

## **A New Lease on Farmland:**

### **Assuring a Future for Farming in the Northeast**

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#### **Farmland Preservation: A First Step**

Here in the Northeast, the past several years have seen a tremendous boost in public awareness of the importance of farmland preservation. With public money in short supply, many local communities like those in the southern Berkshires have taken matters into their own hands by instituting nonprofit conservation land trusts. As private, locally based organizations these trusts have been able to be flexible and act quickly in order to purchase large amounts of farmland as it comes to market, preserving it for future generations. This is a major accomplishment.

As members of a land trust, you and your organization are undoubtedly aware that, in spite of this effort, farming in the Northeast continues to decline. You have probably seen that buying development rights or using other legal means of preventing building on farmland in your area has not necessarily guaranteed that it continues to be farmed. Preserving farmland is an important first step toward encouraging a solid regional agricultural base, but it is only a first step.

As organizations actively working with ecologically conscious farmers here in the Northeast we—the sponsors of this document—are concerned about this decline. We have considered the difficulties involved with preserving farming and would like to share with you some ideas for ensuring the full productive and responsible use of farmland that you have helped, and are helping, to conserve.

#### **The Changing Nature of Farming in the Northeast**

To preserve farming is not necessarily to preserve farms as they have existed over the past half-century in this region. Changing demographics and new understanding of the needs of people and the soil have created constraints and opportunities that will determine the composition of our farm population and our farmland into the next century. What might a sustainable agricultural community look like in the near future?

#### **Resource Conservation**

Clearly, agriculture in the Northeast will have to continue to protect and enhance the soil, water, and human resources that make food production possible. Farming methods that gradually improve soil fertility and water-holding capacity rather than cause water contamination or soil erosion require large investments of time, material, and husbandry on the part of a farmer.

#### **Diversity**

A farmer dependent on only one crop may be forced by financial considerations to take drastic measures to save the crop from pest infestation or adverse weather conditions, at the expense of responsible stewardship of the land and natural resources. Sound resource conservation, on the other hand, requires crop diversity. Diversity allows for partial crop failure and contributes to the integrity of sustainable farming practices.

Diversity means smaller yields of multiple crops rather than large yields of one crop. The milk truck cannot afford to make its way down a long bumpy dirt road for only a few hundred pounds of milk. The new Northeast farmer will have to identify varied, smaller markets close to the farm.

### ***Smaller-Scale Farms***

In the more urban areas of the Northeast, populations continue to grow. One of the results of this growth is that in some areas more land will be needed for housing, manufacturing, and recreation—with less available to the farmer. The neighbor's pasture where the heifers have always been kept may be sold to the condominium developer.

The need for farmland-preservation efforts in these areas will be acute. Even after the purchase of development rights or other forms of restriction the cost of land purchase may remain high, perhaps prohibitively so for a farmer requiring large amounts of acreage.

### ***New Markets***

On the other hand, growing Northeast population centers also promise new opportunities for direct marketing of crops, which for many farmers is the critical edge that sustains an agricultural enterprise. The smaller grower who uses little or no dangerous chemicals can produce a high quality product on few acres with minimum adverse impact on nonfarming neighbors.

Already, a newly health-conscious public is demanding more nutritious, higher-quality food. People want to know that what they eat was grown without polluting the environment. They want to know that it is fresh and that nonrenewable fossil fuels have not been extracted and burned in order to transport it over a large distance.

Perhaps most importantly, it is clear to the public that buying food locally can have a direct effect on the quality of the scenic quality of the area. They understand that when they buy from a local farmer, they are helping to preserve the rural character of the landscape and the neighborhood.

### ***A Longer Vision***

The requirements for producing food for these new markets are the same as those for producing food in an ecologically sensitive manner that conserves land and

natural resources. The new Northeast farmers will run smaller, more diverse, more labor-intensive farms. They will pay careful attention to the health of available soil and water resources.

This kind of farming requires longer-term planning than is customary in other businesses, even in most farm business planning. A five-year agreement is a significant commitment in some kinds of enterprises, but to a steward intent on bringing the land to full health, a process that might last a lifetime or several lifetimes, five years is merely a beginning.

### **The Changing Nature of Farmers in the Northeast**

Most of the young farmers in the Northeast today have not inherited their farm from their parents. They probably have not grown up in the town in which they farm. Many will not have grown up on farms at all.

In fact, today's ecologically conscious farmers are often generations removed from the farm. They read the work of Wendell Berry, are active members of the Northeast Organic Farmers Association, or have had training in sustainable agriculture techniques at such places as the Land Institute or the New Alchemy Institute. They are thinking globally and acting locally by producing food in the best way they know how.

