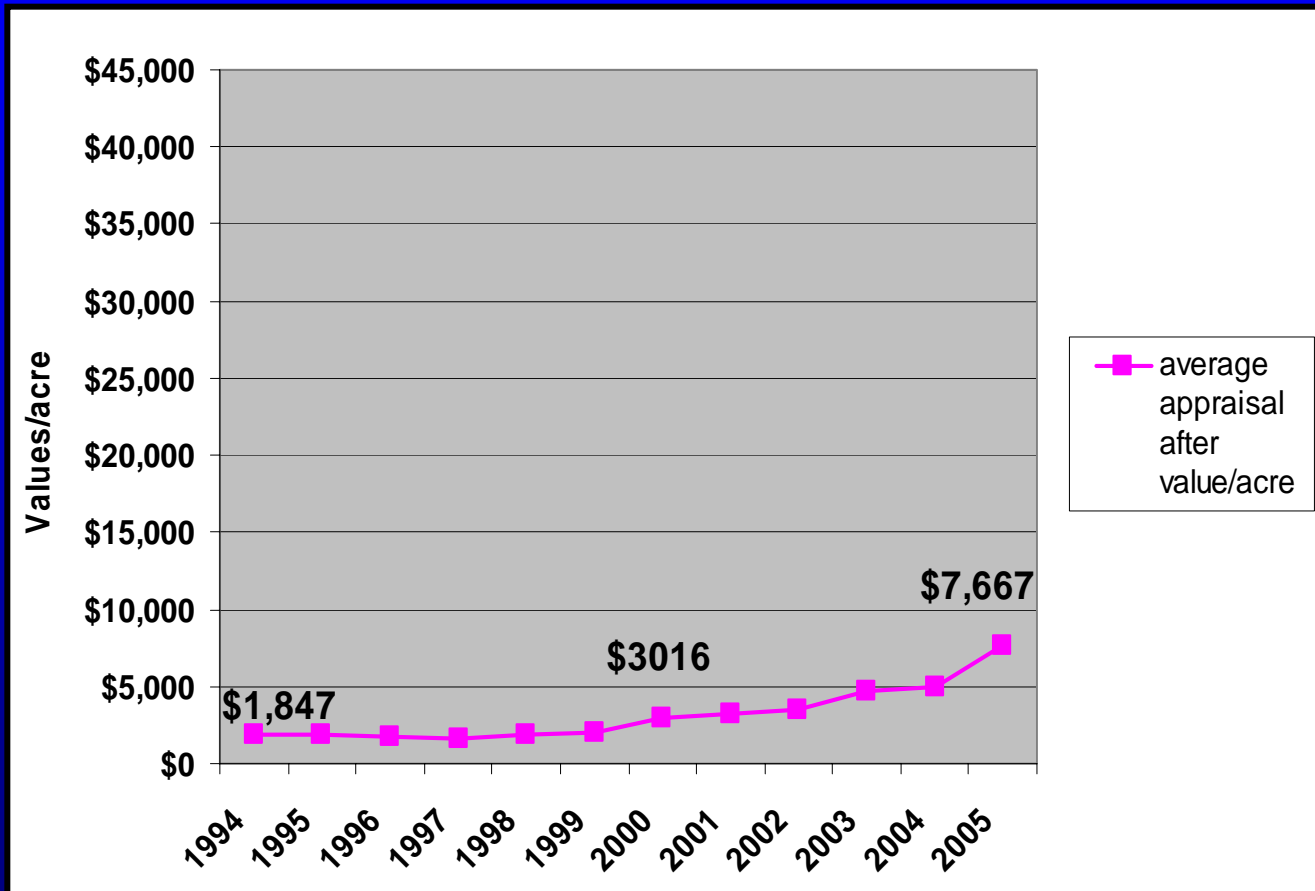


Appraisal Value Trends – South

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



Appraisal Value Trends – Statewide

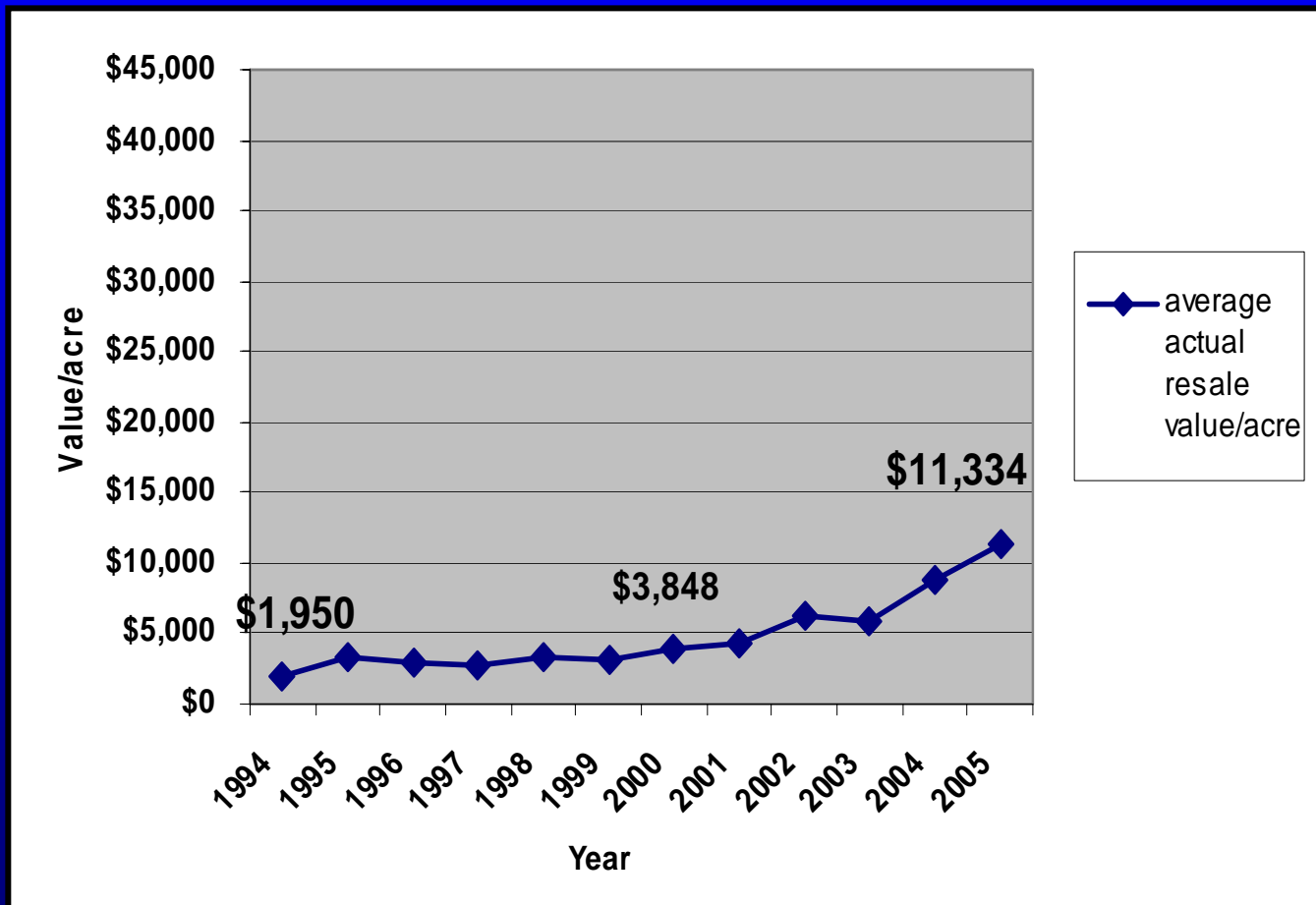


Appraisal Value Trends -- Statewide

Statewide totals				
Year Valued In	Number of Farms	Number of Acres	Ave. before value/acre	Ave. after value/acre
1994	83	11,736	\$5,852	\$1,847
1995	89	13,361	\$6,333	\$1,840
1996	82	10,876	\$6,054	\$1,735
1997	85	11,352	\$6,034	\$1,668
1998	100	12,812	\$6,734	\$1,886
1999	203	17,776	\$6,461	\$2,036
2000	183	14,140	\$9,833	\$3,016
2001	200	13,576	\$9,827	\$3,158
2002	188	15,748	\$10,216	\$3,480
2003	236	14,550	\$13,110	\$4,698
2004	255	17,343	\$15,055	\$5,002
2005	259	17,005	\$22,832	\$7,667

