

# Cultivating Success on New Hampshire Farms

The New Hampshire Farm Viability Task Force Report

## Introduction

Agriculture is a cornerstone of New Hampshire's scenic landscape and rich community heritage. Farming in New Hampshire has significantly evolved as it adapts to increasing urbanization and globalization. Loss of farmland and the pressures of encroaching development and increased regulation present challenges to farm businesses. At the same time, this proximity of rising populations and affluence creates demand for fresh, locally produced farm products and services, and raises awareness of the values of the region's rich agricultural traditions. Significant opportunities are available for agriculture in New Hampshire. In this report, the Farm Viability Task Force has identified key public policy issues that New Hampshire needs to address now to help farming flourish over the next decade, and sustain its potential for future generations.

New Hampshire residents and visitors are discovering the joys and benefits of eating locally and regionally produced foods, bringing about a grassroots renewal of our food systems. Young people and career-changers are pursuing farming as a challenging and rewarding profession. Farming is changing, markets are changing, and people and land are critical resource bases to secure the future of agriculture in New Hampshire.

New Hampshire still has valuable land resources. But most of the state's top-quality farmland is threatened with development. New Hampshire's agricultural infrastructure, especially in the critical areas of education, research, and extension, is also under threat. The Farm Viability Task Force recommends public policy changes and actions for our governing and public institutions to support farmers in making the most of the opportunities for a dynamic agriculture in New Hampshire.

In 2005 the New Hampshire General Court passed *Senate Concurrent Resolution 1*, authorizing a Farm Viability Task Force, because "farming and other agricultural interests are a vital part of New Hampshire's economy and need much more attention; and ... intertwine many different state agencies and programs, which need each other for survival and growth." The Task Force was asked to study and recommend policy and actions to promote the strength and vitality of the state's agricultural sector, in recognition of its role in the state's food system, economy, and environment. In November 2005, Governor John Lynch appointed the Task Force, with broad representation from farming, food marketing and processing, economics and finance, nutrition, education, conservation, and consumers.

This report is divided into four sections. *An Overview of New Hampshire Agriculture* looks at the current conditions and trends to provide a baseline analysis of farming today. The *Recommendations* section addresses opportunities to enhance short- and long-term farm income and viability, education and attitudes, and burdensome or duplicative regulations. Each recommendation concisely explains the opportunity or problem addressed, outlines goals, implementation, and funding needs. Further background and supporting information is described in *A Closer Look* at each of the Recommendations. Last, an *Appendix* identifies specific State laws or regulations as burdensome to agriculture, and proposes changes to emphasize favorable law, redirect unfavorable law, and establish a uniform definition of agriculture.

## ***Executive Summary***

Agriculture in New Hampshire is changing. The resourcefulness and determination of the state's farmers has led to a modest increase in the number of farms and the aggregate dollar value output of farm businesses. Yet for many in farming there are long-standing problems to address and new challenges to face.

The diversity in size, type, and amount of land used by a farm operation is highly variable, making uniform public policy prescriptions difficult to identify. The various sectors of New Hampshire agriculture are adapting to new opportunities, with ornamental horticulture becoming the largest segment. Innovation of new products and marketing approaches has occurred in all sectors of agriculture as the state's population has spread into rural areas and brought with it a customer base of new residents.

By its nature, farming is both a land use and a business. It is a long-term investment with high annual risk. When farm profitability is measured as a return on the value of farm real estate, farmers have been receiving a poorer return over time. Most of the decrease has not been as a result of lower farm earnings, but rather a rapid increase in the value of farm real estate. Existing New Hampshire public policy to purchase conservation easements addresses this problem only to the nominal degree that it has been funded.

The focus of the Farm Viability Task Force was to craft Policy Recommendations that deal with specific issues or potential programs. Those Recommendations and goals are:

**1. Fund agricultural extension, education, and research of direct benefit to agriculture in New Hampshire.** Increasing public and private funding for UNH Cooperative Extension and the UNH Agricultural Experiment Station will improve the expertise needed to provide educational and applied research programs directed at farm viability.

**2. Increase direct marketing opportunities for producers.** Direct sale of agricultural production is the most profitable channel for many New Hampshire farms. A modest increase in promotion of farm product purchases can stimulate large gains in consumer demand and boost farm profitability.

**3. Establish a Farm Viability Program.** The purpose of a Farm Viability Program is to increase on-farm income through business planning and capital investment in order to keep land in agricultural use.

**4. Make conservation of farmland a high priority and dedicate a minimum of \$3 million annually to buy permanent conservation easements that protect agricultural land.** Lack of funding for the existing statewide farmland conservation program puts New Hampshire farmers at a competitive disadvantage to those in other states and leaves prime agricultural resources at risk. The recommended funding level is based on the minimum required to match the federal Farm and Ranchland Protection Program (FRPP) funds annually available to New Hampshire. State funding will enable the implementation of a cohesive New Hampshire-wide strategy for farmland conservation, based on well-established criteria and procedures.

**5. Establish a Lease of Development Rights (LDR) program.** Leasing development rights for a specific term of years would help communities "buy time" and stabilize farmland ownership that has come under pressure to be sold. This would allow farmland owners the opportunity to carefully plan the diversification, expansion, or generational transfer of their farm business and resist the temptation to sell out quickly.

**6. New Hampshire Department of Agriculture, Markets, and Food and University of New Hampshire Cooperative Extension should collaborate with other Northeast states to enhance the dairy industry in New Hampshire and the Northeast region.** Regional cooperation will help strengthen the state’s dairy industry, ensuring the supply of fresh, locally produced milk and dairy products and preserving a cornerstone of New Hampshire’s rural landscape.

**7. Strengthen school curricula concerning agriculture to help students understand our food system.** How food is safely produced, transported, prepared, and consumed is essential knowledge. By giving students a broader knowledge about agriculture and how it affects their world, we enable them to make informed decisions for future issues on land use, stewardship, and maintaining the working landscape.

**8. Authorize Agricultural Commissions that local governments may choose to adopt as an advisory committee.** Local Agricultural Commissions can be the voice of agriculture in each municipality. They would ensure that agriculture remains in their town by identifying barriers to the viability of farming, such as local regulations or ordinances.

**9. Remove rules and regulations burdensome to agriculture and identify ways the State of New Hampshire can assist.** Many rules, regulations, and State laws inadvertently hinder the operation of farm enterprises. Modest changes that remove inappropriate obstacles and promote uniform application and reasonable interpretation of rules, regulations, and State law would help maintain the viability of farms.

**10. Continue the Task Force process of looking at the current status and future needs of agriculture in New Hampshire.** The nature of agriculture has substantially changed since a task force last addressed agricultural issues in the 1979 *Recommendations for a New Hampshire Food Policy*. The need for more frequent review and recommendations addressing the economic viability of farm enterprises is emphasized by the pace of change they must respond to and extent to which those farm businesses must now “rub elbows” with residential, recreational, and other land uses. Assuring the survival of a solitary farm can never be certain, but ensuring that policy makers consider the effect of future challenges to the farming industry can be achieved by authorizing a regular review process.

# An Overview of New Hampshire Agriculture

## *The Land and the Business of Farming*

Farming is both a land use and a business. As a land use, agriculture is significant in New Hampshire because its positive contributions broadly promote environmental quality, scenic beauty, and cultural activity. As a business it is surprisingly large, accounting for over 2% of state GDP with over \$930 million in direct spending according to a 2002 economic analysis. This economic activity and land use is dispersed over entire state so that its lack of a common, concentrated location belies farming's overall impact. Agricultural businesses in New Hampshire are typically small family operated businesses that reflect local market opportunities.

As a land use, agriculture occupies 7% of the land in New Hampshire (almost half a million acres of crop, pasture, and other land). Farmland use is second to forest land, but agriculture may have greater impact on public perception based on its visibility as part of the working landscape. The particular work being done on a farm changes with the seasons, becoming part of the subtle background that reinforces our concept of New Hampshire as a rural state.

New Hampshire agriculture produced \$930 million in direct spending supporting 11,600 jobs generating household income of over \$200 million. Agriculture's total economic impact was over \$2.3 billion including direct, indirect, and induced spending, linking a total of 18,300 jobs to agriculture. The total of all spending produced \$118 million in state and local government tax revenue.

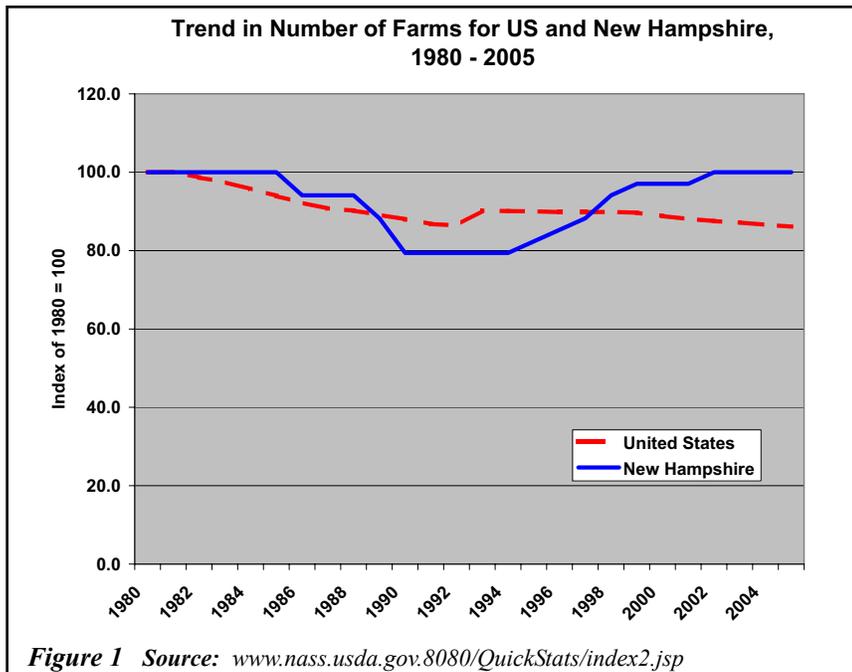
*Key findings of "The Impact of Agriculture on NH's Economy in Fiscal Year 2002"*

The fact that farming is a combination land use/business that is dispersed throughout the state means that it is difficult to describe what is good public policy for a "typical" farm. In general, the most important public policy for the broad range of agriculture is Current Use taxation. Beyond that mainstay of property tax, what is good policy for farming is a complex mix that varies for each

farm. There is a breadth and depth to farming that defies easy or uniformly applicable public policy prescriptions. Farm businesses are as unique as the farmers that operate them. Understanding the diverse nature of what constitutes a New Hampshire farm is central to recognizing the boundaries of what can be done for New Hampshire farms and the difficulties inherent in trying to avoid unintended negative consequences for farmers.

Farmers, in cooperation with the land of New Hampshire, have been producing agricultural crops for 375 years. This long tenure

can lead to a common misconception: that farming is static, old-fashioned and quaint. In reality, farming is all about managing change on the land. Farmers are managers of change; they rely on nurturing change to produce a crop from planting seed to gathering harvest. Farming has to be as adaptive and market responsive as any other twenty-first century business, but within the scope of its long history and traditions.



a model where the farmer is a specialty product producing “price maker” in the retail market. This expansion of marketing opportunity has led to creation of new farm businesses in New Hampshire.

The increase in new farm operations in the New Hampshire bucks the national trend of a decrease in the number of farms (*see Figure 1*). The economic drivers of declining farm numbers at the national level tend to be more related to wholesale commodity production of major crops like rice, cotton, corn, soybeans, and wheat. Nationally, a com-

### ***Trends in New Hampshire Agriculture***

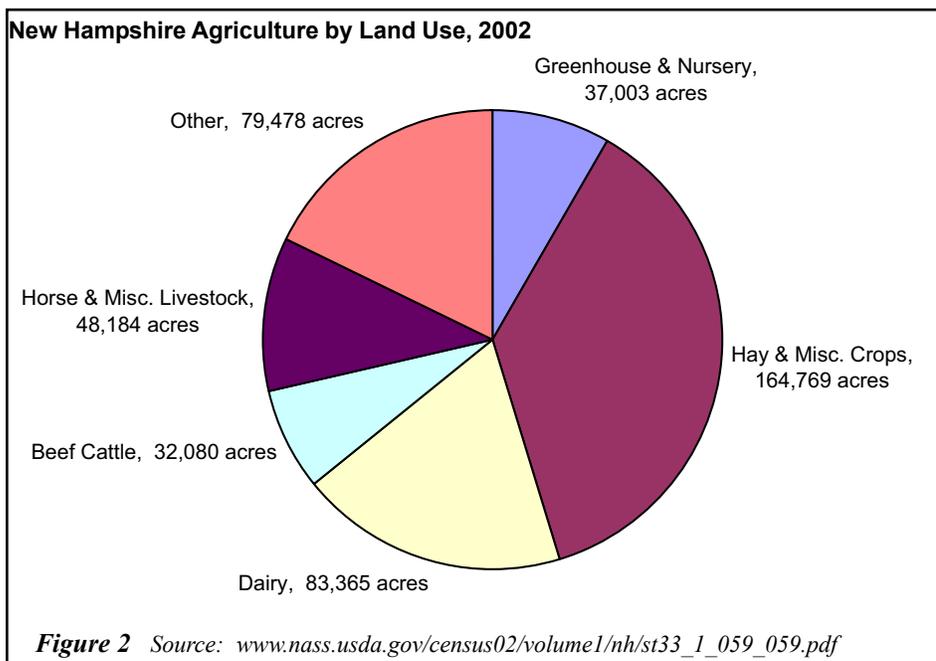
The fortunes of different sectors of New Hampshire agriculture rise and fall independently over time. Historically, the crops that made farmers prosperous seemed to be a good bet for a few decades, then suffered rapid decline in profitability due to recurring disease or competition from lower cost producers. Like wheat in the Upper Connecticut Valley in the 1800’s or broiler hens in the 1950’s, times were good for a stretch, then it seemed as if whole sectors of agriculture just disappeared. Now, the performance of the state’s farm economy is more closely tied to the performance of the overall economy than it is to internal factors that relate one part of agriculture to another. This trend has been amplified as more of New Hampshire agriculture utilizes direct to consumer sales, such as farmers’ markets, farm stands, and pick-your-own.