The new farmers are broadly educated and have nonfarming career options. They have chosen farming, and they therefore can and must be choosy when they embark on an agricultural enterprise. They will commit themselves only if they feel they can succeed both ecologically and economically.

### ***Their Situation***

Today's new farmers are likely to be in their thirties and ready to establish a home and a family. They need security in order to build a livelihood and a life.

Part of their security will lie in their own skills and expertise. In order to run a business they need the independence to operate as they see fit, within a structure that secures the land from damage by ill use. Often they have capital and are looking to invest it in their future. As businesspersons they expect a return on that investment.

If we in the Northeast are to preserve farmland for future generations, we must address the needs of these farmers. They have the skills, the knowledge, and the passion both to farm well and to make a living at it. They are the people who can maintain and improve the farmland you and your organization preserve, but they need help.

### **A New Lease on Farmland: Responding To Change**

Conservation land trusts in the Northeast have been eager to attract environmentally concerned farmers for their farmland. As organizations depending on volunteers

they frequently resort to a short-term lease with terms that are simple to monitor. A lease might require only that the fields be cut twice a year. The organization relies on one of its members driving by to check for compliance.

Short-term leases, however, invite short-sighted farming practices. Without the incentive to plan for future generations a farmer, as a businessperson in a highly regulated market environment, may have to force the highest and quickest yield without adequate attention to the health of the soil.

If owners of farmland in the Northeast are to attract and retain the ecologically committed farmer, they must be prepared to offer farm leases that incorporate long-range concerns.

### ***Partnership***

The land, the farmer, and the community (represented by a conservation land trust) all can be equal partners in a carefully developed long-term lease of farmland. By taking the time to prepare a thorough land-use plan for a farm and clarifying such use in the written lease, the conservation land trust can retain enough control to assure that the land is improved instead of degraded or left fallow, and the farmer can be given enough flexibility, independence, and security to make crucial business decisions while farming in a sustainable manner. There are several critical elements to a farmland lease that will make it possible for a farmer to farm responsibly.

### ***Land-Use Planning***

A land-use plan should designate the location of existing farm and residential buildings and should include a careful analysis of the soils and terrain and possible water sources on a piece of farmland. A good plan will divide the land into different sections based on these natural conditions, and will specify upper and lower limits to the intensity with which the lease allows each of these sections to be farmed.

Most intensive use might be an organic market garden, while least intensive might require that a field be mowed at least once a year. Permitted tillage methods might also be delineated in a land-use plan.

The plan should also specify where residential and farm buildings should be located. The placement of buildings must serve the residential and farm needs of the farmer in a way that minimizes their adverse impact on the agricultural land and on neighbors as well. Buffer zones designed to minimize the impact of all farm activity on neighbors should also be designated in the plan.

A land-use plan is not a farm plan, which is the concern of the farmer and the investors in the farm enterprise; rather, it is a statement by the farmland owner of the conditions under which the land may be used. If a conservation land trust has identified a particular farmer as the future lessee of farmland, it is important for that farmer's input to be included in the land-use plan. But the prime responsibility for

developing the plan rests with the lessor. A farmer considering a lease can then quickly evaluate whether or not the land's potential, as defined by the land's owner, will address the farmer's interest.

Once committed, the farmer is free to change a business plan as local markets change, without renegotiating with the land owner. The land use plan provides the framework for protecting the natural resources of the land, but the farmer is independent within that framework.

### **Security**

A long-term lease gives the farmer the long-term security usually associated with ownership of land. Improvements in soil fertility and productivity occur very slowly, and farmers need to know they will be able to reap the benefits of improvements that may take them ten or more years to realize.

For many kinds of enterprises, a farmer needs the security of a lifetime lease. Community land trusts use ninety-nine-year leases, with rights of transfer and renewal. This leaves no ambiguity as to the landowner's intent and also provides security for the investor in the farm enterprise. For example, a bank would be unlikely to consider a fifteen-year investment in farm equipment if a lease of the land ended after ten years.

### **Ownership of Improvements**

Of course, unforeseen circumstances do occur, and farmers need to know that should they have to give up their lease, they can retain the value of the improvements they have made in the farm. A barn and an orchard represent investments that a farmer must be able to capitalize at resale. A properly written lease can allow farmers to sell those assets that are a result of the skill and hard work they have applied to the land.

Only with ownership of the improvements can farmers afford to invest themselves and their capital in a piece of land. Without these investments, farmland will not be preserved as farmland.

### **Continued Affordability**

While it is of the greatest importance that farmers be able to sell the improvements they have made in and on the land, it is equally important not to sell them at a speculative price that prohibits another farmer from buying them. The land can remain productive only if the improvements remain affordable.