Total data analyzed → 1,963 farms and 170,275 acres over 11 years

Statewide Resale Values

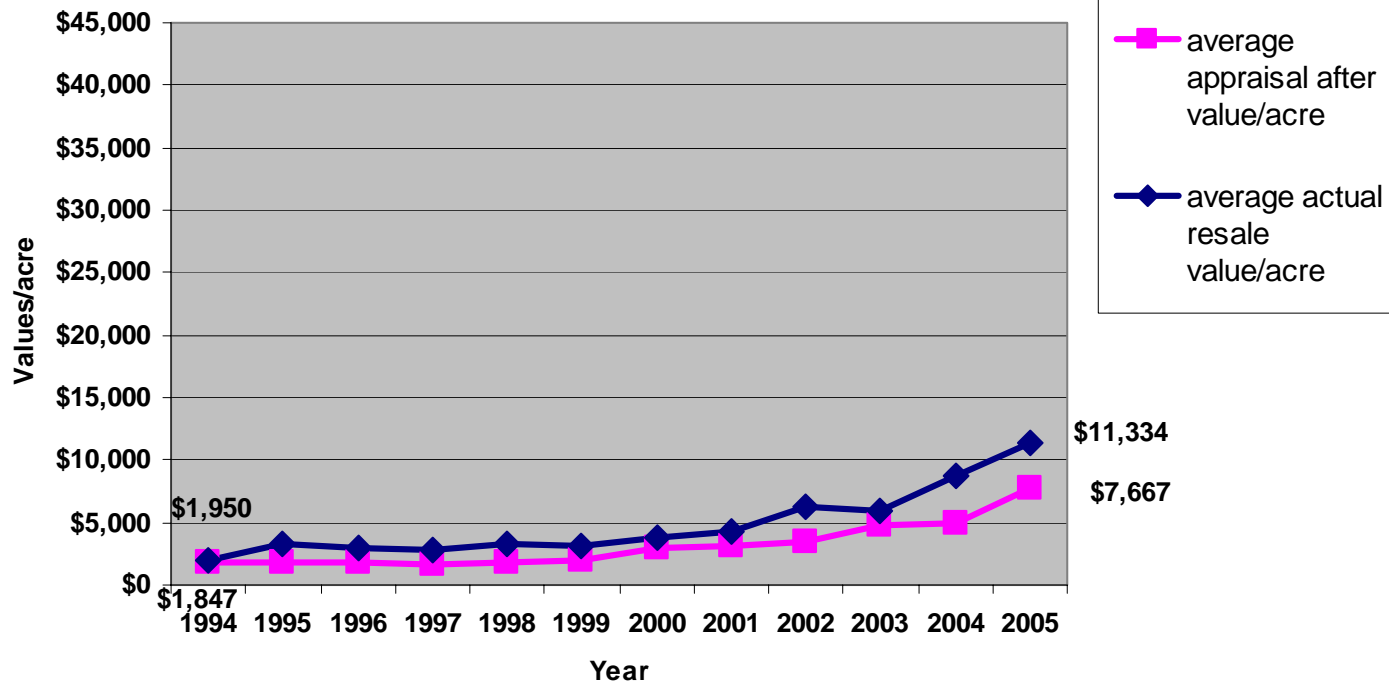


Resale Value Trends -- Statewide

Statewide totals			
Year Valued in	Number of Farms	Number of Acres	Ave. resale price/acre
1994	7	1,022	\$1,950
1995	10	1,076	\$3,318
1996	10	1,097	\$2,909
1997	25	3,545	\$2,811
1998	25	2,849	\$3,260
1999	22	2,324	\$3,164
2000	27	3,416	\$3,848
2001	28	2,260	\$4,291
2002	30	2,586	\$6,316
2003	35	3,789	\$5,918
2004	32	3,007	\$8,741
2005	29	2,056	\$11,334

Total data analyzed → 280 farms and 29,027 acres over 11 years

Appraisal and Resale Value Trends -- Statewide



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 is the impact to the ag. Industry???

More questions we're looking at...

- How affordable has farmland been in the past: e.g. over the last 30, 50, 70 years?
(look at price of land vs. average farm income over time)?
- What is the impact of recent value trends on the “average farm” vs. the “heart of the ag industry farm” (in terms of economic activity)?
- How much do improvements (e.g. residential) contribute to increases in value?
- How is the contributory value of improvements affected by the size of the farm?

What Contributes to High 'After' Values?

- Who's Buying Property and their motivation for buying it
- Attractiveness to non-farmer users (residential value)
- Farmers of higher-value crops willing to pay higher prices
- Farmers who are relocating with a 1031 exchange (a powerful tax benefit) able to pay more



Who's Buying Preserved Farmland?

- Anyone (farmer and non-farmers alike) may buy a preserved farm
- Some farms resold at “estate values”
- Non-farmer estate buyers may out-bid NJ farmers for preserved agricultural land
- But, majority (74%) of recent SADC fee-simple auction sales have gone to farmers or those in agricultural/horticultural industry



SADC recent fee simple auction sales

- 74% (20/27) purchased by farmers or related ag/hort businesses
- 26% (7/27) sold to non-farmers
- 11 of the 20 farms sold to farmers went to horticulture (nursery, sod, floral) - 55%
- Will want to expand this small sample

<u>Farm</u>	<u>County</u>	<u>Current Occupation or Proposed Use</u>
Kilby	Salem	Nurseryman
Stafford	Camden	Non-farmer
Evans	Hunterdon	Nurseryman
Piney Hill	Warren	Floral operation
Lau	Cumberland	Vegetable operation
Mattera	Cape May	Vineyard
Magyar	Warren	Non farmer
Cedarland North	Mercer	Vegetable farmer
Cedarland South	Mercer	Vineyard
Krystal	Mercer	Vegetable farmer
North Princeton	Somerset	Sod farmer
Marlboro	Monmouth	Nurseryman
Lennox	Mercer	Floral operation
Bielanski	Mercer	Orchid grower
Lengyen	Mercer	Non-farmer
McDonough	Warren	Nurseryman
Fisher	Hunterdon	Non-farmer
Cavalier	Hunterdon	Non-farmer
Sarkuni	Middlesex	Nurseryman
Hanst	Salem/Glouc.	Non-farmer
Doyle	Salem	Grain/vegetable farmer
Chase 1	Monmouth	Nurseryman
Chase 2	Monmouth	Nurseryman
Hunt	Mercer	Aquaculture
Visceglia	Monmouth	Non-farmer
Russell	Burlington	Equine
Romano	Hunterdon	Fruit and vegetable

What's the Effect of Non-Farmer Interest in Preserved Farmland?

- Advantage
 - Farmers can't afford to own all the land they farm and need access to rented land
- Disadvantages
 - Makes acquisition of land more competitive; narrows spectrum of ag enterprises on preserved farmland to high-value crops
 - Major obstacle to new farmers who don't have access to land via the "womb, tomb or the groom"
 - Increases tenancy, which can encourage lack of investment, stewardship, intensity



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



Task Force Ideas for Consideration

(these ideas could only be prospective, not retroactive)

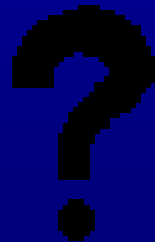
- 💡 Limit number and size of houses on preserved farmland
- 💡 Preserve land without housing opportunities (MA model)
- 💡 Consider modifying auction requirements to prohibit non-farmer participation
- 💡 Modify deed language to require farmland be retained “in” rather than “for” agricultural production (State Ag Convention resolution)
- 💡 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)

Task Force Ideas - continued

- 💡 Recommend more secure lease terms for rented farmland
- 💡 Explore possibility of new non-profit agricultural land trust that could purchase, manage, and make land available to farmers (NJFB has created one)
- 💡 Increase collaboration with Farm Service Agency to preserve its inventory properties (FSA acquires these farms through foreclosure and auctions them, giving first priority to beginning farmers; they would be more affordable if preserved prior to auction)

What Do You Think?

- Is availability of preserved farmland for farmers a problem?
- If so, what should be done?
- Looking to agricultural community for input, solutions!



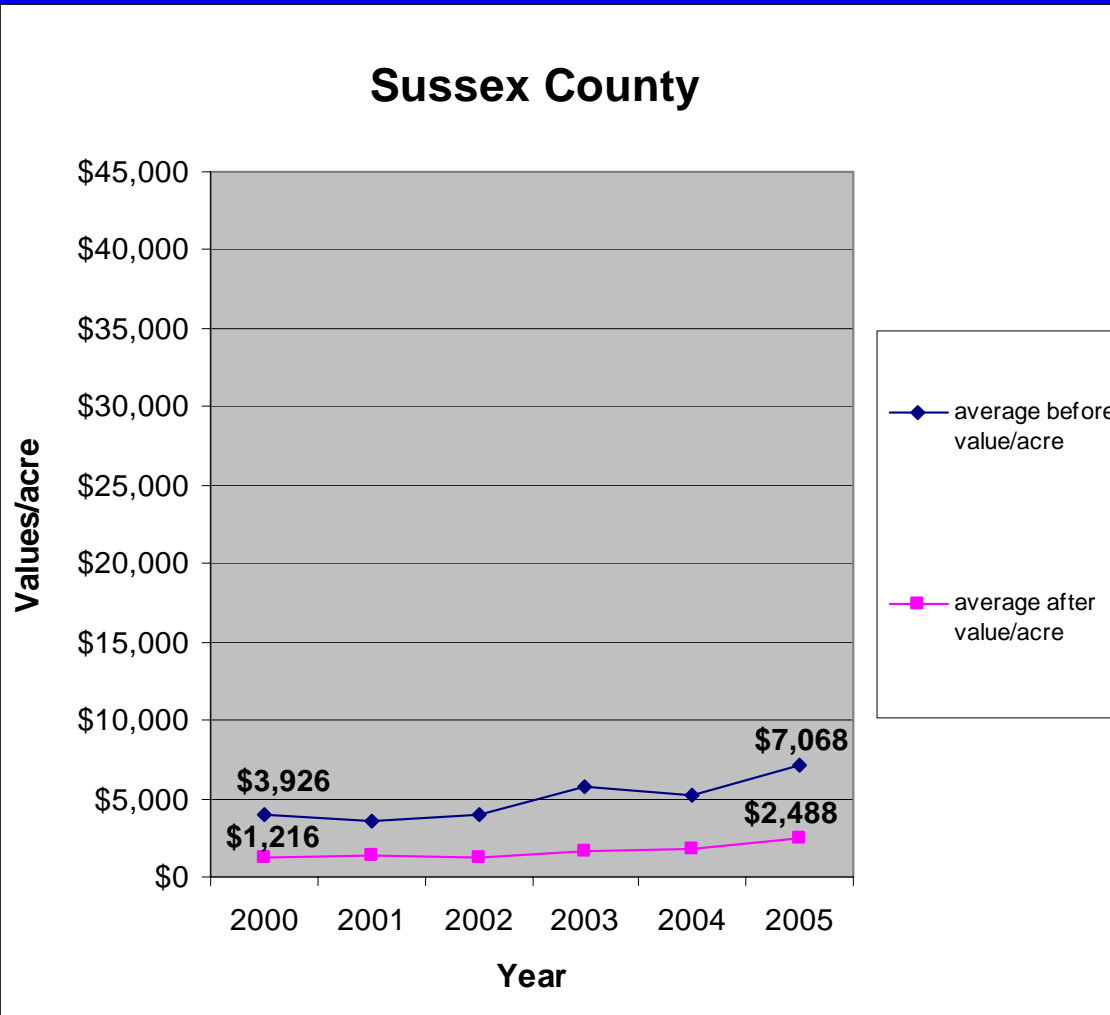
What Do You Think?

