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Agricultural Outlook Forum 1999

Session: FARMLAND PROTECTION--EXTENDING PAST SUCCESSES INTO  
THE FUTURE

Making Farmland Protection Work at the Local Level

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Thank you for the opportunity to make this presentation today about the work of the Vermont Housing and Conservation Board with local communities to protect farmland in the State of Vermont.

### Background

The Board was established in 1987 in response to a very real crisis in the State of Vermont when real estate values were increasing at a rate of 1% a month and properties such as lakefront was increasing at 2% a month over a several year period. Our program, as you can tell by its name, is diverse. Farmland preservation is the cornerstone of our conservation efforts but we provide funding for recreational lands and natural areas, along with assisting communities in the development and rehabilitation of affordable housing. We see this mission as intertwined - because the more we can make our communities livable and focus housing development in our town and village centers, the less pressure there will be on farmland.

Farming is still our third largest industry and our relationship with the land in Vermont is rooted at a very deep level. Some of you may have heard of Fred Tuttle, a 79 year old dairy farmer from Tunbridge. Fred made a light-hearted Vermont movie called "Man with a Plan", about a retired farmer, who in need of supplemental income, decides to run for Congress and defeats an incumbent by one vote. To give you some sense of the importance of farming and farmers in Vermont, life imitated art last year when a fellow named Jack McMullen, a millionaire from Massachusetts, moved up to Vermont, rented an apartment in Burlington, and at the urging of the Republican party decided he would run for the senate nomination to oppose Pat Leahy, a chief supporter of farmland conservation over the last decade. Fred's movie had gotten a fair amount of play and Fred decided, with a \$30 budget, to throw his hat in the ring. The turning point in Fred's quest to win the primary nomination came in a debate with Mr. McMullen when he asked two fundamental questions. First, he asked how Jack would pronounce the name of my home town of Calais. Jack look at the spelling and said, well Calai. Fred then asked how many teats on a cow. Jack admitted he didn't know and Fed won the nomination.

The purchase of development rights program is part of a multi-dimensional policy effort to support our farm communities. The other important policies have included U.S. value taxation, establishment of the Northeast Dairy Compact and development of agricultural lending programs.

According to the State Department of Agriculture, Vermont had 1,783 dairy farms in business at the end of last year. This figure represented a net loss of 31 farms in 1998, compared to a loss of 69 farms in 1996. Even more encouraging, the period from July '98 to January '99 actually saw an increase of 8 farms shipping milk. This was the first time in decades that the trend had reversed itself.

Almost since the beginning of the state's history, agriculture has played a major role in shaping Vermont's economy, landscape, and rural character. Many Vermonters are therefore saddened and alarmed when good farmland is lost to house lots, malls, and pavement. In 1960 Vermont counted more than 12,000 farms within its boundaries, comprising approximately 3 million acres, or half the area of the entire state. By 1987, when the Vermont Housing and Conservation Board was created, the number of farms had dropped to 5,877, and the farm acreage had been reduced to less than half its total in 1960. In 1992 the state approximately one million acres in ag use according to the Census of Vermont Agriculture.

Agriculture continues to be the state's third largest industry in terms of gross receipts. Farm size has increased through consolidation of agricultural lands, productivity per farm has increased, and labor efficiency has improved dramatically as farmers have modernized their facilities and upgraded their management techniques. Vermont's PDR program has been a source of capital for this effort with purchases on 234 farms totalling 78,471 acres.

### The VHCB Farm Program

VHCB administers the purchase of development rights program in close cooperation with nonprofit land trusts. The applicant organizations perform much of the direct landowner contact and project development work, as well as provide technical services at closings and, once projects are completed, assume a major role in easement monitoring and enforcement. This has enabled a relatively small staff at VHCB to focus on project selection and policy issues.

All farm conservation easements funded by VHCB are co-held by the Board, a nonprofit land trust, and the Department of Agriculture. By having three holders of each easement, the burden of easement stewardship is shared, and in the event one of the three organizations is dissolved, the remaining co-holders ensure that the easements are upheld in perpetuity.

The partnership between VHCB and the nonprofit land trusts also produces significant additional project funding from private sources. For instance, the Vermont Land Trust, a private nonprofit, has been particularly successful in obtaining foundation grants for farmland conservation to match the State's effort.

### The VHCB Selection Process

In Vermont many more farmers wish to sell development rights than there is money available, therefore, the VHCB Board devised a two-step application process and set up a committee of farmers and agriculture professionals to provide advice to the Board on project selection. The Board receives 200 inquiries and 8-120 pre-apps annually.

A project that is successful at this preapplication stage may then be submitted to the VHCB Board for funding. An appraisal of the development rights value must be

conducted. VHCB will share the cost of the appraisal with the landowner, but once an agreement is reached concerning what land would be conserved and what land, if any, would be left out of the easement for future housing or other nonfarm uses. In general VHCB insists that most or preferably all of the tillable land on a given farm project be conserved. This means that if the farmer wishes to exclude a parcel for future development, he may only do so on nontillable or nonproductive land.

The projects are selected at both application levels using the Board's adopted policy for farmland conservation, which spells out the following criteria in decreasing order of priority: soil resource, location, farm infrastructure, and resource management. Additional, nonagricultural enhancements are called "other values."