A thoughtfully written lease can limit the price of improvements at resale. A nonprofit organization can accomplish this by holding a first option to repurchase buildings and improvements at a formula price. One formula, for instance, requires the buildings and improvements to be assessed independently of the land at current replacement cost at the time of sale. Assessors can be local farmers, extension

agents, real estate agents, contractors, Soil Conservation Service scientists, or other suitable experts.

The average of three assessments would determine the cost for the nonprofit organization to purchase the improvements. The new farmer can then repurchase the improvements from the nonprofit for the same nonspeculative price, which keeps costs affordable.

### **Low Land Cost**

High land prices in the Northeast make starting a profitable farm difficult. The income from a small-scale, intensive operation, even when complete with nearby markets, cannot carry the debt incurred by land purchase. A lease at a low monthly cost will allow farmers to invest their capital in equipment and supplies rather than in land payments, thus making the farm more productive.

Initially the monthly lease fee should at least cover local taxes on the land and buildings, insurance on the land, any town recycling fees, and fire department assessments as well as the cost of establishing and managing the lease. Eventually the lease fee should include a fair rent for the land itself. One way to determine this is to calculate the value of the land as farmland and determine comparable rentals for farmland in the region. The ground rent for that portion of land with existing or potential buildings should similarly be determined using comparable building site values in the region.

The nonprofit expenses for overseeing the lease are paid from the management fees, but the ground rent for the land itself is placed in a separate fund for the purchase of new farmland. This policy ensures that the farmers helped by the initial community effort, contribute to helping future farmers gain access to the land. The process stays dynamic.

### **In Summary**

By offering long-term, low-cost leases under which ownership of improvements rests with the lessees, conservation land trusts can help ensure that the farmland they preserve remains actively farmed by local resident farmers.

### **Organizational Implications for Land Trusts**

Long-term leases will require a long-term commitment to their management. This may present a challenge to conservation land trusts, which have traditionally been volunteer organizations. In addition, providing equity to individual leaseholders may jeopardize the charitable status of your organization as a purely conservation-oriented group. Your conservation land trust may need to establish a separate management group or corporation to hold in trust that land on which equity leases have been granted and to oversee compliance with the terms of the leases. Or you

may want to work closely with another nonprofit organization in the area with similar goals.

### ***Community Land Trusts and Lease Management***

Community land trusts can be an important resource for conservation land trusts because the former are experienced in management of long-term leases that provide for ownership of improvements. In order to make these improvements (primarily housing) affordable to the next buyer, community land trusts hold first option to repurchase them at a non-speculative price. Community land trusts are nonprofit organizations with membership open to anyone within a given region. As such they serve local areas that often overlap those of conservation land trusts. They work with land-use planners, lawyers, and investors in preparing lease agreements. They also work with leaseholders to encourage as much self-management as is appropriate in order to lower costs for and maintain the independence of those leaseholds.

A conservation land trust might also consider forming its own community land trust as a separate but related management organization should the number of productive farm leases represent a significant part of the income and activity of the conservation land trust. Those portions of the land donated to the conservation land trust that are productive farmland could be turned over directly to the community land trust for management. Any lease income from the land over and above expenses would be returned to the conservation land trust to establish a fund for purchase of additional land.

The Community Land Trust in the Southern Berkshires in cooperation with the E. F. Schumacher Society has written lease agreements, particularly for agricultural land, and continues to refine these documents through actual practice. Either of these organizations may be contacted for information or consultation.

### ***Repurchase of Improvements***

Whatever form the management group takes, it is responsible for collecting lease fees and monitoring fulfillment of the terms of the lease, including the use of its first option to repurchase the farmer's home and farm improvements at a formula price in order to keep them affordable for the next farmer. In order to exercise this option the management group must actively seek potential farmers by maintaining a list of those interested in purchasing improvements and leasing the land for farming. It can then proceed to resell the improvements to another farmer at an affordable price.

### ***In Summary***

The preservation of farmland for productive agricultural use will require an active commitment and responsibility to long-term land management. This will mean working with leaseholding farmers as they adjust to changes in farm practices, changes in farm markets, changes in human circumstances.

As a local membership organization your land trust has the resources, knowledge, and capability to best provide the continuity necessary for land management. It may be a new role for you as a volunteer organization, but it is a role critical to the future of farming in your region.

### **It Takes More Than Land**

Your responsibilities for farmland preservation do not end with the lease arrangements. A conservation land trust, through its management group or in cooperation with other nonprofit groups in the region, may have to take additional steps to support farm activity on its land.