- More information online at:
nj.gov/agriculture/sadc/news/hottopics/availability.html
- Send additional comments to:
sadc@ag.state.nj.us
- Questions? – Contact David Kimmel (SADC):
(609) 984-2504

[End of presentation]

For each county presentation, we had also included one slide depicting that county's appraisal value trends over time (2000-2005). For reference, each of these 15 graphs is included on the following pages.

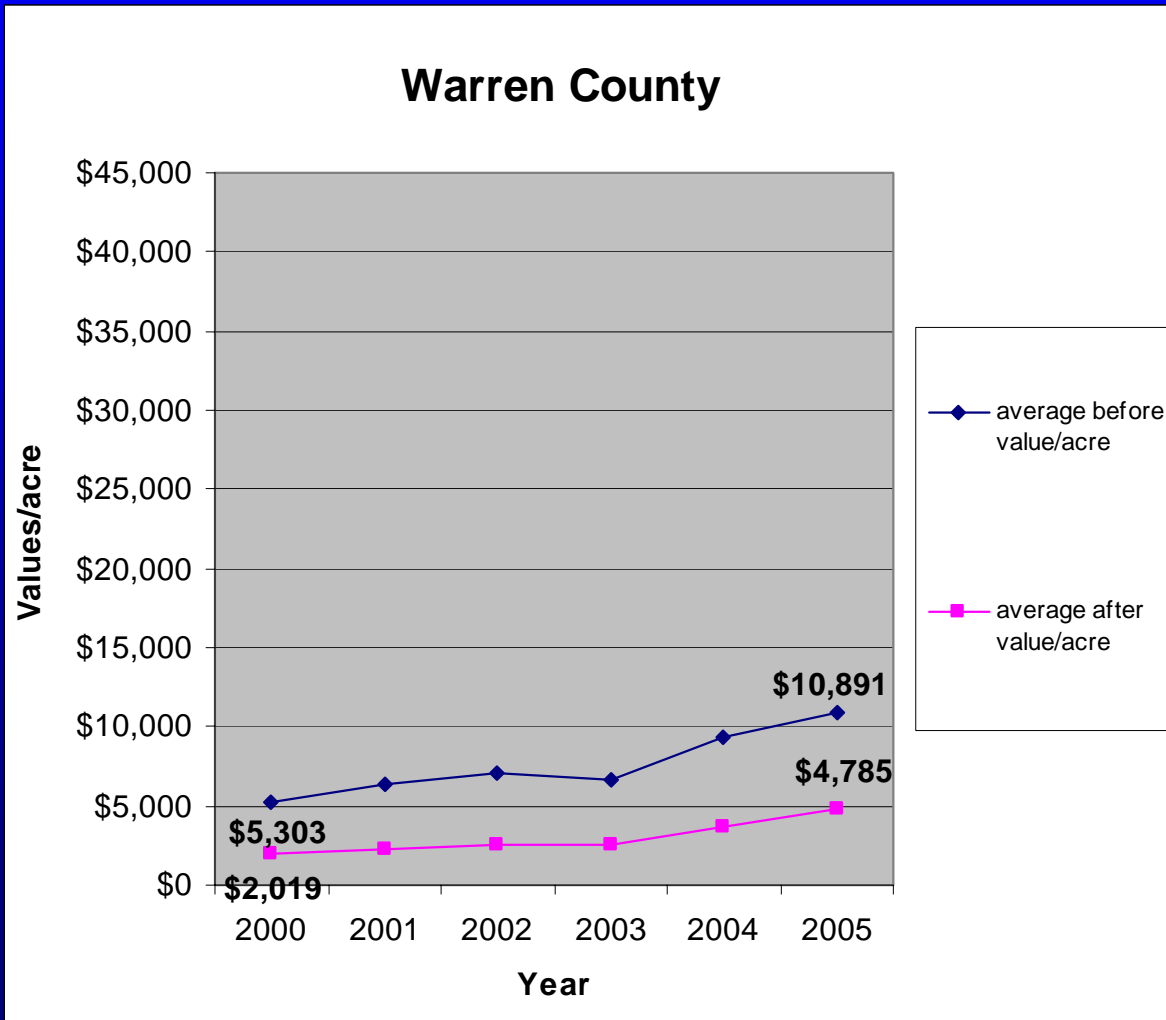
Appraisal Value Trends – Sussex County



Sussex County		
Year Valued in	# of Farms	# of Acres
2000	12	979
2001	15	1,355
2002	21	3,450
2003	22	1,227
2004	34	3,164
2005	26	1,569

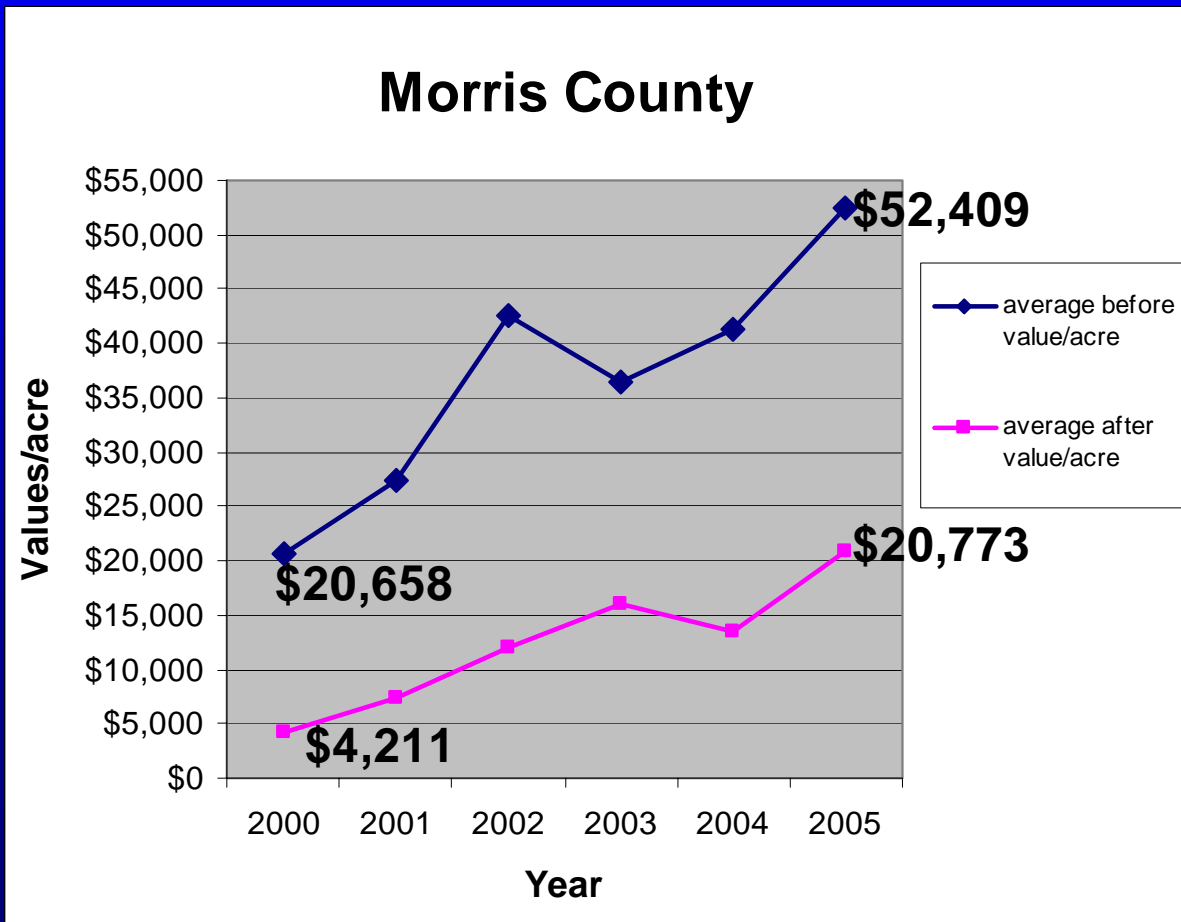
***All averages are weighted averages (total cost/total acres)**