The Board, with assistance from staff members who have visited the farms, analyzes the quality of a farm's soils for continued agricultural use, aiming to protect only those resources that have the best potential for viable farm production now and in the future.

The second criterion is location. The policy describes two factors: "farm community" and "development threat." Proximity to other operating farms and farm services is considered a plus, especially if a project expands an existing block of conserved farms. Threat is determined by factors such as amount of road frontage, potential "buildable" sites, and local real estate market conditions.

The third criterion is farm infrastructure. Here the Board tries to determine if the farm has buildings and facilities that are adequately suited to the type of enterprise being conducted. If not, the Board assesses the probability of good infrastructure being added in the future.

Under the final criterion—management—the Board examines past and current soil, water, and wildlife conservation practices. This criterion is especially important if federal NRCS funds administered through VHCB are to be used for the developments rights

acquisition. The NRCS funds are conditioned on a farmer's compliance with a plan to manage highly erodible land.

The "other values" that the Board considers include historic, natural, or recreational resources on the farm. The Board views these characteristics as secondary to the primary goal of protecting viable economic farm units that rank high for soils, location, infrastructure, and management.

### Farm Viability and Economic Impacts

From the beginning of the VHCB program, farm viability has been an underlying theme. Agriculture represents the third largest sector of the state's economy, contributing more than \$500 million in farm receipts annually. The state's tourist industry also relies on agriculture to maintain the scenic landscape that has made Vermont famous. The protection of viable farms from development is therefore seen as an economic investment for the state.

The conservation dollars spent in Vermont's farm communities help to prime local economies. By selling development rights, many farmers have been able to reduce and reorganize their debts, thereby improving their cash flows and allowing them to make new investments in land, machinery, buildings, or livestock. This spending by farmers supports local enterprises such as feed, fertilizer, and equipment dealers, and pumps cash into countless other businesses. It has been said that every dollar spent in the farm sector turns over five to seven times, creating business gains throughout the community.

But in the long run farms remain viable only as long as there are people willing and able to farm. When an older couple quits farming, the sale of the property must provide enough money for retirement, but at the same time, if the farm is to remain in production, a buyer must be found who can pay a fair price without incurring excessive debt. Selling development rights has become the means by which many Vermont farms are transferred to a new generation of farmers.

A retiring farmer can sell development rights for perhaps 40 percent of the unrestricted fair market value, and can then sell the conserved farm for the remaining 60 percent of the original value. In this way the retiring farmer receives full value for his asset, while the beginning farmer buys the farm at a substantial discount. By facilitating these intergenerational transfers, the VHCB program has given numerous young, qualified farmers a crack at farm ownership. We believe that the successful transfer of ownership to these enthusiastically dedicated young farmers is clear evidence of the VHCB program's important role in maintaining Vermont's tradition of economically viable, family-owned farms.

#### Examples: Swanton and East Montpelier

Twenty-one VHCB-funded farm projects, most of them contained in two huge blocks of contiguous land, have been completed in Swanton, a town in the northwestern part of Vermont, where the land flattens into a broad fertile valley between Lake Champlain and the Green Mountains. Four of the Swanton farm projects facilitated intergenerational family transfers, and an additional six of the projects enabled sales to other farmers not related to the sellers.

Dairy farming is profitable in Swanton for a number of reasons: the land is easily tilled and productive, agricultural support services and suppliers are readily available, and the farms—many of them now conserved—typically abut one another, creating whole neighborhoods where the landscape and the lifestyles remain distinctly agricultural.

But Swanton farmland, like farmland throughout the state, faces threats from encroaching development. Swanton is located on the outskirts of a regional commercial center, and is within easy driving distance of the state's major urban area, Burlington. These factors have fueled the residential growth in Swanton, while the proximity of Lake Champlain has spurred the development of approximately 300 vacation homes in the town.

To combat this growth, Swanton's municipal plan calls for the concentration of new development in existing villages rather than dispersed in the rural countryside. The plan also recognizes the importance of agriculture to the local economy, and notes the decline of active farms in town, from 65 in 1985 to 54 in 1990. The plan states: "...the town should continue its efforts to preserve and maintain agriculture as a viable economic activity and should also assist in the protection of significant open land resources by collaborating with land management and protection organizations such as the...Vermont Housing and Conservation Board."

In the more hilly country of central Vermont, VHCB's funding has also been tapped to protect agricultural land. For instance, in East Montpelier, just outside the state's capital city, five farm projects totaling 1151 acres have been completed with VHCB assistance. Local support played an important role in all of them. The town government contributed over \$100,000 to the projects, and private contributions from local residents also helped in the effort. A key benefit for the public in the East Montpelier farms was the inclusion of public access provisions in a portion of the easements. Since completion, these projects have demonstrated that well-managed public access for hiking along designated trails can co-exist with commercial dairy farming.

In summary, Vermonters continue to demand and financially support farmland conservation. The program is key to maintaining community identity. It has also become recognized as an ag development tool, whether for inter-generational transfer, expansion or infrastructure improvements. Vermont's partnership with nonprofit land trusts has broadened community support and raised substantial private matching funds.