Some sectors of farm production have been able to take advantage of direct to consumer sales and enjoy a higher retail markup. Another consequence of the ability to tap direct retail sales is that there are fewer marketing barriers in the way of starting a new farm business. The old model of the farmer as a commodity producing “price taker” in the wholesale market is being supplemented by

mon response farmers have made to changing farm economics is by consolidating farms to achieve cost efficiencies. Conversely, the changing farm economics in New Hampshire have favored the *creation* of new farm businesses that are responding to market opportunities based on retail sales. This comparison is certainly an oversimplification of the economic drivers the national farm economy, and this is not to say that some New Hampshire farms are influenced by those national trends (dairy being a prime example). But the New Hampshire trend of new farms that are small in scale and based on retail market opportunities is real, and is contributing to the vibrancy and growth of agriculture.

### ***A Quick Look at New Hampshire Agriculture by Sector***

The overall health of agriculture in New Hampshire is strong, and the future looks bright. There are many different ways to measure strength in agricultural enterprises such as total acreage farmed (*see Figure 2*), increase of farm output, or increase in sales in a particular sector. The following thumbnail sketches of agricultural business sectors are intended to point out the diversity of farm enterprises in this state as well as their relative health.



estimated at \$50 million. Equine operations support a great deal of hay production and utilize pastureland made available by the decrease in dairy farms.

Traditional livestock for home use and commercial sale such as beef, sheep, swine, and poultry are being joined by newcomers such as llamas, angora goats and rabbits prized for fiber production. New markets for exotic meat animals such as deer bison and elk have

Ornamental horticulture has shown consistent growth over the past few decades. It includes greenhouse and nursery production, turf, and related services. This segment has demonstrated compatibility with urban/suburban areas and benefits from direct access to large metropolitan markets. Its aggregate value of annual production is \$438 million from very small enterprises to those with gross sales over \$10 million.

Dairy farms in New Hampshire produce over 34 million gallons of milk each year on 140 farms. The above average genetic quality of New Hampshire dairy cattle makes for additional sales of purebred cattle for a total of \$53 million in annual sales. Although the number of dairy farms has been declining, this segment accounts for a majority of the agricultural land base. Silage for dairy feed accounts for most of the corn grown in the state. Dairy farming also accounts for a large part of the agricultural infrastructure such as large animal veterinarians, equipment dealers, feed-grain vendors, and livestock transporters and dealers.

The equine industry in New Hampshire is continuing the trend away from producing horses for racing and toward recreational horse use. Counting the economic productivity of the horse industry is difficult because it blurs the lines between sport, hobby, and business. Its annual economic effect is

opened, yet limited access to in-state USDA inspected slaughter facilities has hampered expansion. Large scale commercial poultry production has decreased from its heyday in the 1950's, as small scale egg and turkey producers have found direct sales profitable. Overall, the sector accounts for \$21 million in annual output.

Hay and forage crop sales of \$16 million per year keep thousands of acres of farmland open and productive. The increasing demand for hay to supply the horse sector has provided opportunities for high quality hay.

Vegetable production in New Hampshire is primarily sold direct to the consumer through farm stand and Farmers' Markets. Native grown vegetables are also featured in some local and regional supermarkets. From heirloom tomatoes to sweet corn, farmers raise \$12 million per year.

Orchards in New Hampshire produce about 700,000 bushels of apples annually. Many are sold in the region or pressed into cider on the farm. The value of the crop is \$8 million per year.

Christmas trees are grown for sale from the farm, by the truckload, or over the internet. Along with wreaths and roping, total annual sales are \$6 million.

Strawberries, raspberries, blackberries, blueberries and other fruit such as peaches, plums, and currants are often grown as part of a pick-your-own operation. Yearly production is \$3.5 million.

New Hampshire produces about 75,000 gallons of maple syrup in an average year on 400 farms. Beekeepers raise bees that produce New Hampshire's other natural sweetener, honey. Beekeepers also rent hives to farmers who depend on pollination of flowers by bees. Together, maple and honey production is valued at \$3.5 million a year.

### *Who is a Farmer Today?*

Describing a “typical” farmer is hard to do without also describing the “typical” farm business. New Hampshire farm businesses vary greatly in size and type, but small dominates. From a demographic standpoint, New Hampshire farmers are generally following national trends. USDA statistics point out one notable difference: there are more female operators of farms per capita in New Hampshire than in other states.

It is no surprise that since most New Hampshire farms are small, most New Hampshire farmers are part-time farmers. This tracks the national situation, where 84 percent of farmers get more than half their income from off-farm sources. This also indicates that farmers are active participants in the rural economy—they are likely to have several other jobs or own one or more businesses. This characteristic of “job elasticity” is perhaps why the rural economy suffers less during economic downturns than does the overall economy.

Farm labor—those who work on farms but are not owners—tend to be seasonal and part-time. Frequently this means more than forty hours a week during the employment season for part-time labor.

Anecdotally, high school age employees are a large part of this labor pool. Reflecting the high cost of labor, some farm businesses have utilized pick-your-own marketing as a labor substitution strategy. Farm labor who are permanent, full-time employees are concentrated in larger farm businesses, particularly in dairy and greenhouse operations. Full-time farm labor competes for talent in the same labor market as any other business, frequently offering health and other benefits. Such employees are typically highly skilled with very specific knowledge of production techniques.

Of farmers who reported being on their current farms four or fewer years, 24 percent were age 35 or younger, while 24 percent were 55 or older.

Such data from the 2002 U.S. Census of Agriculture suggests that a significant number of beginning farmers may be seeking a second career and rural lifestyle.

People who grew up on farms traditionally were the next generation of farmers—agriculture grew virtually all its own replacements. Increasingly, people who did not grow up on farms now enter agriculture. The appeal of a rural lifestyle and entrepreneurial small business opportunities attract new entrants to farming.

Another aspect of New Hampshire agricultural demographics is the degree to which farmers are active in

community affairs. Farmers seem to hold more than the expected share of elected town government responsibilities, along with other positions of service such as fire departments and ambulance squads. While this kind of community activity can be partly explained by farmers “being around town all day,” commitment to community remains a prominent characteristic of farm operators.

What is a Farm in New Hampshire Law?

RSA 21:34-a Farm, Agriculture, Farming.

I. The word "farm" means any land, buildings, or structures on or in which agriculture and farming activities are carried out or conducted and shall include the residence or residences of owners, occupants, or employees located on such land. Structures shall include all farm out-buildings used in the care of livestock, and in the production and storage of fruit, vegetables, or nursery stock; in the production of maple syrup; greenhouses for the production of annual or perennial plants; and any other structures used in operations named in paragraph II of this section.

### *The Role of Farm Entrepreneurs*

Looking at the relative value of production by agricultural sector is informative, but a different perspective may be more predictive of future profitability for farm businesses. Across all agricultural sectors, farm businesses that have been able to sell innovative products have seen greater growth opportunities than farm businesses that do not differentiate their products. Farmers who can turn new ideas for products, processes, or services into new sales are usually taking aim at direct to consumer sales, although wholesale markets are accessible to some producers. Innovative products from New Hampshire farms include items from milk-based puddings to patented plant cultivars, from frozen cattle embryos to distilled maple liqueur.

Innovation and market differentiation requires an entrepreneurial spirit that might seem at odds with the long term investment of farming. Yet many farm operations have found ways to assimilate the risks of the marketplace into the same mindset that allows farmers to take on the risks inherent in farming such as bad weather, crop failure, and seasonal production (and therefore seasonal income).

In addition to the innovative aspects of new product development, many New Hampshire farmers find success by innovating new marketing approaches. Finding new ways to sell farm products is another skill set that many farmers have developed. As more farm businesses are located closer to population centers (either by new start-ups or by the population centers sprawling out to meet the farm), some farm owners have taken the opportunity to leverage this contact into more direct to consumer sales. As a result of this increase in higher value retail sales, the economics of farm production and location have shifted toward

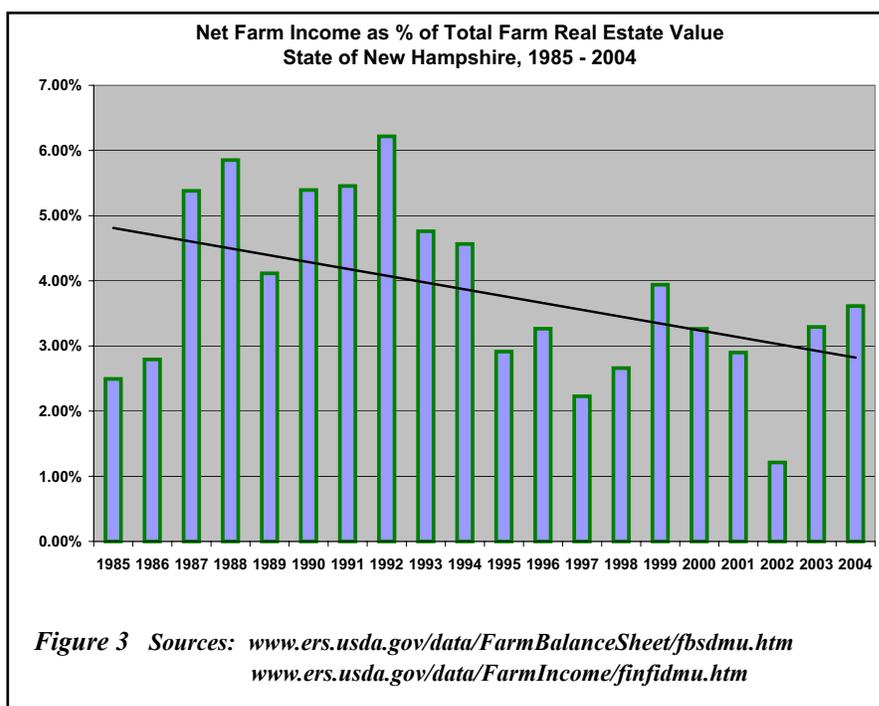
population centers. Fifty-nine percent of the dollar value of New Hampshire agricultural output is now produced in metropolitan counties (statistical definitions label all other counties as “rural”).

### *Farm Viability and Profitability on the Land*

By its nature, farming is a long term investment with high annual risk. Although not all farm operations need a lot of land, land ownership associated with a farm business is common. The impact of land ownership on the continuing viability of agricultural enterprises is another occasion where the unique nature of farms as both land use and business intersects with public policy.

Due to the diversity in farm business size, type, and amount of land it is difficult to find one policy “silver bullet” that would ensure New Hampshire farm profitability. Likewise, it is difficult to find one measure of farm profitability to gauge success. However, the relationship of farming to the land is so fundamental that relating the amount of income produced from the farm operations (net farm income) to the value of farmland (total farm real estate value) is illuminating.

The trend line of the graph below (*Figure 3*) shows that over the past twenty years, farmers have been receiving less income relative to the value of their farm property. Most of the decrease



has not been as a result of lower farm earnings, but rather a rapid increase in the value of land in New Hampshire. As a measure of viability, this indicates that farmers are experiencing more economic pressure to owning their land in the face of other alternatives—such as selling it for residential development. In short, farmers can't be expected to continue to operate viable farm businesses if the economically sensible behavior is to sell the land for development.

Existing public policy in New Hampshire has tried to address this incentive to sell off land by purchasing permanent conservation rights (*see page 25, A Closer Look at Permanent Conservation*). This has been effective to the degree that it has been funded. Examining the suitability of this policy approach in terms of farm viability only strengthens the case for continuing efforts to purchase permanent development rights.

Current Use taxation greatly reduces the property taxes on farmland and is the single most important public policy benefit for farm owners. But reducing the annual “carrying cost” expense through Current Use taxation does not address the underlying value equation illustrated in the graph that makes it attractive for farmers to sell their land. All farmers are income producers and investors in their farmland. Analogous to a stock market investor, they must always balance the income produced by the investment to the amount of money they have at risk. If a farmer's income potential from his land is stagnant, yet the value of the land continues to go up, then the rational economic behavior will be to sell the land. If a farmer in that situation can sell the development rights to his land—in other words, sell a permanent conservation easement—then he can recover some of the increased value of the land without having to stop farming. Using the analogy to the stock market investor, the farmer has put a stop-loss order on the future value of his real estate. By selling permanent conservation rights, the farmer can get cash money from the increased value of his real estate, reducing his overall investment. The cash money can be used to pay down

debt, reinvest, or fund retirement. And the farmer's permanent investment in farm real estate has been reduced so that the income generated from farm operations is a much larger percent of net farm income. In essence, the value of the farm real estate has been adjusted to better balance the value of the income stream.