Appraisal Value Trends – Warren County



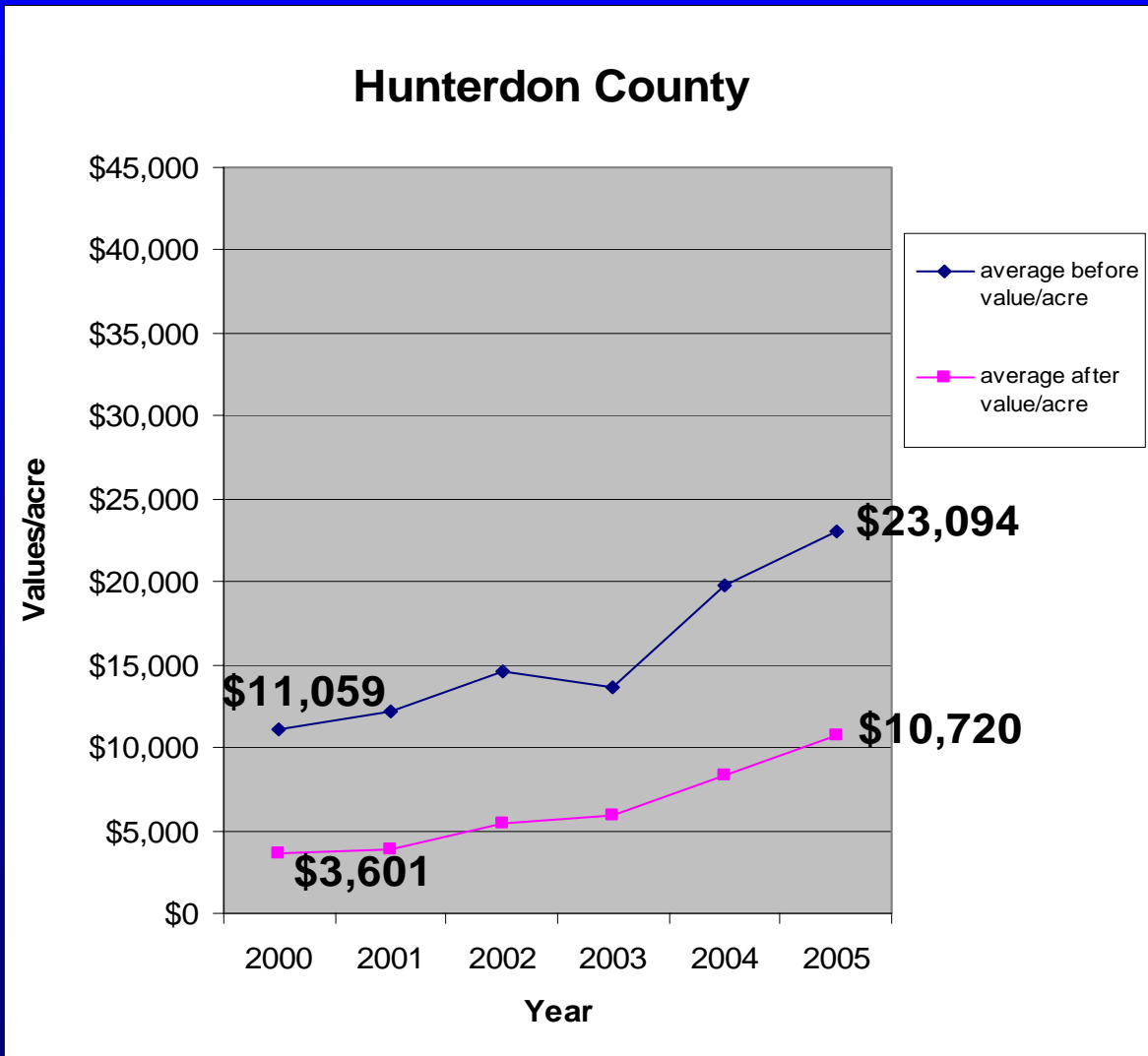
Warren County		
Year Valued in	# of Farms	# of Acres
2000	22	2,379
2001	26	2,260
2002	21	2,514
2003	25	1,939
2004	34	2,466
2005	36	2,475

Appraisal Value Trends – Morris County



Morris County			
Year Valued in	# of Farms	# of Acres	
2000	9	458	
2001	5	246	
2002	10	519	
2003	12	672	
2004	14	913	
2005	11	1,079	

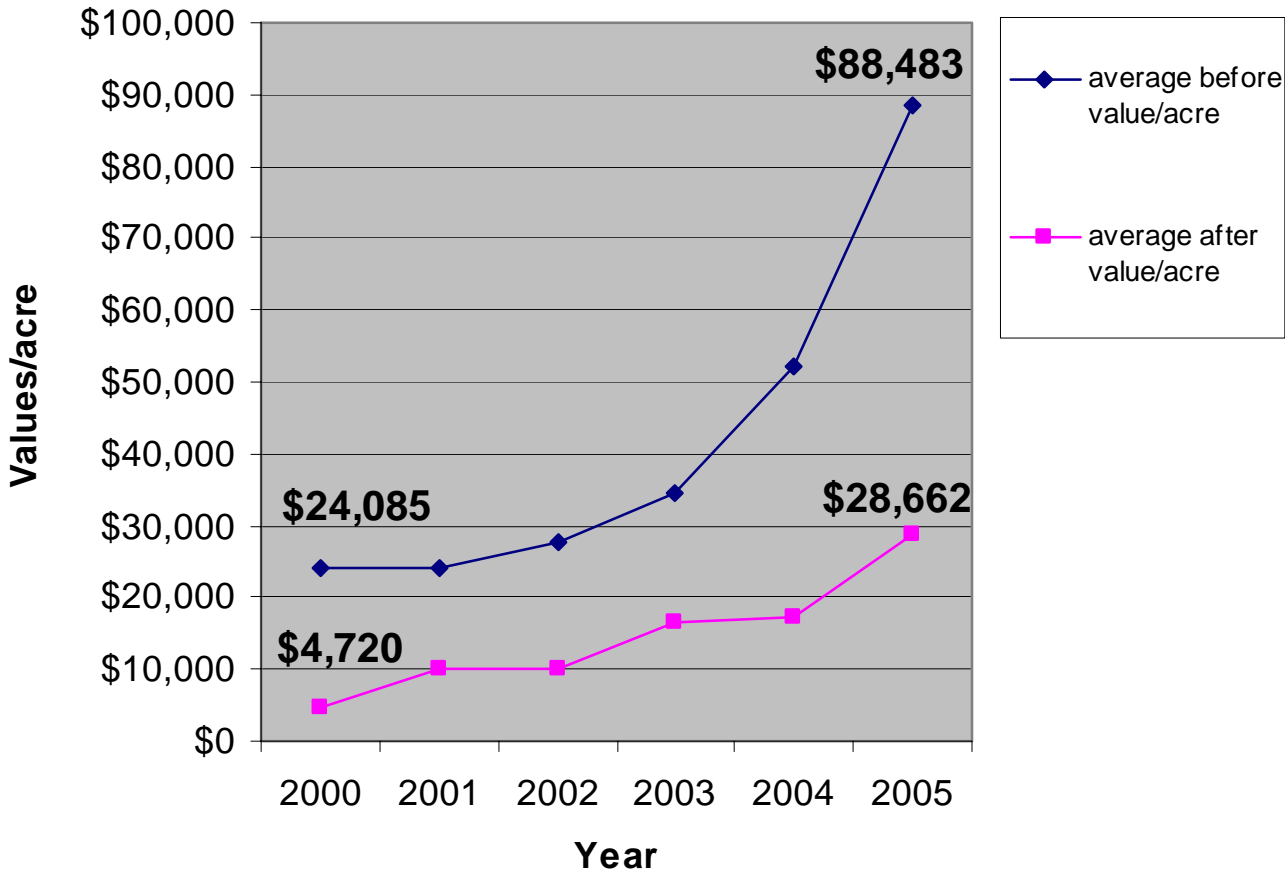
Appraisal Value Trends – Hunterdon County



Hunterdon County		
Year Valued in	# of Farms	# of Acres
2000	52	4,185
2001	26	1,910
2002	37	2,550
2003	39	2,316
2004	43	2,204
2005	37	2,353

Appraisal Value Trends – Somerset County

Somerset County

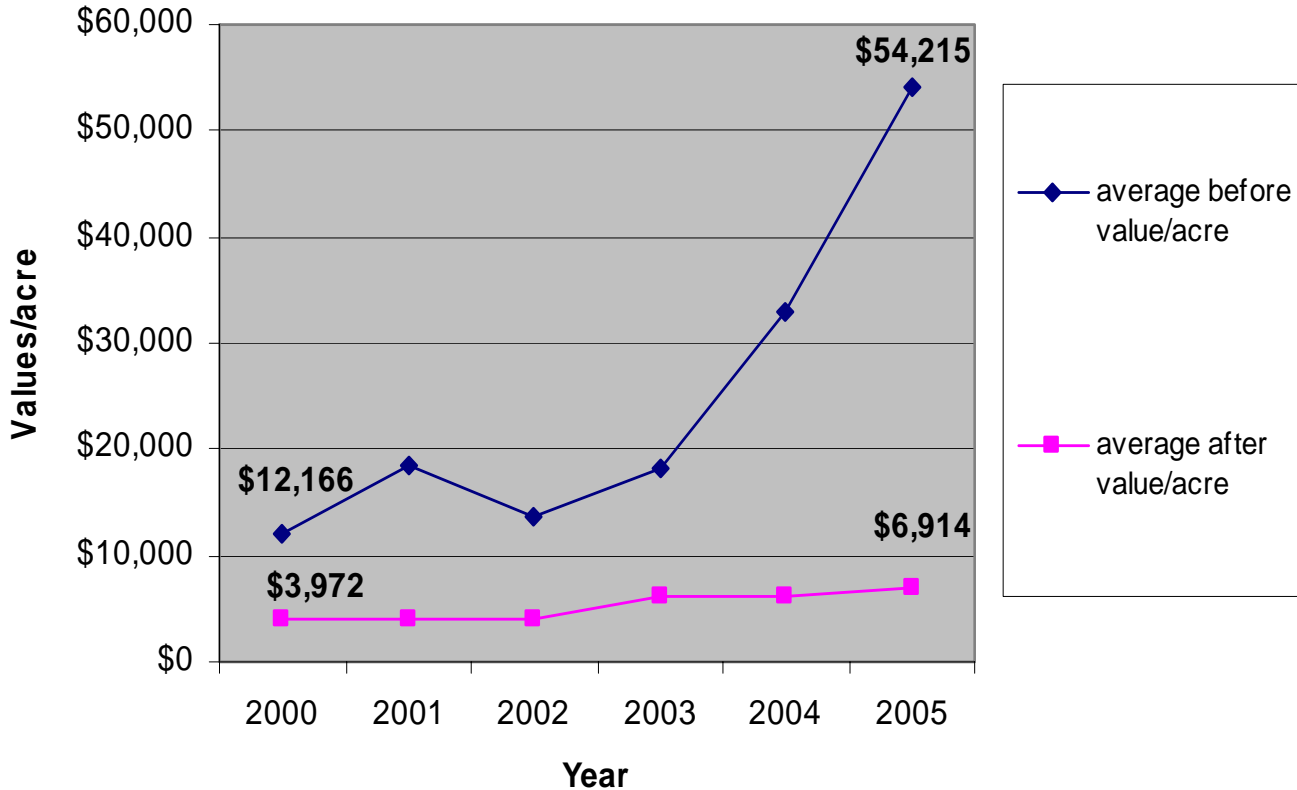


Somerset County

Year	# of Farms	# of Acres
2000	9	528
2001	7	328
2002	7	656
2003	16	757
2004	11	474
2005	8	385