Low-cost capital and secure markets are two important factors in a successful farm operation. Federal loan programs at one time provided the best source of low-cost financing for farmers, but they were geared to large conventional farm practices with land as security. In the past secure markets meant a large supply of a single crop.

It may well be up to you to help develop a new form of financing and marketing for this new kind of farm and farmer if your land is to be actively farmed. Your members, already committed to farmland preservation, may at the same time be interested in investing in their own food supply by lending capital or guaranteeing to purchase a percentage of the farm's produce.

### **Revolving Loan Fund**

The Fund for Affordable Housing in Great Barrington, Massachusetts, for example, is a low-interest loan fund that accepts investments from local investors, paying them interest equal to the rates of simple passbook savings accounts. It then loans these funds to first-time home buyers at a rate just above the interest paid to investors. Many of the investors are vacation-home owners (an important but often neglected resource). In the same manner, local farmers could attract investors to a similar fund for affordable farming.

### **Loan Collateralization Fund**

The Self-Help Association for a Regional Economy, also in Great Barrington, pools the funds in individually-owned passbook savings accounts of small investors at a local bank. The owners of these accounts—SHARE's members—agree to let their funds be used to collateralize loans to small businesses that cannot otherwise obtain financing. Members form committees to review and accept or reject collateralization applications. The bank charges 4% for administering the loan with no risk involved. Members earn 6% on their accounts. Thus, the total cost of the loan to the borrower is 10%, about half the cost of conventional financing.

SHARE has collateralized loans to farmers for equipment, seed, and building improvements.



### ***Self-Financing Mechanisms***

With the help of SHARE, two farm stands in Great Barrington have jointly issued vouchers or coupons that they sell in late fall when cash is short and then redeem in summer when the cash flow is greater. Called "Berkshire Farm Preserve Notes," they are sold for \$9 and are redeemable for \$10 worth of farm produce at either stand from June through September. In the first year of operation customers of the two farmstands purchased a total of \$6,000 worth of Notes, representing a low-interest short-term loan to the farmers.

When a similar self-financing program began at a local restaurant, the notes were accepted by several Main Street stores as payment for merchandise and by a few nonprofit organizations for membership dues, encouraging circulation and adding to the incentive to buy the notes.

### ***Community Supported Agriculture***

In the Community Supported Agriculture model a committed group of consumers agrees to assume the financial risk for the annual costs of operating a farm. They calculate a budget in order to divide the entire cost of a season's production among the membership. The farmer is paid a fixed salary in advance. At harvest time the members take home their weekly share, whether a bumper crop or a reduced yield owing to unfavorable weather conditions.

### ***The Return to You***

The success of these local financing and marketing programs depends on the degree to which the local community identifies with its farms and farmers. You can encourage that identification through articles in your newsletters to members, through sponsoring farm celebration days, and through work days at planting and harvest time. This kind of participation and celebration will in turn make your farmland preservation efforts even more effective, at the same time introducing community awareness and camaraderie that not only establish good public relations but also foster real community.

### ***People, Land, and Community***

Your group knows that the health and character of the community are inextricably associated with the health and character of the land. Restricting the use of certain scenic or environmentally sensitive parcels is critical to maintaining the quality of life in rural areas.

But true farmland preservation implies active use of the land, use in the best sense. The land must be farmed in an intelligent and ecologically sound manner that improves the quality of the soil and water and maintains open space in a nonpolluting, productive working landscape. To insure such use requires more than

restrictions. It takes positive encouragement in the form of affordability and long-term security of tenure and investment.

Perhaps most importantly, farmland preservation requires the patterns of mutual responsibility that constitute local culture. Ultimately, preserving farmland is about preserving community. The social and economic forces that affect both must be taken into account. Only in this way can we maintain the complex web of connections between people and land, a web that sustains them both.

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. . . [I]f we conceive of a culture as one body, which it is, we see that all of its disciplines are everybody's business . . . To such a mind [competent in all its concerns] it would be clear that there are agricultural disciplines that have nothing to do with crop production, just as there are agricultural obligations that belong to people who are not farmers.

A culture is not a collection of relics or ornaments, but a practical necessity, and its corruption invokes calamity. A healthy culture is a communal order of memory, insight, value, work, conviviality, reverence, aspiration. It reveals the human necessities and the human limits. It clarifies our inescapable bonds to the earth and to each other. It assures that the necessary restraints are observed, that the necessary work is done, and that it is done well. A healthy farm culture can be based only upon familiarity and can grow only among a people soundly established upon the land; it nourishes and safeguards a human intelligence of the earth that no amount of technology can satisfactorily replace.

—Wendell Berry, *The Unsettling of America: Culture and Agriculture*

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