### ***The Beneficial Land Use of Agriculture***

The traditional justification for national public policy to help farmers has been based on the concept of the public paying a small amount for the public good of maintaining food security and avoiding disruptions to the economy from farm business failures. This “social contract” at the national level between farmers and the public has limited application to New Hampshire. Besides the food and products produced on New Hampshire farms, the outstanding public good that farmers provide is the ownership and stewardship of land that provides wildlife habitation, watershed purification, open space to enjoy, and the rural character that contributes to the quality of life in the state. This public good doesn't stop at the farm gate. Many farmland owners allow the public onto their land for fishing, hunting, skiing, biking, snowmobiling, bird-watching, hiking or other recreational opportunities.

New Hampshire's interest in continuing to have farmers and farms is grounded in the public's sense of the appropriate and beneficial land use of agriculture. Many towns have allocated local tax dollars for the purchase of permanent farmland conservation covenants, far exceeding the amount the state has spent. This indicates state funding for farmland preservation programs lags behind the strong local support evidenced in many communities, rather than the towns are somehow spending too much.

The public policy imperative is to secure farmland conservation covenants in the face of rising land values and diminishing percentage returns so that the beneficial land use of farming can coexist with other land uses in New Hampshire. Farmers now

provide this public good “for free” and are proud to do so as stewards of the natural life processes of their own farms and the greater good of providing environmental and aesthetic benefits to the public. But with rising land values, how long can farmers withstand the pressure to sell their land? The State must recognize its role in encouraging local initiatives and providing consistency to the funding process so that farmers are not motivated to sell their land and stop farming.

From the very beginnings of New Hampshire, farming has provided opportunity for those willing to work hard, be resilient, and trust in the future. The economics and types of farming have constantly changed in more than 375 years of our agricultural history, as have the challenges. The pioneering settlers defied the vagaries of weather, crop failure, and uncertain markets to earn a living growing food, fiber, and farm products. Today’s agricultural producers face similar challenges, but in addition farmers now face the vagaries of local

zoning boards, failure to be compensated for the public benefit they provide to the environment, and uncertain regulatory barriers. Aspects of all of these problems, old and new, are addressed by the policy Recommendations of the Farm Viability Task Force.

The policy Recommendations in this Report are geared to proposed action. Problems are identified, goals are offered, outcomes are anticipated, implementation is suggested, and the need for funding is identified. The Recommendations are brief enough to be understood quickly, with additional details and context following in “A Closer Look” at each of the Recommendations.

The supporters and farmers on the Task Force intend this Report to tell the story of New Hampshire’s agricultural businesses, the problems they face, and suggested action to increase their viability—so we may farm.

**Recommendation 1****Fund agricultural extension, education, and research of direct benefit to agriculture in New Hampshire.**

Increasing public and private funding for UNH Cooperative Extension and the UNH Agricultural Experiment Station will improve the expertise needed to provide educational and applied research programs directed at farm viability.

**Goal:** Secure additional funding for research that helps New Hampshire farm producers and for the Agricultural Specialists (Extension Educators) who communicate the practical knowledge that is responsive to the changing needs of agriculture in New Hampshire.

**Implementation Strategy:** Funding of UNH Cooperative Extension and the UNH Agricultural Experiment Station can be assisted by developing an entity to solicit and receive private funds. This private fundraising effort could be modeled on the 4-H Foundation of NH, which is integrated with the UNH Foundation. An advisory board including agricultural industry representation and UNH Cooperative Extension could be established to set policies and procedures for soliciting, receiving and expending these funds.

**Funding Mechanism:** Secure additional, targeted funding from the legislature to support Extension Agricultural Specialist positions and programs supporting agricultural viability. Private resources would be solicited from appropriate sources that support agriculture.

*(see page 16 for A Closer Look)*

**Recommendation 2****Increase direct marketing opportunities for producers.**

Direct sale of agricultural production is the most profitable channel for many New Hampshire farms. A modest increase in promotion of farm product purchases can stimulate large gains in consumer demand and boost farm profitability. New Hampshire's rich agricultural background and the deep resonance of farm values cannot be underestimated as a public benefit that must be cherished: direct marketing of farm products by farm people is the best means to offer this connection to the public.

**Goal:** Effectively utilize the State's marketing activity to encourage buying local and supporting local farms. Coordinated public communications can increase the value of agriculture as a supplier of quality of life perceptions as well as direct consumables for both tourists and residents.

**Implementation Strategy:** Create a permanent marketing and promotion position within the Department of Agriculture, Markets, and Food to foster marketplace demand and public communications. This position will support general promotion of agricultural interests such as NH Made, the NH Farm and Forest Expo, the BigE (Eastern States Exposition), and NH agricultural fairs by expanding opportunities for direct marketing of farm products and direct contact with farm experiences for consumers. This position will also allow intensified networking with other state agencies and non-governmental organizations to amplify mutual benefits of agricultural promotion.

**Funding Mechanism:** Increase state funding to fully fund a Promotion and Public Communications position within the New Hampshire Department of Agriculture, Markets, and Food.

*(see page 18 for A Closer Look)*

**Recommendation 3****Establish a Farm Viability Program.**

The purpose of a Farm Viability Program is to increase on-farm income through business planning and capital investment in order to keep land in agricultural use. The Program would utilize farm business planning assistance and limited grants for farm transition in exchange for temporary land use covenants. This would allow farmland owners the opportunity to carefully plan the diversification, expansion, or generational transfer of their farm business by stabilizing farmland ownership and providing a well-founded plan for future success of the farm operation.

**Goal:** Assist participating farm businesses to enhance the local economy, resist sprawling development, provide benefit to the environment, and maintain open space that promotes our quality of life.

**Implementation Strategy:** Pass statewide legislation to provide for a three step program that would 1) develop a business plan with a team of outside experts to enhance farm income, 2) provide payment to implement the business plan, and 3) to require that the farm property be placed in a term covenant for ten years to protect the land from development. Preference for inclusion in the Farm Viability Program would be encouraged for farms already under permanent easements, and for farms seeking to convert term covenants to permanent land protection easements.

**Funding:** This program would require funding for development of a farm business plan, implementing suggested improvements, and purchase of the term covenant.

*(see page 22 for A Closer Look)*

**Recommendation 4****Make conservation of farmland a high priority and dedicate a minimum of \$3 million annually to buy permanent conservation easements that protect agricultural land.**

Lack of funding for the existing statewide farmland conservation program puts New Hampshire farmers at a competitive disadvantage to those in other states, and leaves prime agricultural resources at risk. The recommended funding level is based on the minimum required to match the federal Farm and Ranchland Protection Program (FRPP) funds annually available to New Hampshire. State funding will enable the implementation of a cohesive New Hampshire-wide strategy for farmland conservation, based on well-established criteria and procedures.

**Goal:** Conserve high quality agricultural land through permanent conservation easements that make land available for farming now, and to ensure New Hampshire's capacity to produce food and other agricultural crops and livestock for future generations. Predictable funding enhances opportunities for farm owners to sell conservation easements, thereby giving access to equity without developing their land. Access to this farmland equity can make possible transfer of farms to the next generation, and enable farm investment and diversification.

**Implementation strategy:** State money for purchasing conservation easements can be dedicated to the state's existing Agricultural Land Preservation program (RSA 432:18-31-a) or earmarked within the Land and Community Heritage Investment Program (LCHIP). The state Technical Advisory Committee that advises USDA Natural Resources Conservation Service on FRPP expenditures has developed an effective application and selection process to identify the best farmland for protection. In most neighboring states, this committee would also award state funds to match the federal grants to assure coordination.

**Funding:** Increase direct state funding by no less than \$3 million annually. Public and private partners stand ready to significantly leverage each dollar the state dedicates to conserving farmland. But without participation and leadership at the state level, farmland conservation will continue to occur predominantly in well-organized, wealthy communities rather than on the basis of the quality of agricultural land protected.

*(see page 25 for A Closer Look)*

**Recommendation 5****Establish a Lease of Development Rights (LDR) program.**

Leasing development rights for a specific term of years would help communities “buy time” and stabilize farmland ownership that has come under pressure from expanding residential development. This would allow farmland owners the opportunity to carefully plan the diversification, expansion, or generational transfer of their farm business and resist the temptation to sell out quickly.

**Goal:** Create a mechanism for landowners and communities to keep land in agricultural use while longer term strategies to strengthen the farm business and permanently protect farmland are implemented.

**Implementation Strategy:** Pass statewide enabling legislation to allow towns, cities, and private land trusts to contract for direct lease payments for term covenants. Farmland owners would agree to a non-development covenant with a rolling term of seven or fourteen years in exchange for lease payments (or credit against local property taxes) and a right of first refusal.

**Funding:** This program considers only local or private land trust funding sources. Enabling legislation would allow towns to enter multi-year lease contracts as well as the ability to offset lease payments with credits (or multi-year abatements) for property taxes. No state funding would be required.

*(see page 29 for A Closer Look)*

**Recommendation 6****New Hampshire Department of Agriculture, Markets, and Food and University of New Hampshire Cooperative Extension should collaborate with other Northeast states to enhance the dairy industry in New Hampshire and the Northeast region.**

Regional cooperation will help strengthen the state’s dairy industry, ensuring the supply of fresh, locally produced milk and dairy products and preserving a cornerstone of New Hampshire’s rural landscape.

**Goal:** New Hampshire should join forces with Vermont, New York, Pennsylvania and other Northeast states to coordinate the direction, goals, and resources necessary to ensure a competitive and profitable Northeast dairy industry—including optimizing the intellectual talent serving the Northeast dairy industry, researching dairy business models to increase profitability, and marketing and public relations initiatives that promote the Northeast dairy industry’s economic contributions, strengths, and advantages.

**Implementation strategy:** The New Hampshire Department of Agriculture, Markets, and Food should join the memorandum of understanding signed in June 2006 by the agriculture commissioners of Vermont, New York, and Pennsylvania to develop and implement cooperative programs to improve dairy profitability and productivity. The University of New Hampshire and the state’s dairy farming and allied industries can participate in collaborative efforts to enhance the stability and prosperity of dairy farming.

Support for the Northeast Dairy Compact concept will continue by maintaining authorization in New Hampshire law to provide for rapid re-establishment in the event Congress approves it or something similar. The New England states created and Congress approved the Compact in 1996 to ensure adequate supply of fluid milk, maintain a fair and equitable wholesale fluid milk price, and preserve economic viability of dairy farming in the region.

**Funding Mechanism:** UNH and Cooperative Extension should continue to pursue funding from government and other sources to maintain research and information transfer services that sustain and enhance the state’s dairy industry. The Northeast Dairy Compact or its successor would require no state funding.

*(see page 31 for A Closer Look)*

**Recommendation 7****Strengthen school curricula concerning agriculture to help students understand our food system.**

How food is safely produced, transported, prepared, and consumed is essential knowledge. By giving students a broader knowledge about agriculture and how it affects their world, we enable them to make informed decisions for future issues on land use, stewardship, and maintaining the working landscape.

**Goal:** Promote the development and use of instructional materials to prepare students in all aspects of the food system to foster critical thinking, problem solving, leadership, and academic and technical skill attainment. Build awareness of New Hampshire agriculture and its historic, cultural, economic, and quality of life contributions to the state that are necessary to be an informed citizen.

**Implementation Strategy:** Make adequate resources available for the NH Farm to School and New Hampshire Agriculture in the Classroom programs to provide elementary educators with the necessary material, background information, and local resources to integrate agricultural themes into their curricula. Increase access to Vocational Agricultural Education Programs that provide students elective classes for training in agri-science related fields. Fill the vacant educational consultant position within the NH Department of Education, assigning that position state-wide responsibility for the agri-sciences educational programs at New Hampshire high schools.

**Funding:** Develop a cooperative effort between state legislature and agencies, local communities and agri-businesses to move beyond current funding levels.

*(see page 33 for A Closer Look)*

**Recommendation 8****Authorize Agricultural Commissions that local governments may choose to adopt as an advisory committee.**

Local Agricultural Commissions can be the voice of agriculture in each municipality. They would ensure that agriculture remains in their town by identifying barriers to the viability of farming, such as local regulations or ordinances.

**Goal:** Create local agricultural champions who promote farms and offer advice to other town boards on how to encourage towns to be farm-friendly.

**Implementation Strategy:** Pass state-wide legislation allowing local governments the choice to form and implement Agricultural Commissions.

**Funding Mechanism:** This program considers only local and private funding. Background information, operating procedures, and best practices have been assembled into a Toolkit for establishing voluntary town Agricultural Commissions by The Coalition for Sustaining New Hampshire Agriculture.

*(see page 35 for A Closer Look)*

**Recommendation 9****Remove rules and regulations burdensome to agriculture and identify ways the State of New Hampshire can assist.**

Many rules, regulations, and State laws inadvertently hinder the operation of farm enterprises. Modest changes that remove inappropriate obstacles and promote uniform application and reasonable interpretation of rules, regulations, and State law would help maintain the viability of farms.

**Goal:** Create awareness in State and Local regulatory authorities that “*agricultural activities are a beneficial and worthwhile feature of the New Hampshire landscape*” (RSA 672:1). Farm enterprises should not suffer from rules, regulations, laws, and ordinances that are directed primarily at non-farm activities, the unreasonable interpretation of which often ignores the traditional, fundamental and accessory uses of land for farming purposes.