Appraisal Value Trends – Mercer County

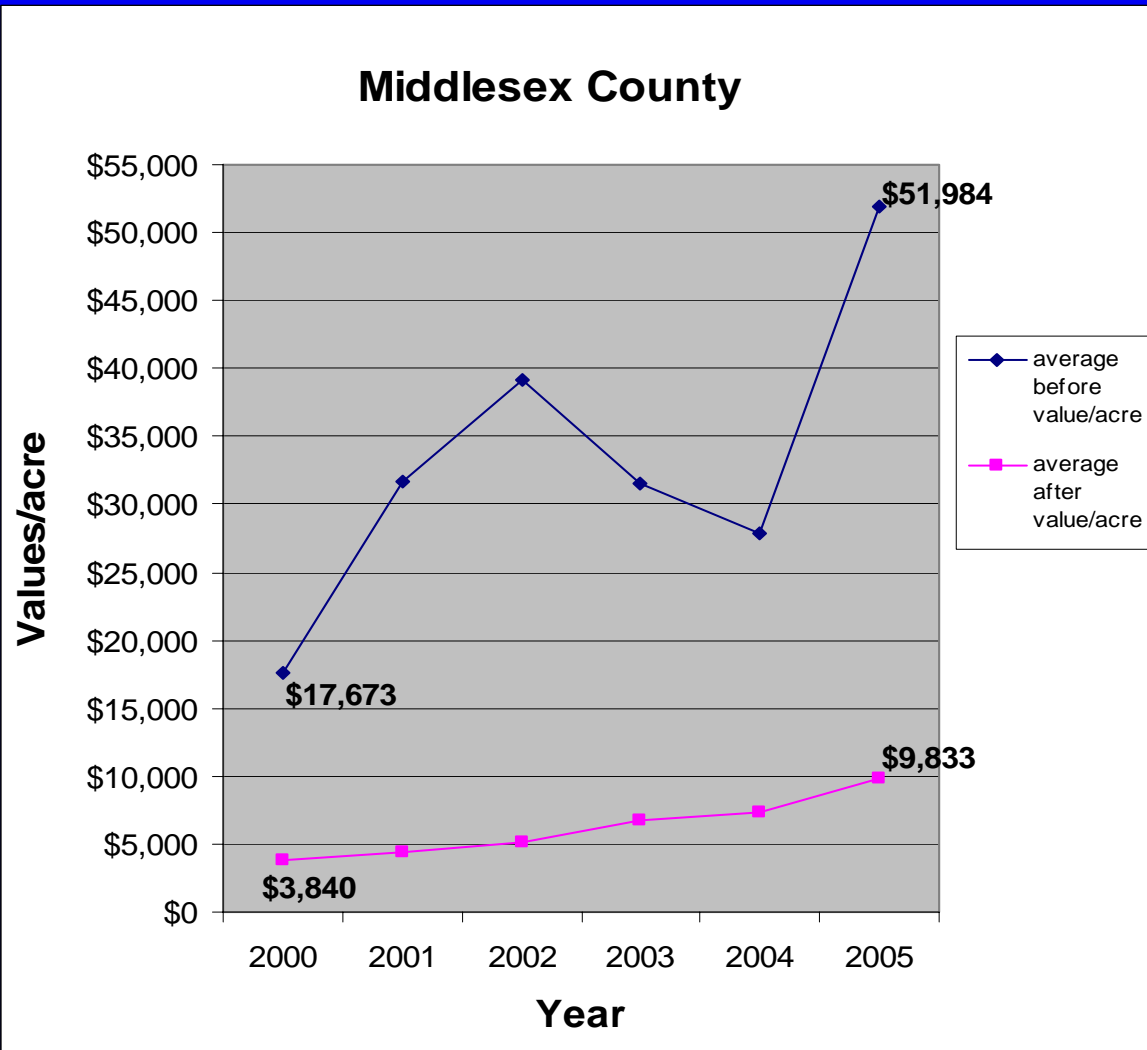
Mercer County



Mercer County

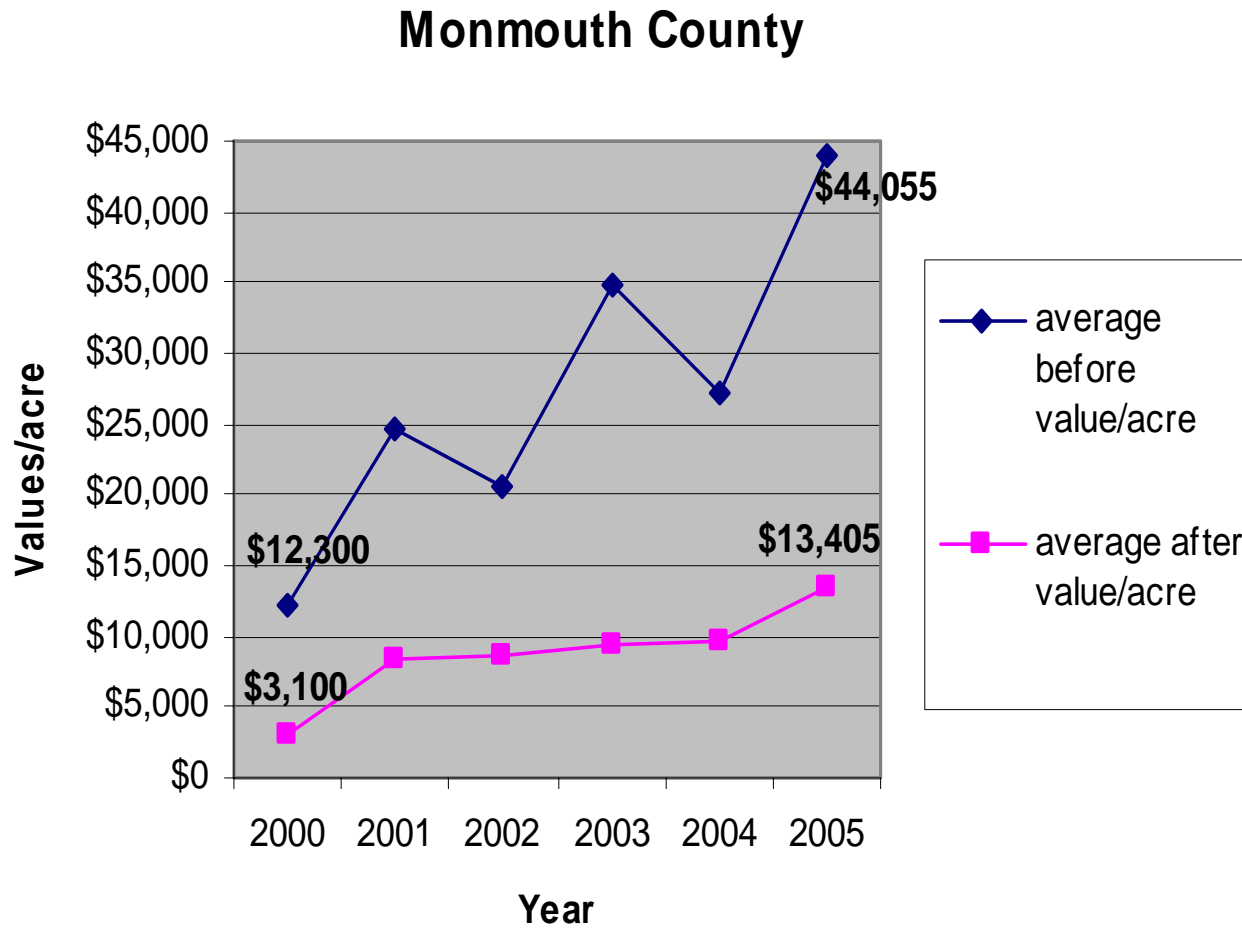
Year Valued in	# of Farms	# of Acres
2000	8	507
2001	13	645
2002	7	410
2003	7	330
2004	5	280
2005	4	363

Appraisal Value Trends – Middlesex County



Middlesex County		
Year Valued in	# of Farms	# of Acres
2000	3	213
2001	12	706
2002	3	216
2003	9	319
2004	3	247
2005	5	289

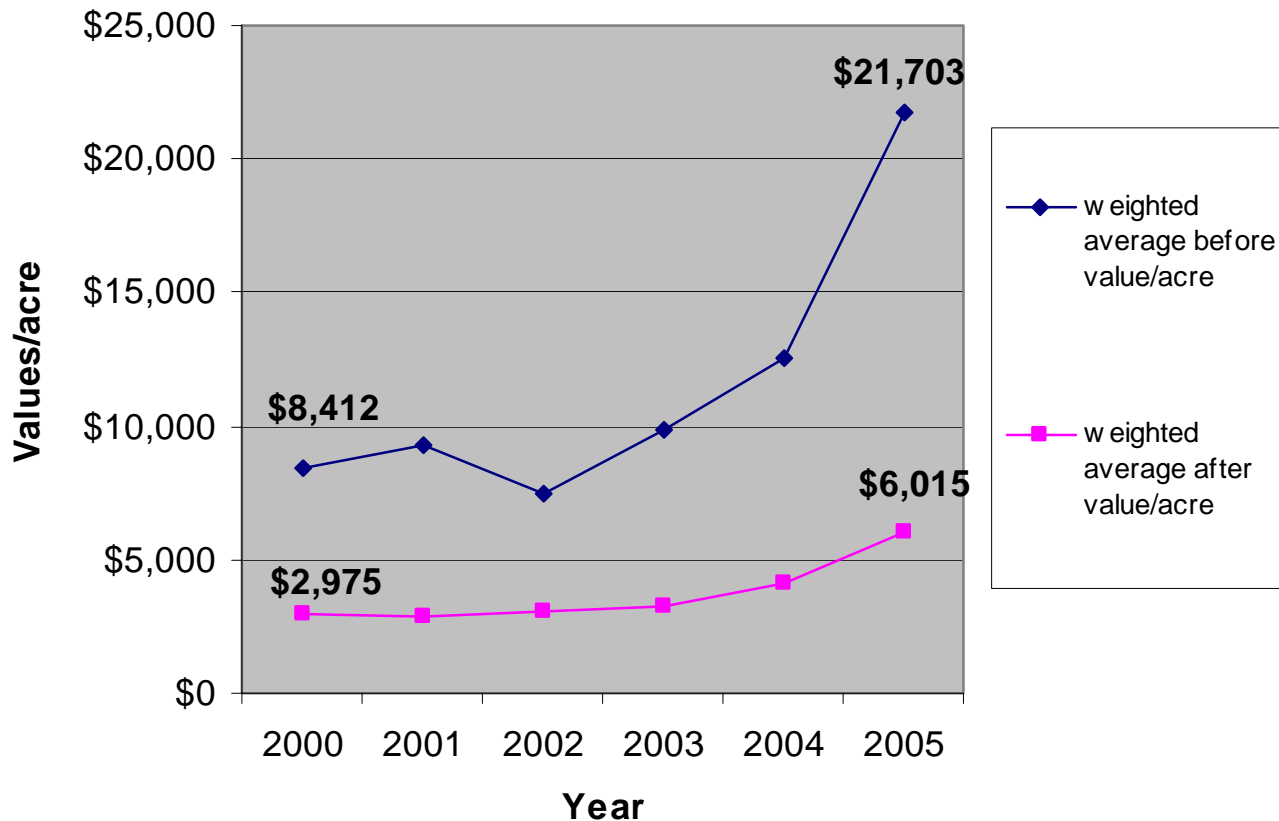
Appraisal Value Trends – Monmouth County



Monmouth County			
Year Valued in	# of Farms	# of Acres	
2000	1	80	
2001	7	345	
2002	13	463	
2003	11	425	
2004	19	1,029	
2005	32	1,425	

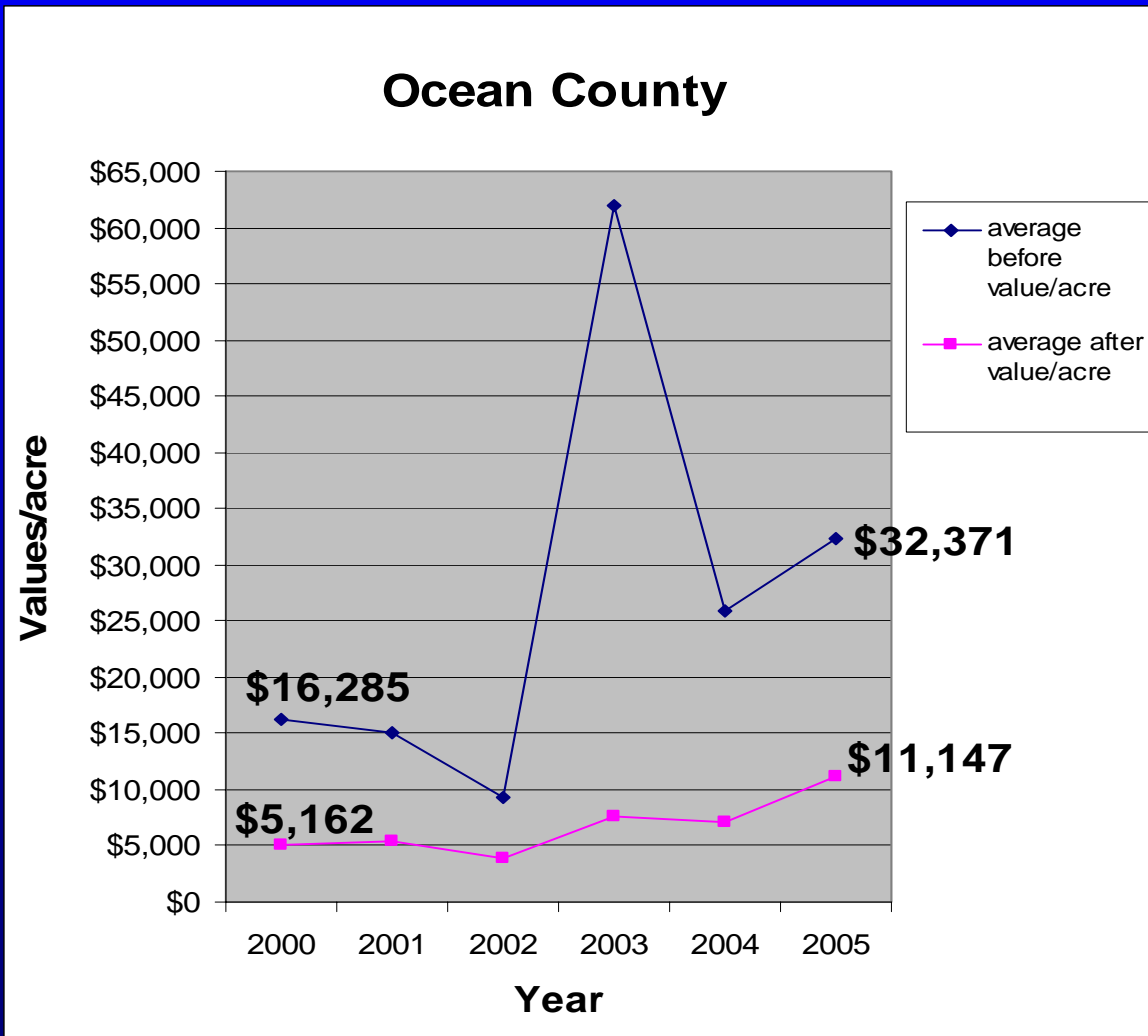
Appraisal Value Trends – Burlington County

Burlington County



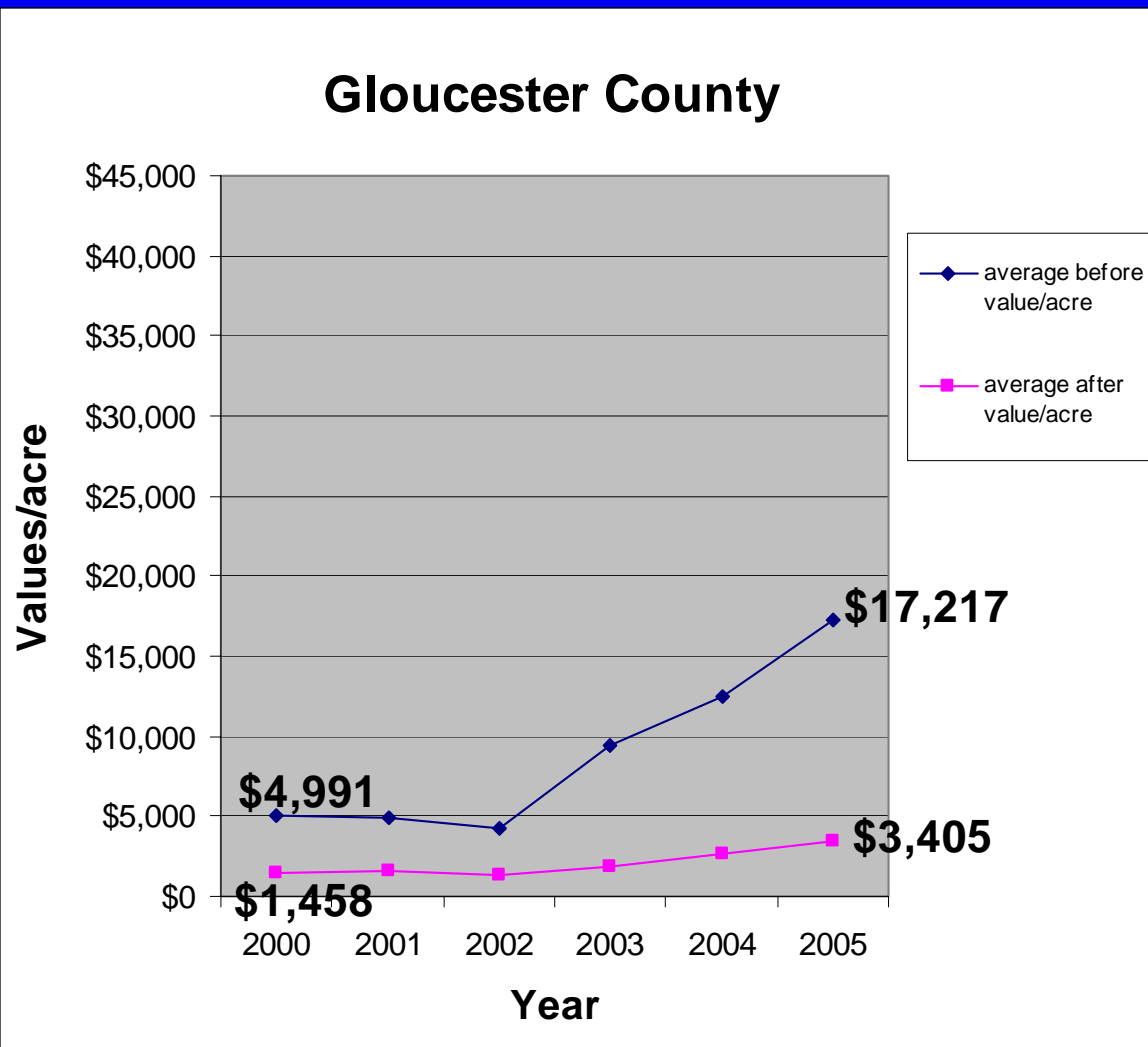
Burlington County		
Year Valued in	# of Farms	# of Acres
2000	18	1,322
2001	18	1,415
2002	3	262
2003	15	1,451
2004	12	1,731
2005	10	956