**Implementation Strategy:** The Farm Viability Task Force has combed through State law to find detailed examples of conflicting word of law and failure to consistently define agriculture according to RSA 21:34-a, the existing best definition of agriculture. Specific recommendations for changes to RSA’s are too detailed to list here, and so appear in the Appendix of this report.

**Funding:** The detailed changes recommended in the Appendix do not require additional State funding, nor do they incur additional costs to municipalities.

*(see page 36 for A Closer Look)*

**Recommendation 10****Continue the Task Force process of looking at the current status and future needs of agriculture in New Hampshire.**

The nature of agriculture has substantially changed since a task force last addressed agricultural issues in the 1979 *Recommendations for a New Hampshire Food Policy*. The need for more frequent review and recommendations addressing the economic viability of farm enterprises is emphasized by the pace of change they must respond to and extent to which those farm businesses must now “rub elbows” with residential, recreational, and other land uses. Assuring the survival of a solitary farm can never be certain, but ensuring that policy makers consider the effect of future challenges to the farming industry can be achieved by authorizing a regular review process.

**Goal:** Direct the State Agricultural Advisory Board to serve as the body authorized to review and make recommendations relative to the continuing viability of agriculture in New Hampshire.

**Implementation Strategy:** Pass legislation to direct the existing Agricultural Advisory Board to engage in a Farm Viability Study and make recommendations based on their findings no less often than every five years. The process should allow the ability to take testimony and consider proposals by others as the Board conducts the review.

**Funding:** This proposal would incur additional time to be served by the volunteer Agricultural Advisory Board. No additional state funding would be required.

*(see page 38 for A Closer Look)*

**A Closer Look**—*at Recommendation 1****Fund agricultural extension, education, and research of direct benefit to agriculture in New Hampshire.***

**Goal:** Secure additional funding for research that helps New Hampshire farm producers and for the Agricultural Specialists (Extension Educators) who communicate the practical knowledge that is responsive to the changing needs of agriculture in New Hampshire.

UNH Cooperative Extension (UNHCE) provides a needed connection between the scientific knowledge of the University and its practical application in the field. For farmers, Cooperative Extension is often the first call for questions about crop production, such as identifying soil fertility problems, insect pests, or plant diseases. Having rapid access to Agricultural Specialist Extension Educators to consult on production problems that may lead to immediate crop damage or livestock losses is a beneficial leveraging of agricultural research knowledge to mitigate crop production risk. UNHCE is a prudent institutional solution to protect the economic value of crops and livestock in the state. Agricultural producers rely on UNHCE to respond quickly, effectively, and carefully when dealing with new pest and disease problems, as well as successfully managing existing crop threats.

UNHCE provides the communication pathway for scientific knowledge that keeps agriculture sustainable and attentive to emerging environmental concerns. This background information is the basis of Best Management Practices, which are specific guidelines adopted by the Department of Agriculture. UNHCE provides the aggregated knowledge of academic research about agricultural practices from other institutions across the world so that New Hampshire farmers are supplied with the most current and reliable technical advice.

Cooperative Extension effectively supports the future of agriculture by putting Agricultural Specialists in contact with farm producers who are

trying out new crops and production methods. Extension Agricultural Specialists are often called on as consultants to critique emerging technologies as they are first put into practice on the farm. Cooperative Extension's on-farm delivery of experience and knowledge requires a hands-on approach. On-farm viewing of a complex collection of crop symptoms that requires analysis of soil or tissue samples can't be done with mouse clicks. Face to face visits, tours, and instructional seminars by experienced UNHCE Agricultural Specialists who constantly compare practices they see on different farms has built a knowledge force with high technical proficiency in the scientific background that is a competitive advantage for New Hampshire growers.

UNHCE is in the knowledge communication business, and not just with farmers. Extension Specialists also respond to the general public's questions about gardening, tree care, insect pests, and nutrition. Cooperative Extension's technical communications efforts on behalf of the non-farm public touches a much larger client base than commercial on-farm recipients of these services.

It is beyond the scope of this Task Force report to recommend changes in the mission or structure for UNHCE. Our recommendation addresses the need for public support of UNHCE, and suggests two additional mechanisms: private support of agriculture-related programs at UNH, and increased funding of agriculture-related programs at UNH.

We recommend establishing a private fundraising effort to support specific programs related to production agriculture. Modeled on the existing UNH Foundation/4-H Foundation structure, the independent entity would be directed by farmers. This can garner industry support and provide impetus for UNHCE to respond to farmer needs. Specific Extension Agricultural Specialists that serve the purpose of increasing farm viability are those in: agricultural business management, agricultural engineering, agronomy, dairy, equine, horticulture, and livestock. Some of these Agricultural Specialist functions may best be provided in cooperation with other Land Grant Universities in the region, such as the Universities of Connecticut, Maine,

Massachusetts, Rhode Island, and Vermont, and Cornell and Rutgers. A cost effective way to bring some very specific Agricultural Specialist functions to New Hampshire may be through contracted services, as has recently been done for agricultural engineering assistance.

Program areas closely interconnected to UNHCE include the Agricultural Experiment Station, College of Life Sciences and Agriculture, and the Thompson School. The agriculture-related areas at UNH are a complex combination of shared functions, personnel, and funding sources. Because some tasks carried out by UNHCE are funded from sources that require particular program content, the total number of dollars budgeted for UNHCE are not fully transferable from one program to another. For example, some dedicated funding for nutrition programs comes directly from USDA. Such program-specific funding does not “compete” for dollars that fund UNHCE Agricultural Specialists and their on-farm responsibilities.

There are other ways for farm business owners to obtain information that supports agricultural viability. Private consultants that provide a higher level of management, operational, investment, and marketing advice are available for hire, often employed by larger farm businesses or those dealing with complex financial situations such as inter-generational transfer of the farm. Technical information about how to comply with new regulatory requirements may be best designed and delivered by providers who are hired by a regulatory agency to train farm business owners about the new requirements. For example, new regulations on manure storage might be best explained by experts contracted by the Department of Agriculture, Markets, and Food. Specific expertise can be focused on farmers who need to conform to the regulations, reinforcing the practice by the Department of Agriculture, Markets, and Food of informing farm businesses of upcoming regulatory changes in order to encourage compliance. This sort of directed knowledge transfer activity is not a replacement for UNHCE, but can be effective in limited circumstances.

## A Closer Look—at Recommendation 2

### *Increase direct marketing opportunities for producers.*

**Goal:** Effectively utilize the State’s marketing activity to encourage buying local and supporting local farms. Coordinated public communications can increase the value of agriculture as a supplier of quality of life perceptions as well as direct consumables for both tourists and residents.

Sale of New Hampshire agricultural products direct to consumers has been an expanding marketing channel for decades. What was a revolutionary concept in the 1980’s is now recognized as a valid aspect of farm business, and not just a “sideline.” Where previous generations of farmers debated investment in gas or diesel powered machinery to maximize commodity production, now many farmers worry about attracting and keeping customers to exploit the return on production of niche farm products. Like the computer-driven information economy where ideas are bought and sold, now much of agriculture depends on marketing ideas of how to sell farm products.

A strategy of increasing direct marketing opportunities fits well with the positive benefits that agriculture provides in New Hampshire. In addition to the substantial economic impact of farming, agriculture provides the backdrop of open space for tourism, one of the state’s largest and most stable industries. Yet it is not just the backdrop of farmland that has a positive impact in terms of tourism. Tourists come to New Hampshire for direct encounters and experiences, and agriculture can provide that through Farmers’ Markets, farm stands, agricultural fairs and exhibitions, pick-your-own fruits and berries, and other agri-tourism activities. While we often view tourists as out-of-state visitors, many New Hampshire residents tour other parts of the state and are interested in finding farm experiences.

Agriculture is easily connected to tourism because direct encounters with agriculture can be on all types of farms to highlight their unique activities. Many of the established promotional activities in

agriculture (agricultural fairs, Maple Weekend, apple harvest, etc.) are ripe for cross-promotion with tourism. In fact, the “New Hampshire experience” promoted by the Division of Travel and Tourism Development (DTTD) relies heavily on images that include farming and rural life. To expand the partnership between DTTD and agriculture would efficiently utilize the existing avenues for reaching potential customers for farm businesses. By building off the available advertising and promotional resources of DTTD and other state agencies (such as the Department of Transportation for signage), agriculture can effectively gain positive promotional exposure and subsequent economic benefit at a low incremental cost.

### *Forming Partnerships for Effective Promotion*

Agricultural promotion has benefited from conscious efforts to form partnerships with groups who have a likely affinity to farms or farm products. Local collaborations with Chambers of Commerce, Main Street Programs, historic preservation associations and many others have opened up possibilities for marketing farm products and recognizing the role of local farms in the community landscape. For example, a local Historical Society may sponsor a Farmers’ Market, drawing people’s interest to both local food and the town’s history of agriculture. Partnering with groups not directly related to farming helps them gain a better understanding and appreciation of farming as both a local business and a rural neighbor.

Broad community acceptance of agricultural enterprises opens opportunities for further partnerships with business and trade groups who can directly benefit from links to farm businesses. For example, promoting the use of New Hampshire grown foods has led to the “Farm to Restaurant Connection” as a way to help local restaurants feature local farmers-and vice versa. Cooperation has increased with the New Hampshire Lodging and Restaurant Association and the Granite State Ambassadors, opening doors for partnerships with many more tourism and hospitality industry businesses. Agriculture is seen as a valuable partner that contributes far more than a backdrop to tourism, becoming a source of economic activity in its own right.

Forming partnerships and building relationships to promote agriculture involves many farm producer organizations and individuals. The Division of Agricultural Development (within the New Hampshire Department of Agriculture, Markets, and Food) has played a key role in fostering these relationships. They have convened the New Hampshire Agricultural Marketing Council, made up of representatives of agricultural organizations and associations. All of the agricultural groups working together under the umbrella of the Agricultural Marketing Council can develop and implement a campaign such as “Buy Local This Season” with a consistent message and common logo. The overall goal is to promote the purchase of New Hampshire agricultural products and build the visibility of New Hampshire agriculture.

The “Buy Local This Season” project includes a number of separate but related partnerships and activities that collectively work together. Where possible, every activity promotes both nutrition and agriculture, and includes outreach information on programs such as the Farmers’ Market Nutrition Programs (FMNP) and the Food Stamp Program, to include Electronic Benefits Transfer (EBT). With very little state funding for agricultural marketing, the “Buy Local This Season” project and its partners have become very creative at developing grass-roots agricultural marketing efforts, as well as seeking grants and sponsorships. Future activities to be undertaken will be determined by the Agricultural Marketing Council membership with input from the respective commodity organizations in New Hampshire.

The Agricultural Marketing Council is also committed to working with “NewHampshire Made”, the non-profit membership organization that supplies the “New Hampshire’s Own” logo and labeling program. Establishing a collective identity for locally produced goods and services helps to cre-

ate higher consumer awareness for all New Hampshire products. Joint promotion of food and wine with the New Hampshire Liquor Commission can create a presence in their stores for agricultural products.

Other partnership opportunities identified in the Strategic Marketing Plan include working with the New Hampshire Department of Transportation (NHDOT) to develop a signage plan for agricultural destinations to enable spontaneous visits.

The Agricultural Marketing Council’s formation and direction stem from the “Marketing Research and Recommendations” study of 2003. The goals of this strategic plan have advanced as support within farm groups has coalesced. Direct to consumer advertising on radio, television, and in movie theaters can be leveraged with Public Service Announcements in association with the New Hampshire

Association of Broadcasters. The Department of Agriculture’s own website reflects the increased importance of this method for consumers to find agricultural locations to get local foods, entertainment, and farm experiences. To a large degree, all of the above examples represent partnerships that make use of organizations and resources that are already in place. The Department of Agriculture’s Division of Agricultural Development has accomplished many of these initiatives with limited staff and resources. In order to continue progress on the Strategic Marketing Plan, the Division needs an additional permanent marketing and promotion position.

### ***Opportunity in the Marketplace***

Local agricultural products are in demand, and consumers need to find where to buy them. A recent tourism survey indicates that consumers would buy more local farm products if they were

"In order to increase the economic impact of agriculture, leverage its importance to New Hampshire's quality of life, and ensure its sustainability, there is a critical need to increase the exposure people have to it. The more direct experience people have with New Hampshire agriculture and its products, the more they will buy, the more they will appreciate the importance of agriculture, and the more they will work to protect agricultural assets."

*Marketing Research and Recommendations for the New Hampshire Department of Agriculture, 2003*

more available and more clearly labeled. Awareness of the location of markets, farm stands, and pick-your-own operations would also increase sales. Purchasing local agricultural products is about more than just buying food in the consumer's mind. Another recent survey shows that consumers understand the connection between buying local and having open space, authentic local culture, and fresh food. Consumers report that they would be willing to pay more for local farm products because they understand the larger benefits.

### *The Role of Locally Grown*

Many retail farm businesses offer products that are different than what can be bought from other sources. "Locally grown" is the prime differentiator for retail sales of New Hampshire farm goods. Consumers recognize many positive attributes about locally grown foods, such as freshness, taste, and a desire to support the economic viability of local farms. Consequently, the value of locally grown farm goods has steadily increased in New Hampshire as a percent of total farm output. Protection of this marketing advantage has been accomplished by strict farm product labeling laws that put specific meaning to terms like "native" and "our own" to prevent misleading advertising.