Appraisal Value Trends – Ocean County



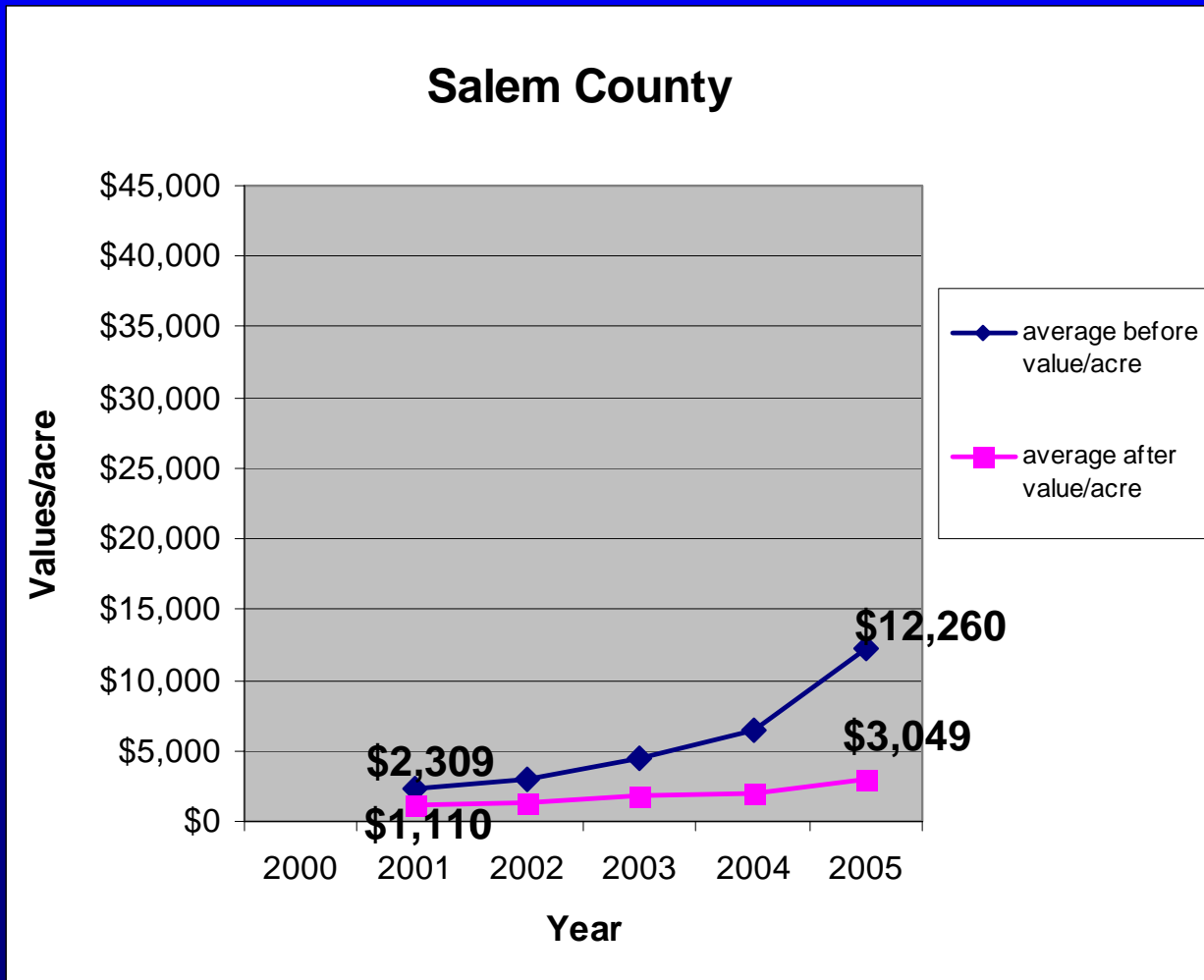
Ocean County			
Year Valued in	# of Farms	# of Acres	
2000	3	35	
2001	2	38	
2002	9	550	
2003	6	125	
2004	5	159	
2005	2	58	

Appraisal Value Trends – Gloucester County



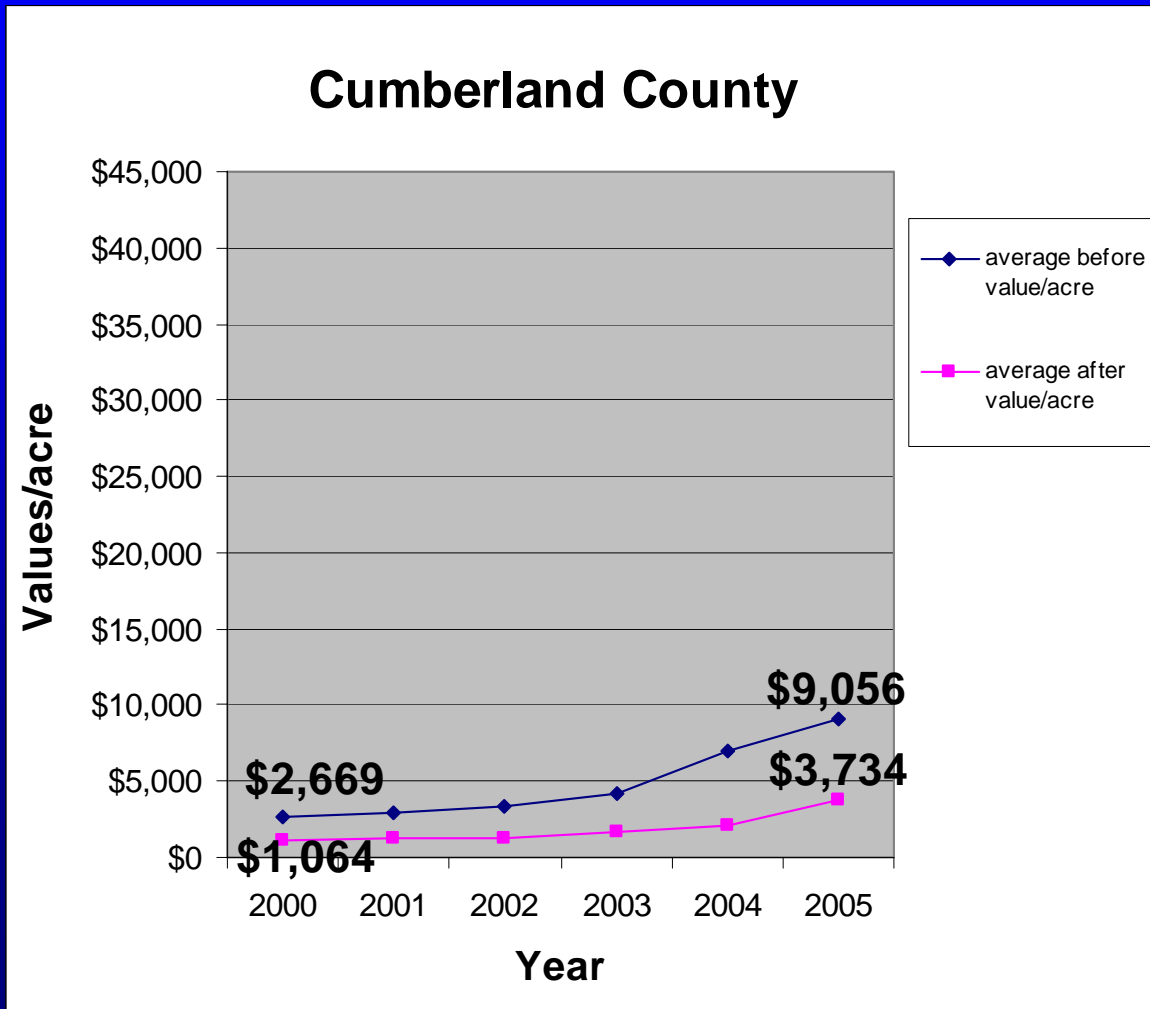
Gloucester County		
Year Valued in	# of Farms	# of Acres
2000	27	2,133
2001	24	2,177
2002	18	1,477
2003	20	1,168
2004	26	1,186
2005	22	1,081

Appraisal Value Trends – Salem County



Salem County		
Year Valued in	# of Farms	# of Acres
2001	5	420
2002	20	1,349
2003	31	2,719
2004	28	2,681
2005	33	3,346

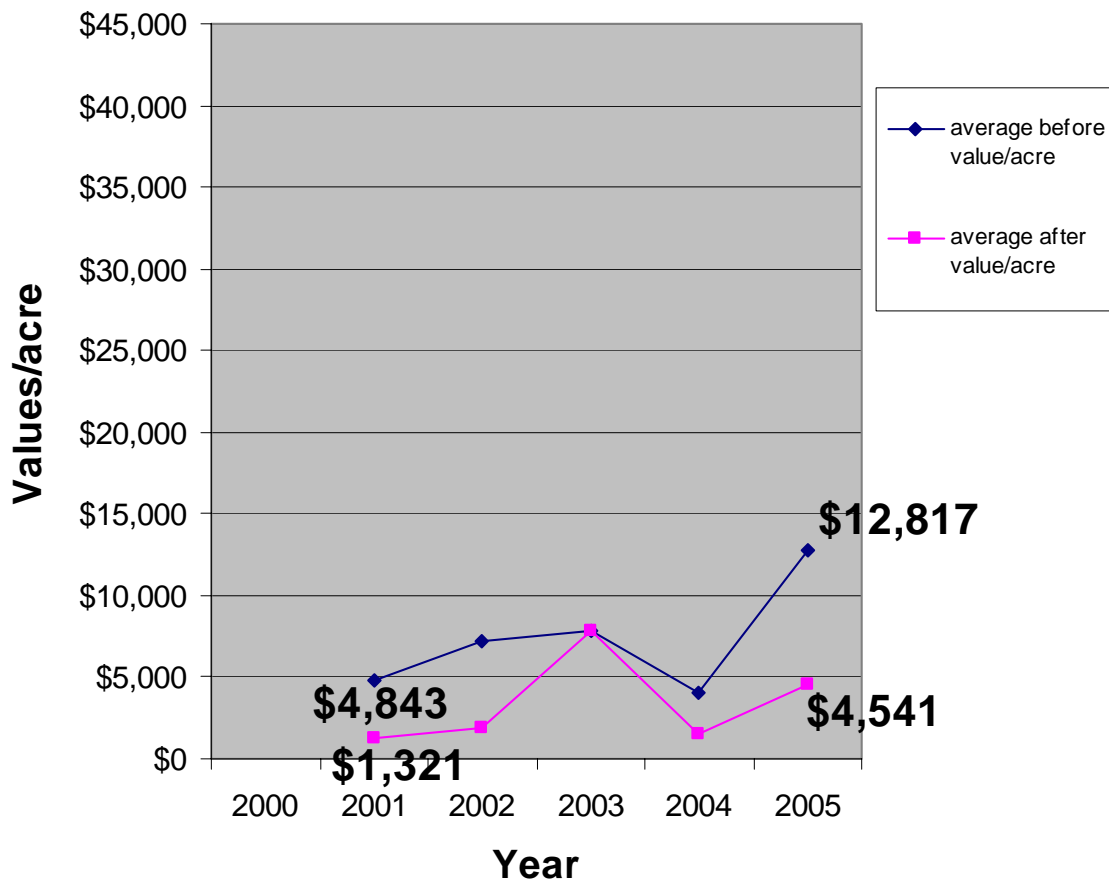
Appraisal Value Trends – Cumberland County



Year Valued in	# of Farms	# of Acres
2000	11	827
2001	15	984
2002	14	1,223
2003	15	893
2004	14	602
2005	19	1,112

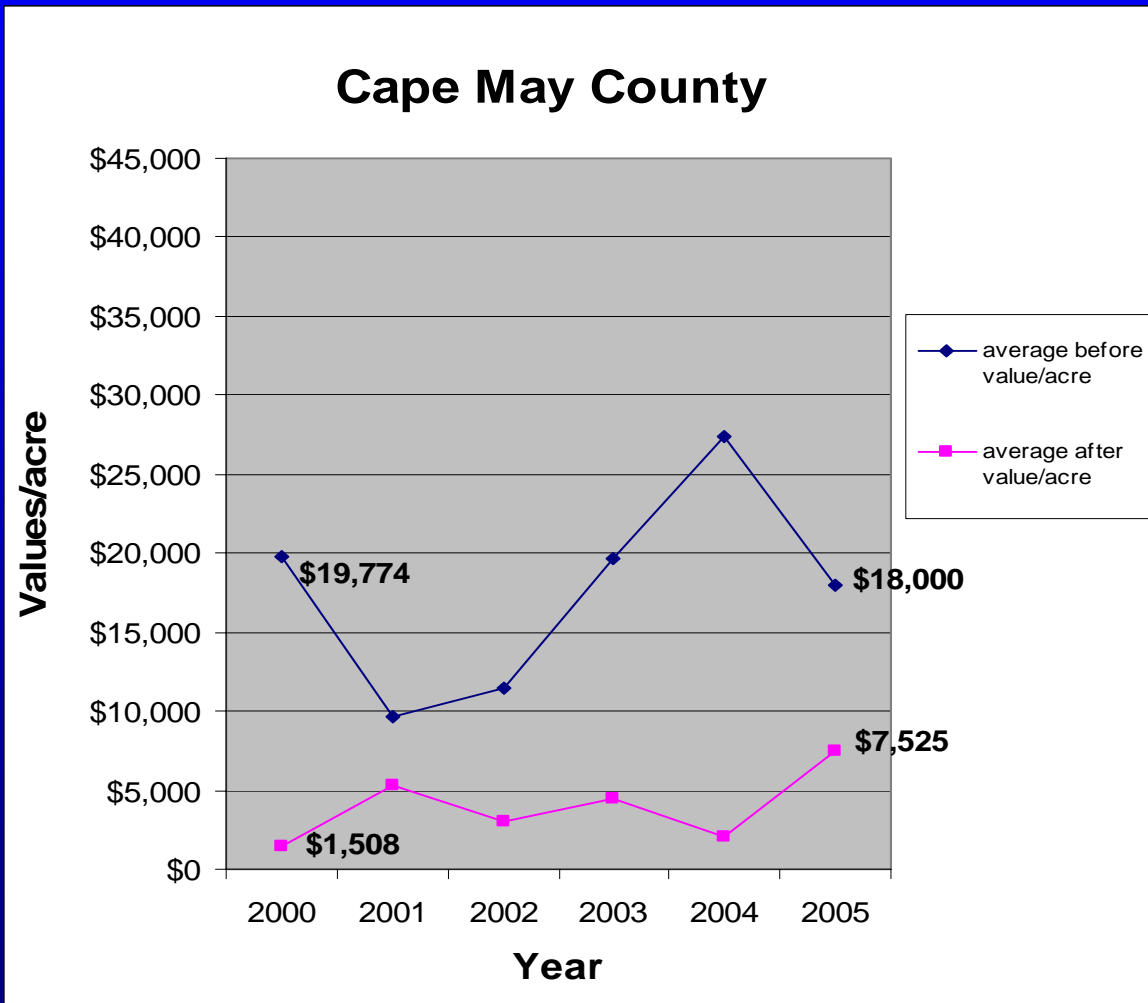
Appraisal Value Trends – Atlantic County

Atlantic County



Atlantic County		
Year Valued in	# of Farms	# of Acres
2001	5	361
2002	1	35
2003	1	22
2004	1	65
2005	10	449

Appraisal Value Trends – Cape May County



Cape May County		
Year Valued in	# of Farms	# of Acres
2000	2	85
2001	6	84
2002	2	18
2003	5	167
2004	3	70
2005	2	36

For further reference, the charts on the following 4 pages give the compiled, regional appraisal data used to create the presentation's 4 regional graphs (shown earlier in the presentation) of regional value trends over time.

Appraisal Value Trends – Northwest

Northwest – Sussex and Warren				
Year Valued in	# of Farms	# of Acres	Ave. before value/acre	Ave. after value/acre
2000	19	3,358	\$4,902	\$1,785
2001	37	3,615	\$5,337	\$1,952
2002	47	5,964	\$5,338	\$1,809
2003	43	3,166	\$6,308	\$2,247
2004	59	5,630	\$6,966	\$2,567
2005	60	4,044	\$9,408	\$3,894

***All averages are weighted averages (total cost/total acres)**

Appraisal Value Trends – North Central

North Central – Mercer, Middlesex, Somerset, Hunterdon, Morris					
Year				Ave. before	Ave. after
Valued in	# of Farms	# of Acres		value/acre	value/acre
2000	81	5891		\$13,307	\$3,789
2001	63	3835		\$18,764	\$4,778
2002	64	4351		\$21,010	\$6,772
2003	83	4394		\$22,370	\$9,348
2004	76	4118		\$29,645	\$10,276
2005	65	4469		\$40,201	\$14,326

Appraisal Value Trends – South Central

South Central – Monmouth, Burlington, Ocean					
Year				Ave. before	Ave. after
Valued in	# of Farms	# of Acres		value/acre	value/acre
2000	22	1437		\$8,820	\$3,035
2001	27	1798		\$12,397	\$3,985
2002	25	1275		\$13,052	\$5,451
2003	32	2001		\$18,457	\$4,846
2004	36	2919		\$18,440	\$6,227
2005	44	2439		\$35,016	\$10,455

Appraisal Value Trends – South

South Counties – Cumberland, Cape May, Salem, Gloucester, Atlantic				
Year Valued in	# of Farms	# of Acres	Ave. before value/acre	Ave. after value/acre
2000	40	3045	\$4,773	\$1,352
2001	65	4026	\$4,220	\$1,531
2002	55	4102	\$3,603	\$1,335
2003	72	4969	\$6,119	\$1,863
2004	72	4604	\$8,364	\$2,152
2005	86	6024	\$12,634	\$3,378