Other strategies have been adopted by New Hampshire farm businesses to find a unique product offering based on the characteristics of the product or how it was produced. There are now about 80 certified organic producers in the state including vegetable, flower, small beef, and dairy farms. Several organic food processors are also certified. Consumer preferences for locally grown farm products that are produced in a certain manner have driven this increase. Organic food production satisfies consumer desire to buy food that food is raised without synthetic fertilizers, synthetic pesticides, or antibiotics under standards adopted by USDA and certified by the New Hampshire Department of Agriculture, Markets, and Food.

Some farm operations provide a different marketing channel that combines the consumer prefer-

ence for "knowing where their food came from" and "how it was produced" into Community Supported Agriculture (CSA) farms. CSA farms typically sell subscriptions to individuals or families that allow for a certain share of the weekly harvest to be picked up—or picked *by*—the subscriber. This brings the consumer closer than ever to the farm operation by allowing (or requiring) some farm work in exchange for a share of the harvest, as well as being an investor in the year's crop. Subscriptions are usually paid before the crops are seeded as a way of providing funds for the expense of planting. If there is a crop shortfall the subscriber gets to share in the reduced yields. Produce in excess of what subscribers are due may be sold at a farm stand or Farmers' Market.

Another way that New Hampshire farm businesses capitalize on consumer preference for locally grown foods is to process their crops into value-added products such as jams, jellies, relishes, and ciders. Converting consumable farm produce like strawberries into a storable farm product like strawberry jam extends the ability of the farm business to market additional goods to visitors. Some farms have expanded their offerings with baked goods produced in on-farm licensed commercial kitchens. Farm processed specialty foods are closely tied to overall profitability for retail farm operations.

The variety of local produce, fruit, and farm-prepared food offerings is nowhere on more exuberant display than at local Farmers' Markets. Consumer acceptance of Farmers' Markets reaches beyond the demand for local food, and touches a deep need for community affirmation by providing a healthy, authentic place where people can meet. There are over fifty Farmers' Markets in New Hampshire, providing valuable access to a profitable selling environment. Selling through one or more Farmers' Markets is an economically viable marketing strategy for a farm business. Because Farmers' Markets occur on different days in different locations, many farmers do more than one Market in a week, sometimes in addition to having an on-premises farm stand.

The popularity of Farmers' Markets has led to a

shortage of farmers selling goods at some Markets. Fortunately, entry into the business of selling farm goods through a Farmers' Market is relatively easy and low in cost, so that demand is likely to be fulfilled. Consumers of fresh New Hampshire produce and fruits are well aware of the benefits of buying local. The main barrier for farm operations successfully tapping this demand remains knowledge of where to find the products they are looking for.

Forming partnerships with groups who have a likely affinity to farms or farm products is valu-

able strategy to increase public encounters with agriculture. The economic value of farm product sales generated from these new marketing opportunities is hard to accurately measure, but is certainly increasing. Measuring sales at Farmers' Markets, fairs, exhibitions, open houses, or other events is difficult because most of the activity is small scale and spread over many locations. Direct sales by farmers have the added benefit of putting dollars back into the local economy. In aggregate these sales are an important boost for rural economic development.

### A Closer Look—at Recommendation 3

#### *Establish a Farm Viability Program.*

**Goal:** Assist participating farm businesses to enhance the local economy, resist sprawling development, provide benefit to the environment, and maintain open space that promotes our quality of life.

Farm Viability is a term that is used in two different ways. First, as a general term relating to profitability and business feasibility, and second, as a specific public policy that involves a structured program of business planning, capital investment, and establishment of non-development term covenants. This Task Force Recommendation considers a structured program for farm businesses as public policy.

The purpose behind a Farm Viability Program (FVP) is to keep land in agricultural use by enhancing the sustainable profitability of an individual farm. In general, a FVP can be summarized as a farm operator getting business planning assistance and a grant payment to implement the business plan, in exchange for agreeing not to develop his farm land. This makes a FVP a combination of land use policy (preserving the agricultural use of land through a non-development term covenant) and economic development policy (farm business assistance through planning and grants). Which of these policy goals has primacy is a matter of perspective. In the end, a FVP program gains more support and confers more benefits *because* it is a hybrid of two different policy goals.

#### *Farm Viability Programs in Nearby States*

Many surrounding states have FVP's that are generally similar to the hypothetical example above. **Massachusetts** has the most comprehensive program of the six New England states. Their program has served as a model for several other states and is well designed and well funded given the size of the state's agricultural industry. Eligible farmers must intend to have their land in continued agricultural use and have a desire to enhance the economic viability of

their farm. Criteria for selection in the Massachusetts FVP include: the number of acres of land to be placed in the program; the suitability and productivity of the land for agricultural use based on soil classification, physical features, and location; the degree of threat to agriculture continuing on the property (such as financial stability or urban encroachment); the degree to which the project would accomplish environmental objectives such as protecting water resources or the preservation of historical, open space, or aesthetic amenities; and the number of years and type of agricultural experience of the applicant.

*The following hypothetical example illustrates how a FVP might work:*

Consider an existing dairy farm business that seeks to diversify the products it sells as a strategy to mitigate low earnings from milk. Such a farm could request business planning assistance from the FVP through a competitive application process. A team of experts that may include Cooperative Extension Agricultural Specialists, marketing consultants, farm lenders, facilities experts, and other successful dairy farmers would be assembled and paid for by the FVP. Their collective business assessment may result in a proposal developed in cooperation with the dairy farm business owners for the dairy farm to take advantage of its good location for retail sales by building an ice cream stand. The experts would assess the business opportunity in retail diversification, and the ability of the farm to make such a transition in terms of management, capital, and operational capacity.

The dairy farm business would then have the opportunity to accept or reject the plan for any reason. If the plan is accepted, the dairy farm business can apply to the FVP for a grant payment to be used for building the ice cream stand and other improvements. In exchange for this payment, the dairy farm business must enter in to a non-development covenant, legally restricting converting the use of the farmland for a period of ten years. On receipt of the grant payment, the ice cream stand can be built along with any other changes to fulfill the agreed upon business plan. Included in the business plan are methods to monitor the financial performance of the new ice cream stand venture in order to assess its contribution to the overall profitability of the dairy farm business. At the end of the ten year period, the farm business owners are released from the non-development covenant and may continue to operate the diversified, more successful farm business.

Technical assistance and the development of business plans are provided at no cost to the farmer. If a farm owner accepts the business plan and agrees to a non-development term covenant, the owner would be available to receive grant payments to carry out the business plan of up to \$20,000 for a five-year covenant and up to \$40,000 for a ten year covenant. Grants of up to \$60,000 may go to farms that agree to a ten year covenant with more than 135 acres that meet certain farm criteria.

Since the Massachusetts Farm Viability Program was initiated in 1996, 294 farms have been selected to participate, with 264 completing the business planning phase and 246 farms being protected by covenants. These 246 farms put 23,430 acres in non-development covenants.

The **Maine** program is based on the Massachusetts program and also provides business planning and grant funding for farms in exchange for non-development of land. As of November 2005, 122 farms have participated and placed 17,505 acres in non-development covenants. Maine has estimated that every \$1.00 of state investment has leveraged another \$4.40 in former investment and outside funds.

The program is administered by Coastal Enterprises Incorporated (CEI). CEI is a nonprofit Community Development Corporation and Community Development Financial Institution founded in 1977. CEI provides capital and support in the development of job-creating small businesses, natural resource industries, community facilities, and affordable housing. CEI's primary market is Maine, but in recent years it has expanded several of its financing programs to northern New England and upstate New York. This innovative use of a nonprofit to manage the farm viability program is a potential model for implementation in New Hampshire.

**Connecticut** authorized legislation in July, 2005 which will provide substantial funds for farm viability efforts. Currently, every deed transfer in the state includes a \$30.00 fee dedicated to programs such as agricultural viability. This fee will likely raise nearly \$30 million annually. About a quarter

of those funds will be dedicated to agriculture, amounting to about \$6 to \$7 million per year. In November, 2005, the Connecticut Department of Agriculture held their first meeting to start the process of allocating an initial \$500,000.00 in matching farm grants. Grants of up to \$40,000.00 per farm will be considered, but each farm must have a business valuation and plan. Such plans can be developed with the assistance of cooperative extension Educators or private providers.

**New York** State has established a New York Farm Viability Institute. The Institute addresses farm viability from several angles including farm business planning, expanding market opportunities, and supporting value-added endeavors. The nonprofit Institute receives funds from the state and outside sources. From July to December 2005, the Institute made grants totaling \$3 million that will address barriers to agricultural production enterprises, emphasize producer participation in project planning, and emphasize the measurement of economic results at the farm business level. The Institute determines the success of the programs that it supports primarily through their impact on the viability of farm enterprises, in recognition of the contribution that a strong agricultural industry makes to the state economy, environment, and way of life.

The **Vermont** Farm Viability Enhancement Program is run by the Vermont Housing and Conservation Board in collaboration with the Vermont Agency of Agriculture, Food, and Markets. It was established in 2003 following an agricultural policy recommendation of the Vermont Agricultural Viability Council (a group similar to the New Hampshire Farm Viability Task Force).

The Vermont program is similar to the Massachusetts program, except it provides only the business planning and technical assistance parts of the program. No grant money is available to fund farm improvements. However, the program works with partners such as the farmer-owned Farm Credit bank, which looks more favorably on lending to farmers who have undergone this type of detailed business review.

The **New Hampshire** Agricultural Innovation Program (NHAIP) is similar in approach to the Vermont program. It is an independent farm viability program administered in by the New Hampshire Resource Conservation and Development Council (RC&D) as lead partner. Other partners include: the New Hampshire Department of Agriculture, Markets, and Food; the New Hampshire Farm Bureau Federation; and UNH Cooperative Extension. The NHAIP is a statewide program to help twenty beginning and transitioning farms improve their business plans over the course of two years. The program secured a one-time grant of \$154,000 through the USDA's Rural Development agency and their Rural Business Enterprise Grant Program.

Business plan assistance is offered to selected farms after a competitive application process. Customized business assistance teams have been created for each farm. The business assistance team is made up of professionals in various agricultural fields as well as specialists in business financing, marketing, organizational development, and legal issues. The business assistance team will work with the farms over the course of two years helping the farmers develop and implement their business plans. In return for this assistance, participating farmers are obligated

to mentor another farmer through the business planning process or perform some related community service.

The farms are located around the state. The farms come in various sizes and descriptions. One is a traditional dairy farm that wants to add value to milk by bottling and making other products with their milk. Several farms raise livestock for both meat and other dairy products. Other farms raise vegetables, herbs, plant materials, hay or medicinal products. While diverse in their characteristics, all of the farmers share a passion for farming and a desire to be successful so that they can sustain the farm and remain a steward of the land.

One of the purposes of the New Hampshire Agriculture Innovation Program is to demonstrate its suitability for assisting New Hampshire farms. It is hoped that the NHAIP will serve as a proof of concept for the effectiveness of a Farm Viability Program in New Hampshire, even though the NHAIP program design does not include grant payments and non-development covenants. The NHAIP has been initiated with the conviction that a farm having a sound business plan is more likely to stay in business, and help maintain the presence of agriculture in New Hampshire.

### **A Closer Look**—*at Recommendation 4*

***Make conservation of farmland a high priority and dedicate a minimum of \$3 million annually to buy permanent conservation easements that protect agricultural land.***

**Goal:** Conserve high quality agricultural land through permanent conservation easements that make land available for farming now, and to ensure New Hampshire’s capacity to produce food and other agricultural crops and livestock for future generations. Predictable funding enhances opportunities for farm owners to sell conservation easements, thereby giving access to equity without developing their land. Access to this farmland equity can make possible transfer of farms to the next generation, and enable farm investment and diversification.

The continuing loss of farmland, and concern for the loss of New Hampshire’s trademark landscape and character point to the need to accelerate investment in permanent conservation of farmland. Several different public and private entities are engaged in farmland conservation, each contributing to the overall goal.

#### ***How Farmland Conservation Works in New Hampshire***

Permanent conservation in New Hampshire has been accomplished by leveraging a relatively large source of money to raise matching funds at the local or regional level. For example, the federal Farm and Ranchland Protection Program (FRPP) at about \$3 million per year or the state Land and Community Heritage Investment Program (LCHIP) budgeted but not approved at \$6 million per year both serve as “attractors” of additional money. When available, these relatively large funds hold out the possibility of grants to particular conservation easement projects if funds can be matched by local or regional grants. Local matching funds are often the result of specific votes at Town Meeting, or contributions from individuals. Regional match-

ing funds are often from Land Trusts that raise and expend money for land conservation easements within a particular geographic area of the state. The recommended funding level of \$3 million per year is based on the minimum required to match the federal Farm and Ranchland Protection Program (FRPP) funds annually available to New Hampshire. The FRPP funds require a 50% match funding from non-federal sources. If the State of New Hampshire annually funded this \$3 million match funding, it would bring needed predictability to the overall goal of permanent conservation easements. Grants from the federal FRPP program are administered by the Natural Resource Conservation Service (NRCS), which is an agency of the United States Department of Agriculture (USDA). The NRCS is responsible for setting up the rating system by which all lands applying for FRPP funds are scored to achieve an objective list of priorities. Qualifications include high quality agricultural soils, sufficient size to support a viable farm business, the presence of an active agricultural operation, and immediate access to funds for both the 50% match and all related transaction costs. NRCS administration of this process is by federal employees already based in New Hampshire, and local farmers and others are represented on the panel that makes funding recommendations.

When the approximately \$3 million in FRPP funds is made available each year, the NRCS contacts applicants starting at the top of their

priority list to see if they have immediate access to the 50% match funding. For example, if the applicant is seeking a total of \$200,000 to protect 100 acres of farmland, the potential FRPP grant would be \$100,000—if the applicant has immediate access to an additional \$100,000 from non-federal sources. If the applicant does not have immediate access to such funds from local or regional sources, then the FRPP withdraws its conditional grant offer and proceeds down the list of conservation easement priorities to the next applicant.

Because there is no active state program implementing farmland conservation in New Hampshire, local governments and non-governmental organiza-

tions apply for FRPP funds and work directly with NRCS to finalize the conservation transactions and raise the required matching funds. This reliance on local funding and private initiatives means that farm owners only from towns which have passed conservation bonds or maintain large standing funds for land conservation have this advantage in securing conservation easements. Others may be simply out of luck. Prime agricultural resources are being lost in some communities, while less significant resources may be protected elsewhere.

Because there is not a cohesive statewide farmland conservation program, eligible New Hampshire farmers are at a competitive disadvantage to those in other states.

As of 2005, NRCS had provided over \$11.8 million over the life of the program to permanently protect 70 farms encompassing 5,657 acres of agricultural land in New Hampshire. Matching funds of \$21 million were also provided from local appropriations, private contributions, and New Hampshire's Land and Community Heritage (LCHIP)

program. But since these are unpredictable and unstable funding sources, some of New Hampshire's best farmland remains at risk or has already been lost.

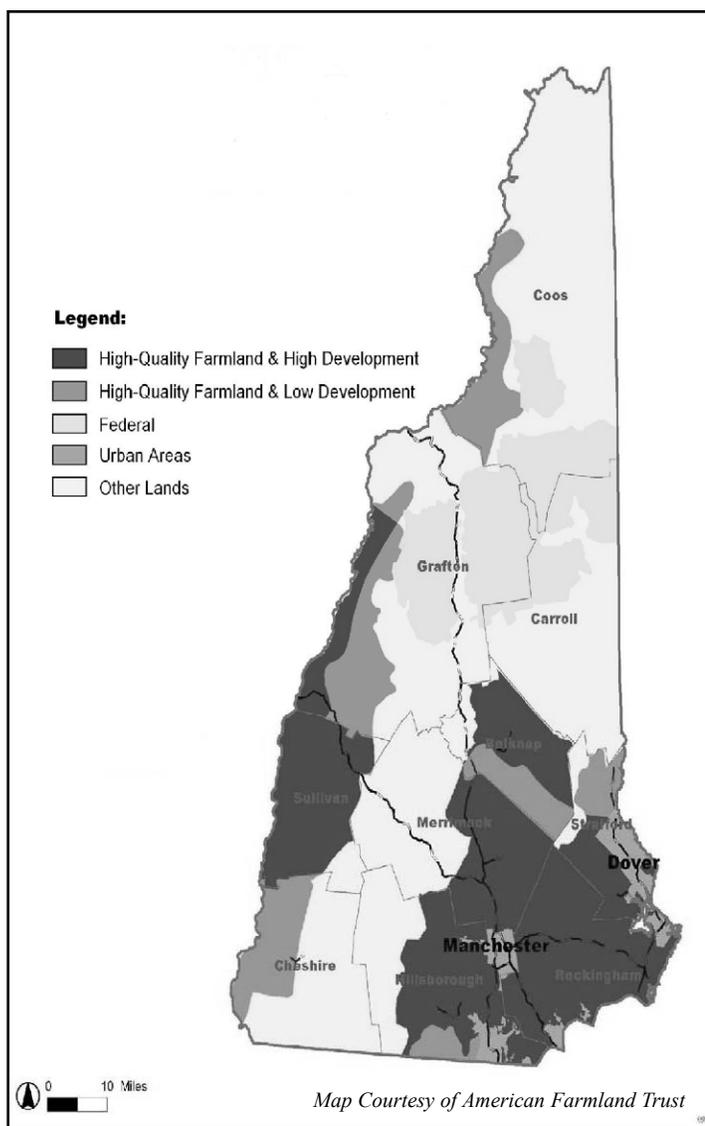
### ***Funding the State Contribution to Farmland Protection***

The core of this Task Force recommendation is to have the state of New Hampshire budget the \$3 million in funds necessary to match the approximately \$3 million annually made available by FRPP grants. Because the state does not match these federal funds, the process of prioritizing the best farmland to be protected becomes subject to

disruption. State funding will enable the implementation of a cohesive New Hampshire-wide strategy for farmland conservation, based on well-established criteria and procedures. The careful and valid process of prioritization administered by the NRCS would not be compromised by the current situation that ends up favoring well-funded conservation easements over those that are more agriculturally significant. It is also important to note that an effectively funded state matching funds program may allow a competitive advantage in obtaining funds for New Hampshire farms with respect to farms in other states.

The State of New Hampshire could fund the \$3 million match

for FRPP through the existing LCHIP program, but this would require a specific set-aside within LCHIP for agricultural purposes. This sort of specific allocation for agriculture over the historic preservation purposes is a policy step that LCHIP



has not been willing to take. However, direction of such funds specifically to FRPP match funding purposes could be legislated and then administered by LCHIP.

Another option for the State of New Hampshire to fund the \$3 million match is to utilize the existing Agricultural Land Development Rights purchase program. This program is administered in the Department of Agriculture, Markets and Food by the authority of RSA 432:18 through :31-a. The law provides for a nine member Agricultural Lands Preservation Committee and standards by which potential acquisitions will be evaluated. The Committee is also authorized to "...accept federal funds and to use and dispose of money, services and property received from contributions and gifts..." The program has the ability to put funds into a non-lapsing account and for the state treasurer to issue ten year bonds to provide funds for appropriations made by the legislature.

### ***Paying for Preservation Restrictions***

Unlike regulatory measures, conservation and agricultural preservation restrictions are voluntary. A landowner can sell or donate such easements. Conservation land stays in private ownership, remains taxed at current use values, and can be mortgaged, sold, gifted or

willed. The restrictions remain intact throughout each ownership, ensuring the land remains available for plows, plants and livestock.

Few farmers can afford to donate a conservation restriction, even though there are federal income tax incentives. Instead, farmers usually rely on a sizeable payment in return for entering into a conservation restriction agreement. A payment allows a farmer to pay off debt, upgrade equipment and infrastructure, purchase more land, or fund a retirement while transferring the farm in an affordable way to the next generation.

### ***Land Conservation Policy in New Hampshire***

New Hampshire has long valued farming for its ability to produce crops and economic value from the land. More recently, the state has recognized the value of the farmland itself for the scenic beauty it provides as an important backdrop to the success of the tourism industry. In 1969, out of a concern for loss of farmland and farms due to burdensome property taxes, voters passed a constitutional amendment that allowed the Current Use program to be enacted in 1972. The Current Use Taxation program plays a critical role in keeping open land available for farming. Maintaining Current Use, which

### ***One Farm's Experience with Farmland Protection***

In the spring of 2006, New Hampshire received 19 FRPP applications, requesting a total of \$5,466,000 to protect 1,222 acres of farmland. In total the covenants were worth nearly \$12,000,000. New Hampshire's FRPP allocation was less than a third of that.

Each application was carefully reviewed and ranked by the FRPP Technical Advisory Committee and the NRCS State Conservationist contacted applicants, making funding offers starting with the highest ranked application and continuing down the list until the money ran out.

Shirley Peters' farm in Bath was among those eligible for funding. The Upper Valley Land Trust (UVLT), a private organization with a long track record in farmland conservation, had submitted an application to conserve over 134 of the Peters' acres in active use for dairy farming. The value of the conservation covenant was appraised at \$260,000.

The Peters farm was not in those initially contacted with awards. But some of the higher ranking projects could not accept the terms of the grant. So UVLT received a funding offer - on the condition it could commit \$130,000 immediately.

In the past, UVLT had accepted FRPP awards and then proceeded to raise the funds needed to close transactions. But beginning in 2006, applicants were told that if they accepted the award they must be prepared to sign a legally binding federal Cooperative Agreement indicating the matching funds "are available and have been obligated specifically for the purchase of the subject covenant." Like the others who had turned down FRPP offers, UVLT had to tell Shirley Peters she would need to wait until matching funds were actually in hand, and then reapply.

allows landowners to be taxed on the value of the current use of their land rather than the theoretical value of developed use of unimproved land, is essential to preserving farm and forest land resources in the state. A Current Use Change penalty of 10% of the value of the property is assessed when Current Use properties are converted to other uses. Many towns have voted to dedicate part or all of Current Use Change tax penalty funds for purchase of permanent conservation easements on land. Current Use is not a permanent protection program.

Recognizing the many benefits of undeveloped agricultural land and the threats to it, the New Hampshire legislature enabled landowners to contractually prohibit development on agricultural land with “conservation restrictions” and “agricultural preservation restrictions” by enacting NH RSA Chapter 477:45 in 1973. This established the legal basis for separating the “conservation easement” as an independently transferable property right from the actual fee simple deed of a piece of land.

Further concern for loss of farmland to development resulted in the Agricultural Land Development Rights purchase program in 1981. This program is administered by the State Department of Agriculture, Markets, and Food and has not had financial support past the two appropriations in 1981-83 (when it received funding through the Real Estate Transfer Tax) and 1987-89. This pro-

gram currently holds and monitors easements on 32 different farm properties, comprising 2,923 acres.

The Land Conservation Investment Program (LCIP) operated from 1987 to 1993 with its private partner, the Trust for New Hampshire Lands, to protect just over 100,000 acres of land—mostly forest—across New Hampshire. About half of these lands were protected with conservation easements, and the other half were fee-purchased and continue to be held by the State of New Hampshire. Its funding was established by bonding the cost of actual land purchases and conservation easement purchases, and raising the associated administrative costs through private donations. LCIP was effectively subject to a sunset provision by the full expenditure of its bonding authority.

The Land and Community Heritage Investment Program (LCHIP), is the current mechanism for state funding of the purchase of conservation easements, historical structures, and stewardship grants. LCHIP is an independent 501:c-3 non-profit organization that is funded by appropriations of the legislature; it is not an agency of state government. LCHIP was established with an annual funding goal from the legislature of \$12 million. Despite this level of funding never being reached, LCHIP has successfully leveraged the funds it has obtained by covering on average 20% of the cost of projects while 80% of the funds come from the community. The State funding holds the project

together and helps ensure that it gets done.

**A Closer Look**—at *Recommendation 5*

***Establish a Lease of Development Rights Program.***

**Goal:** Create a mechanism for landowners and communities to keep land in agricultural use while longer term strategies to strengthen the farm business and permanently protect farmland are implemented.

This proposal is intended to open a discussion on a new and innovative idea that may help some farmers to keep farming, and their communities to protect farmland. A Lease of Development Rights program (LDR) would keep land in agricultural use and retain existing farm businesses. LDR is not intended to be a permanent farmland conservation method. It is meant to be a mechanism that a community can use to “buy time” and stabilize farmland ownership that has come under pressure to be sold. This pressure can come in many different forms, but the underlying similarity is that the farmland owner’s response to that stress is from a perception of urgency to extract the equity value of their farmland.

Pressures to sell farmland can include expanding residential development (and therefore rapidly increasing land values), potential changes in local zoning ordinances (that may reduce the value of the farmland for development), change in management of the farm (sometimes due to illness or death of the principal), change in profitability of the farm (sometimes due to external forces such as low prices for the crop), or transfer of the farm to the next generation. LDR is intended as a mechanism to provide payments to the farm owner in order to provide the time to seek long-term alternatives to the short-term response of selling the farm.

LDR provides a way for the community to encourage farmland preservation and avoid the potential costs of rapid development of the farmland to residential use. The community may see greater value in paying the farmland owner *not* to develop residential housing, than the cost of

development in community services such as schools, police, fire, and roads. Farm owners benefit from the payment received, and communities benefit by avoiding expensive responses to rapid residential growth.

Farm owners and community gain time to assess the value to each party of a permanent conservation easement, *or* the time to find a buyer for the farm who will continue farm operations and sell a permanent conservation easement. It can take years to apply for, build matching funds, and secure grant money for a permanent conservation easement. LDR is intended to provide a mechanism where both the farmland owner and the community voluntarily agree on the future of the farm property. If the farmland owner decides to sell the property under lease, the community can be protected by a right of first refusal.

For many farmland owners, the largest component of personal wealth accumulation is equity in the land. The income-generating capacity of the farm business may have to be balanced against the opportunity to develop the land. A complex and dynamic array of issues can be involved in these decisions, including farm business performance, transfer of farm ownership to the next generation, retirement needs of farm owners, and health of farm owners. In essence, how profitable the farm business is and who will be running it in the future. In times of pressure to sell the land, the need to get a short-term return can lead to a decision to sell farm real estate without investigating the possibility of a permanent conservation easement.

It is certainly true that many farms benefit from Current Use assessment. In effect, Current Use assessment lowers the annual operating costs for the farm business by lowering the amount of taxes to be paid. However, when the farm owner comes under pressure to cease operations and sell the land, Current Use provides no incentive to keep farming, it only offers the disincentive of the 10% Land Use Change penalty on the selling price of the property. Current Use is a valuable tool for communities to keep open land, but the Current

Use tax incentive alone is not sufficient to prevent conversion of land when owners are under duress or need to liquidate an estate.

There is little experience with LDR in the United States. Implementation in New Hampshire must be discussed in the context of how LDR would effect existing programs, such as Current Use and purchase of permanent conservation easements. It is unclear whether current New Hampshire law

would have to be changed to allow contracts for lease payments by communities. Offsetting lease payments with credits for property taxes that in effect create multi-year abatements would almost certainly require changes in state law. We present this not to upset the proven, beneficial aspects of present practices, but instead to open discussion on a new and innovative idea that may help some farmers to keep farming, and their communities to protect farmland.

**A Closer Look**—*at Recommendation 6*

***New Hampshire Department of Agriculture, Markets, and Food and University of New Hampshire Cooperative Extension should collaborate with other Northeast states to enhance the dairy industry in New Hampshire and the Northeast region.***

**Goal:** New Hampshire should join forces with Vermont, New York, Pennsylvania and other Northeast states to coordinate the direction, goals, and resources necessary to ensure a competitive and profitable Northeast dairy industry—including optimizing the intellectual talent serving the Northeast dairy industry, researching dairy business models to increase profitability, and marketing and public relations initiatives that promote the Northeast dairy industry's economic contributions, strengths, and advantages.

The New Hampshire dairy industry remains a vital part of the agricultural economy of the state. There are approximately 140 dairy farms that produce more than 34 million gallons of fresh milk per year. This quantity of milk would satisfy the fresh drinking milk needs of all the children and adults in the state. However, additional milk is needed to satisfy the cheese, butter, yogurt, ice cream and other dairy product consumption demands of New Hampshire.

The average New Hampshire dairy farm milks about one hundred cows. One hundred cows will produce about 240,000 gallons of milk per year per farm. New Hampshire dairy farms provide much more than just milk to the state's citizens. These farms are the primary stewards of agricultural open space in the state. Dairy farms keep large tracts of land in agriculture as they grow corn, hay and other crops to feed their herds. They create a diverse working landscape for the recreational and scenic enjoyment of their neighbors and visiting tourists, particularly supporting

such activities as snowmobiling, hunting and fishing. They support local businesses, rural communities, and the local economy. Combined, New Hampshire family dairy farms generate nearly \$100 million in economic activity.

New Hampshire dairy farms are now facing severe economic problems which have been repeated many times in the past. Basic farm milk prices are set by USDA using a national survey of market prices for cheese, butter and non-fat dry milk. Very large dairy operations that milk thousands of cows each in states like New Mexico, Texas, Idaho and California have helped increase the overall supply of milk nationwide. The combined *increase* in milk production in New Mexico, Texas, Idaho and California this spring was twelve times the *total* amount of milk production on New Hampshire farms. Overproduction of milk and low prices are not caused by New Hampshire or New England dairy farmers, nor can it be corrected by them. The irony is that if fresh milk had to be transported from those western states, it would cost New Hampshire consumers far more than it would to pay local farms a higher price.

The national supply and demand imbalance has driven farm milk prices below the level of 25 years ago at a time when local milk production costs have skyrocketed. Dairy farmers pay to have their milk hauled to dairy plants every day or two, in addition to all the energy and fertilizer costs incurred on the farm itself. These income and expense conditions have driven net farm income to record low levels on dairy farms throughout the Northeast.

The federal Government has two farm price safety net programs in place, but neither adequately addresses the problem. The dairy price support program was established in 1949, and now sets a minimum price level that is less than half the cost of milk production on farms in the region. The USDA has a short term milk income loss contract (MILC) program, in place from 2002 to 2005 and recently extended at a reduced farm payment level through 2007. However, the payment rate is low

and the program does less to help large dairy farms that support several families.

The Northeast Dairy Compact, in place from 1997 through 2001, created a price safety net for dairy farmers supplying milk to New England consumers. The main opposition to the Northeast Dairy Compact came from milk processing organizations and from other regions of the country. The Compact had to be allowed in federal law, and agreed to by participating states. Federal authorization for the Compact ceased in 2001. New Hampshire should continue to support the Northeast Dairy Compact approach that was so successful in getting consumer dollars to farm producers.

Individual state actions to raise farm milk prices have occurred in Maine, Vermont, and Connecticut. The programs in the Vermont and Connecticut involve a short term direct payment to dairy farms as a specific response to the current dairy farm income crisis. The Maine program is a longer term approach intended to guarantee local dairy farmers their average cost of production. New Hampshire does not currently have any type of program to address low net dairy farm income. However, direct payments to dairy farmers remains a policy option that could be explored.

Regional cooperation provides an option for New Hampshire to accomplish changes in federal dairy pricing policy that will help strengthen the Northeast dairy industry. The Northeast Dairy Compact, regarded as the most successful pricing policy in recent years, was a regional approach. As a fundamental first step, New Hampshire law must maintain the authorization to join a newly constituted Dairy Compact to provide for rapid re-establishment in the event Congress approves it or something similar.

Cooperation with the large milk producing states in the Northeast (Vermont, New York, and Pennsylvania) goes beyond working together for better regional pricing mechanisms. For example, the Northeast States' Land Grant Universities (such as the Universities of Pennsylvania, Connecticut, Maine, Massachusetts, Rhode Island, New Hampshire, and Vermont, and Cornell and Rutgers) and their related Extension Services can cooperate to improve dairy profitability and productivity through research and information transfer services. Gaining stability and prosperity in New Hampshire's dairy industry is doubtful without regional cooperation.

**A Closer Look**—at *Recommendation 7****Strengthen school curricula concerning agriculture to help students understand our food system.***

**Goal:** Promote the development and use of instructional materials to prepare students in all aspects of the food system to foster critical thinking, problem solving, leadership, and academic and technical skill attainment. Build awareness of New Hampshire agriculture and its historic, cultural, economic, and quality of life contributions to the state that are necessary to be an informed citizen.

How food is produced and how it gets to the table is basic information about how the world works. Some students in New Hampshire receive this content through existing curricula that deal with nutrition, food preparation skills, the taste appeal of fresh foods, and the connection of food to location. Of special concern to farmers is the degree to which students are taught about New Hampshire agriculture and its role in stewardship, conservation, and maintaining a working landscape to benefit everyone's quality of life. This particular knowledge about farming in our state is what future voting citizens need to have as context for informed decisions about everything from local zoning ordinances to constitutional amendments.

Farm organizations have developed different program materials for use in elementary schools to begin the education process with a sense of wonder about the subject and direct experience with the farm. With origins as a USDA project, New Hampshire Agriculture in the Classroom (Ag in the Classroom) is an independent, non-profit organization funded by donations from farmers and farm organizations. Ag in the Classroom is geared to fourth grade students. It provides curriculum materials, classroom project materials (such as growing seeds in controlled conditions), teacher training workshops, and helps coordinate farm visits. Food, Land, and People is another elementary education program that focuses on farming in the context of food supply and environmental stewardship. Project Learning Tree is an additional ele-

mentary education effort that concentrates on the forestry industry.

All of these programs are aimed at building awareness of farming and how it touches the lives of students. None intends to train farmers. But beginning in high school, students may enroll in Vocational Agricultural Education Programs (VoAgEd). Such programs are available in sixteen high schools around the state, and out-of-district students must obtain permission to attend. Currently, there are about 1,800 students taking VoAgEd classes in New Hampshire, with enrollment trending modestly upward. Course offerings include agri-science subjects from animal agriculture as well as crops, with courses related to greenhouse agriculture predominating. With emphasis on biological processes, the VoAgEd classes provide practical background for studies in technical life sciences like genetics and bioscience.

To assist in the coordination of programs for the 1,800 enrolled students, the state Department of Education has an educational consultant position. This position is currently budgeted for, yet vacant. Filling the position with an educational consultant whose responsibility is specifically directed at supporting VoAgEd programs could provide many benefits. Keeping the existing programs strong benefits all of agriculture through workforce training that supplies a skilled labor force to the industry, in particular the greenhouse sector. VoAgEd programs can also serve as small business generators as some students decide to start their own business, often in greenhouse or landscaping.

There are other efforts that are not strictly related to educational programs in elementary or high schools that bear mention because of their positive impact on educating youth about farming. The 4-H programs organized by UNH Cooperative Extension have long been a vital part of growing up for farm kids, and now have many more members who are not farm residents. Exhibiting animals in competitive 4-H shows at New Hampshire's county fairs or attending 4-H summer camp may not qualify as an academic class, but as a means to strengthen the social fabric of the New Hampshire farm community these activities can't

be beat. 4-H is a fundamental part of agriculture, forming a base of experience and personal bonds that carry on into professional careers in farming and leadership in the community.

Another program that is part of the agricultural education landscape is FFA, formerly known as Future Farmers of America. The focus of FFA is on leadership development and training for high school age youth. The state FFA Executive Director is housed in the New Hampshire Department

of Agriculture, Markets, and Food. The position is funded by Carl Perkins grants (Federal grant dollars), and a small line item in the State Department of Education budget for Career and Technical Student Organizations. FFA also has a majority of its membership that are non-farm kids that have an opportunity to learn about farming. FFA continues to provide experiential leadership skills training that benefits the farm community and the entire state.

**A Closer Look**—*at Recommendation 8****Authorize Agricultural Commissions that local governments may choose to adopt as an advisory committee.***

**Goal:** Create local agricultural champions who promote farms and offer advice to other town boards on how to encourage towns to be farm-friendly.

Many towns are trying to find ways to support agriculture and preserve a rural quality of life. Based on experience in neighboring states, Agricultural Commissions can help protect farm lands, provide a voice for farm businesses, and encourage the establishment of more farm enterprises. Agricultural Commissions provide a structured mechanism for towns to take positive action to stay farm-friendly by setting up a town committee whose job is to look out for the interests of agriculture and encourage others to do so, too.

Agricultural Commissions would not have any enforcement powers or regulatory authority. Their role is to advise other town boards and advocate farming. Potential activities of an Agricultural Commission may include fundraising for local farmland protection, starting a local farmers' market, serving as mediator for disagreements about agricultural practices between farmers and non-farmers, assisting the Planning Board in the analysis of development proposals that would effect existing farms or agricultural resources, and obtaining technical assistance on farmland management issues such as conservation planning, Best Management Practices for farm activities, and environmental stewardship.

***The Role of Agricultural Commissions***

Agricultural Commissions can serve their communities as an information bridge between farm businesses and the non-farm public. In this role, Agricultural Commissions can work with other town boards on issues that effect farmers. For example, if the Planning Board has proposed an amendment to the town zoning ordinance that regulates signs, the Agricultural Commission can cooperate with the Planning Board to make known the potential pitfalls for farm businesses. The Agricultural Commission can also make recommendations about how that ordinance could be altered to assist farm businesses, such as allowing temporary signs for seasonal crops. Actions taken by town boards that unduly restrict farm businesses are often done without specific consideration of consequences to farmers. Agricultural Commissions provide a way for the governing bodies of the town to consider the effect on agriculture before taking action.

Statewide enabling legislation that spells out well defined duties and limitations of Agricultural Commissions would allow local voters to make an informed choice on whether to adopt Agricultural Commissions for their municipality. Clear purpose, composition, powers, and duties for Agricultural Commissions that is set up in state law should parallel the legal framework of other local boards that have only advisory and review authority, such as Heritage Commissions. This would provide a uniform structure for towns that choose to adopt Agricultural Commissions and improve their ability to cooperate between towns and share successful approaches to problems.

Some towns in New Hampshire have already created "Agricultural Committees" by action of the local legislative body at Town Meeting. However, this method of creating a town sanctioned body to act in the interest of agriculture requires annual reauthorization at Town Meeting.

The Coalition for Sustaining New Hampshire Agriculture, an unofficial group of representatives from many different agricultural, land use, and nutrition organizations (including UNH Cooperative Extension), is developing a toolkit of information on formation and operation of Agricultural Commissions. The Coalition has a history of developing background information, operating procedures, and best practices related to keeping towns farm-friendly. The Coalition

typically develops such training materials, then provides training seminars and workshops to disseminate the information. Ongoing access to the information is provided through the Coalition's frequently updated manual, "Preserving Rural Character Through Agriculture," which is also available on-line. The Coalition provides this service at no cost to the towns or other organizations that benefit from this training.

**A Closer Look**—at Recommendation 9***Remove rules and regulations burdensome to agriculture and identify ways the State of New Hampshire can assist.***

**Goal:** Create awareness in State and Local regulatory authorities that “*agricultural activities are a beneficial and worthwhile feature of the New Hampshire landscape*” (RSA 672:1). Farm enterprises should not suffer from rules, regulations, laws, and ordinances that are directed primarily at non-farm activities, the unreasonable interpretation of which often ignores the traditional, fundamental and accessory uses of land for farming purposes.

New Hampshire is known for its favorable environment for small businesses. This advantageous situation extends to farm enterprises. However, the unique nature of farming as both a land use and a business can, in some instances, create a maze of overlapping jurisdictions or misapplied regulatory power. Those regulatory agencies that frequently deal with farm businesses from a standpoint of regulating farm production—such as weights and measures, food product safety, and pesticide control—are typically less a source of disagreement than regulators that do not regularly deal with agriculture.

For example, milk inspectors regularly visit farms to assure proper sanitation and milk storage. While few would say that they actually enjoy being inspected, such examination is geared toward improvement of deficiencies through constructive criticism by inspectors that are familiar with industry standards and practices. Dairy farmers actually compete for awards based on cleanliness and purity standards as a matter of pride and peer recognition (and also get a premium price, too). It is a regulatory situation where everybody involved knows the intent of the rules, how the rules will be applied to practical experience, and how those rules benefit both the producer and the consumer.

Perhaps the opposite end of the farm regulatory spectrum is the application of powers that

don’t seem to fit agricultural enterprises in scope or intent. For example, Non-residential Site Plan Review regulations that are written to control the access, lighting, and parking of commercial businesses are sometimes misapplied to farm businesses. The intent of Site Plan Review regulations should not be to assure uniformity of all commercial businesses at the expense of removing the rural experience of buying farm products direct from the grower. Where many farm businesses are seasonal and of limited impact, regulating them by the same standards as would apply to a shopping mall seems to have little justification beyond “everybody else has to do it.” Expecting start-up farm businesses that may grow summer berries, or fall pumpkins, or winter Christmas trees to comply with the same site plan standards as year-round businesses is a sure way to reduce the number of new farm enterprises. In addition, requiring excessive site plan improvements, such as a paved parking lot, is at odds with the dirt farm road feel that most consumers are looking for when they visit a farm to buy local produce.

The above examples of milk inspection and Site Plan Review regulations give some specific instances of the variety of rules and regulations that farm businesses face. Uncovering the broad themes of how rules and regulations effect farms is more difficult. First, farm businesses are hard to fit into a uniform regulatory scheme because of the wide diversity in farm size, annual revenue, ownership structure, and marketing approaches. There is a powerful need to assess rules and regulations in terms of many small producers rather than a few big employers. Second, there has been a fundamental change in patterns of farm operation, entry into farming, and farm labor usage. Compared to the past, more farm businesses are now part-time, seasonally operated, started by mature owners, and more reliant on part-time employees.

These two broad themes—diversity in the nature of farm businesses, and variability in the operational characteristics of farm businesses—indicate a need for additional regulatory flexibility to deal with the changing circumstances. For example, the Bureau of Food Protection (part of the Depart-

ment of Health and Human Services) has recently proposed new rules for a homestead food license to simplify food licensing for residential, non-commercial kitchens. Acting on authorizing legislation from the 2006 session (HB 1683-FN), new rules allow processing of certain foods in home kitchens for retail sale at farmers' markets, farm stands, or residences. This expands the marketing possibilities for many small farmers, yet still protects public safety by requiring training and certification.

Perhaps less apparent is the need to clear up the many contradictory definitions of farming in state law. It is increasingly important to establish that a particular farm business is indeed a farm and deserves regulatory treatment as a farm. Farm operations face an operational risk by being declared "not a farm" by some regulatory body, and therefore being denied the opportunities that already exist in state law. For example, some local land use boards take advantage of the hybrid land use/business aspect of a farm by declaring the operation "commercial" and therefore subject to more restrictive regulation. The state definition of

agriculture (RSA 21:34-a) resolves such misinterpretation by spelling out the *activities* of a farm related to production and marketing of crops and livestock. A uniform definition of farming (as best described in RSA 21:34-a) that is consistent throughout state law and used by local land use boards would significantly assist farm businesses.

The need to respond to the changing nature of farming by further regulatory adjustment is a broad policy perspective that seeks to maintain farm viability and encourage new farm businesses. The abundant justification for this policy perspective has long been a part of how New Hampshire views agriculture. Existing state law presumes that farming provides unique, positive benefits to the community "...and the tradition of using the land resource for agricultural production is an essential factor in providing for the favorable quality of life in the state." (RSA 672:1 III-b).

*Discussion and details of eleven proposed changes to specific New Hampshire laws appear in the Appendix.*

**A Closer Look**—*at Recommendation 10****Continue the Task Force process of looking at the current status and future needs of agriculture in New Hampshire.***

**Goal:** Direct the State Agricultural Advisory Board to serve as the body authorized to review and make recommendations relative to the continuing viability of agriculture in New Hampshire.

The business of farming has changed a great deal since an effort similar to this Task Force report 27 years ago. The pace of change in agriculture has accelerated during that time. Like the rest of the globalizing world of business, the need for rapid response to consumer demands and the swift consequence of misreading market signals have become further challenges to farm business operators. Timely review of the appropriate administrative, legal, and regulatory environment of agricultural businesses is an essential exercise. Those within the agricultural industry must take it upon themselves to periodically identify major trends in how farming is conducted and suggest policy that responds with opportunities for viable farm operations.

What farmers grow, who they sell to, and how they grow it changes quickly. Agricultural technology continues to transform this generation's farm business just as the tractor and hybrid seed transformed its grandparents'. Farmers today carry on a legacy of innovation and creative use of available resources. New Hampshire farmers have some success in direct innovation in plant genetics, equipment design, and production techniques. But where New Hampshire farmers shine is in adaptive use of new technology to gain market advantage within nearby population centers.

The new technology used by New Hampshire farmers is often related to marketing and promotion. Exploiting the Internet for marketing products or buying farm inputs is an example. But beyond the positioning, labeling, and storytelling about a farm product is a native ability of New Hampshire farmers to figure out what the public

wants and find a way to sell it to them. The influence of consumer choice has become more immediate and requires quick response. Health and dietary concerns have made some consumers more sensitive and selective about food choices. This has generated a plethora of organic, low-fat, cholesterol-free, calcium-fortified, low-carbohydrate, high-protein, sugar-free food and beverage products. Creative New Hampshire farmers have found ways to meet these needs...or re-direct consumers to products that represent an entirely different quality of authenticity to the consumer.

Consumer preferences will continue to have influence into the future. That influence will spread beyond just the farm products offered and reach to *how* the farm product is grown. The brisk expansion of organic growing in New Hampshire is just one way consumer preference is changing the way farming is done. Another example is beef that is grown for the local customers who buy a whole animal for their freezer. While not strictly organic, it is seen by some consumers as more natural and more humane than anonymous beef from the supermarket. Perhaps the greatest opportunity for New Hampshire farmers is to find ways to tap into the consumer preference for locally grown food and products.

The New Hampshire farmer of the future typically will bring more education, more marketing savvy, more business management experience, and a broader understanding of business risk to the task. All this will be in the face of global competition for food production and a rapidly changing local farm business environment. Newly formed small and niche agricultural businesses will continue to inject vitality into New Hampshire. Agri-tourism enterprises will attract more people to live the farm experience on a hay ride or overnight at a farm Bed & Breakfast.

These seemingly disparate trends point to a future where the public consistently demands more than just farm products from farmers. They will expect farmers to be valuable stewards of the land, produce crops and products with integrity, and, if offered, be effective guides of the farm experience. New Hampshire farm businesses of the future will

have many opportunities, but they will most certainly require more interaction with the public as consumer and as neighbor.

Regular review of the trends in agriculture and the expectations of the public are essential for the future of farming in New Hampshire. The methods and technologies of agriculture are well regulated as sources of public risk from several perspectives: food-borne illness prevention by licens-

ing and inspection (HHS); zoonotic disease prevention by livestock vaccination (NHDAMF); environmental safety by pesticide registration and certification (NHDAMF); and irrigation management by water use reporting requirements (DES) to name just a few. Future reviews of technological trends in farming are necessary for regulations to be effective. Less apparent is the need for review of what the public expects from the land use/business of farming.

## Appendix

### **Detailed Recommended Changes to State Law Regarding Burdensome, Confusing, or Conflicting Law**

**Proposal 1.** Add language to RSA 672:1 III-b to clarify that the spirit of RSA 672:1 applies to State agencies and political bodies. Added words are shown italicized for RSA 672:1 III-b to read as follows:

Agriculture makes vital and significant contributions to the food supply, the economy, the environment and the aesthetic features of the state of New Hampshire and the tradition of using the land resource for agricultural production is an essential factor in providing for the favorable quality of life in the state. Natural features, terrain and the pattern of geography of the state frequently place agricultural land in close proximity to other forms of development and commonly in small parcels. Agricultural activities are a beneficial and worthwhile feature of the New Hampshire landscape and shall not be unreasonably limited by use of municipal planning and zoning powers or by the unreasonable interpretation of such powers, *nor shall agriculture be unreasonably limited by other government agencies or political bodies.*

**Proposal 2.** Add language to RSA 672:1 III-d to clarify that the spirit of RSA 672:1 applies to State agencies and political bodies. Added words are shown italicized for RSA 672:1 III-d to read as follows:

III-d. For purposes of paragraphs III-b, III-c, and III-e, “unreasonable interpretation” includes the failure of local land use authorities *and others* to recognize that agriculture, forestry, and com-

mercial and recreational fisheries, when practiced in accordance with applicable laws and regulations, are traditional, fundamental and accessory uses of land throughout New Hampshire, and that a prohibition upon these uses cannot necessarily be inferred from the failure of an ordinance or regulation *or law or administrative rules* to address them;

**Proposal 3.** Establish in RSA 674:43 IV that agricultural enterprises may be considered below the threshold for site plan review by nature. This change would enable towns to recognize that agriculture is a beneficial land use within the town, and strict conformity with site plan review regulations as applied to commercial development is inappropriate for review of farms. Add language to RSA 674:43 IV to clarify that towns may exempt farms from strict conformity with site plan review regulations. Added words are shown italicized for RSA 674:43 IV to read as follows:

IV. The local legislative body of a municipality may by ordinance or resolution establish thresholds based on the size of a project or a tract below which site plan review shall not be required. If a municipality establishes a size limit below which site plan review shall not be required, the planning board shall adopt or amend its regulations to clearly reflect that threshold. *Agricultural operations conforming to the definition of agriculture in RSA 21:34-a may be considered below the threshold for site plan review by nature.* Nothing in this paragraph shall preclude the planning board from establishing such thresholds in the absence of action by the legislative body.

Site plan review regulations adopted without consideration for the unique characteristics and needs of agriculture risk discouraging farming and preventing farmers from making changes and improvements needed to remain economically viable. The increasing technical sophistication of local site plan review regulations places excessive burdens on the agricultural community. The planning board in a community that wants to encourage agriculture can take several steps to prevent burdensome regulatory costs. State law (RSA 674:43) allows the local legislative body or the planning board to establish threshold limits below which site plan review is not required, but such thresholds are based only on the size of the project or tract. Communities uncomfortable with complete exemption of farms from this local review process could establish a reduced or modified site plan review process. Modern farm systems can be very complex and specialized. Planning boards can get the expert information and advice they need to understand and evaluate these plans properly from UNH Cooperative Extension, USDA Natural Resources Conservation Service, the New Hampshire Department of Agriculture, Markets, and Food, or conservation districts.

**Proposal 4.** Rescind RSA 259:3 (Title XXI, Motor Vehicles, Words and Phrases Defined) and RSA 259:32 (Title XXI, Motor Vehicles, Words and Phrases Defined). A more comprehensive and current definition of “Farm, Agriculture and Farming” appears in RSA 21:34-a, which includes substantially all of the content of the RSA’s proposed for deletion.

**Proposal 5.** Add the following definition to RSA 21:34-a. “Agritourism: based on attracting visitors to farm operations for the purpose of eating a meal, making overnight stays, enjoyment, education or active involvement in the activity of the farm or operation.”

**Proposal 6.** Strike the following from RSA 147:10. “... and no pen or sty for swine, ...” . RSA 21:34-a defines agriculture, RSA 147:10 is too vague and can be misconstrued to encompass all swine operations commercial or otherwise.

**Proposal 7.** Amend RSA 147:13 with the following, “or agricultural operations as defined by RSA 21:34-a.”. As written the law is vague and can be misinterpreted to include agricultural activities.

**Proposal 8.** Rescind RSA 259:32. A better more encompassing definition occurs in RSA 21:34-a.

**Proposal 9.** RSA 261:84 Farm Plates. Add a section similar to section V of RSA 261:82 Agricultural Plates to this RSA. It would provide a clerk justification for issuing the plate and puts the onus on the applicant to state that they are in fact a farmer.

**Proposal 10.** Restrict Cities and Towns from overriding an RSA that provides a specific exemption to that RSA. RSA 320:3, II, specifically exempts, “*Any person selling the product of his own labor or the labor of his family or the product of his own farm or the one he tills*” from the requirement for a license under RSA 320:2, which states “*No hawker or peddler shall sell or barter or carry for sale or barter, or expose therefore[e], any goods, wares or merchandise, unless he holds a license to do so as herein provided.*” RSA 47:17 Bylaws and Ordinances, grants certain cities the right to be self-inspecting and to establish their own ordinances that are more restrictive than state RSAs. The City of Nashua, for example, requires both the Nashua farmers’ market and the vendors selling at that market to obtain Hawkers and Peddlers Licenses. This places an undue economic burden on the farmers’ market and the vendors.

**Proposal 11.** Amend RSA 72:12-d to allow demountable, plastic covered greenhouses to have installed electricity, heat, ventilation, and irrigation that allows use when such utilities must be protected from freezing. The amended version would include changes in language to read as follows:

For purposes of this section, the term “demountable, plastic covered greenhouse” means:

- c) Electric services may be fixed to the underlying real estate
- e) A source of heat may be fixed to the underlying real estate
- f) A source of ventilation may be fixed to the underlying real estate
- g) An irrigation system may be fixed to the underlying real estate

**THE FARM VIABILITY TASK FORCE**  
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