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Keynote**

Why Does Agriculture Matter and What Can Municipal and Public Officials Do to Grow
the Agricultural Economy?

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Thank you for inviting me here today. I'm here to talk about why agriculture matters to your regional economy and what you, as municipal and public officials, can do to grow it.

Part One: Why agriculture matters

Agriculture is a powerful economic sector because it involves transforming raw materials – soil, water, sunlight, animals, seeds – into multiple types of products and services that people actually want. The journey from raw materials to finished goods can be quite involved and often requires a lot of inputs, processing, packaging, distribution, sales, etc. which means the agricultural sector has the potential to support many jobs and generate a good deal of income, particularly in regions that have the creativity, talent, business savvy and physical infrastructure to do the transformations themselves.

When I say “agriculture,” I’m including farms and farmers producing a wide variety of products and services, including tourism-related services like corn mazes, u-picks, wineries, farm stays as well as value-adding processors like yogurt-makers, slaughterhouses, cheese makers, breweries, etc. I am also including the array of services and suppliers required to support these enterprises, from veterinarians, to agricultural lenders, to equipment suppliers, to internet marketing specialists, to food stores.



According to Cornell researchers, New York State farms generate more than \$4.4 billion in sales each year. In 2007, income generated by farms combined with agricultural support industries and processors of agricultural products generated \$31.2 billion in income. Every dollar of that \$31.2 billion creates another dollar in production elsewhere in the economy.

In economic speak, agriculture is a sector with very high multipliers. A dollar spent by a farmer on supplies stays in the local economy and re-circulates if the supplies are locally available. Likewise, a dollar spent on a local product or service is re-spent locally by the farmer and continues to enrich the local economy. For every job in food manufacturing, three additional jobs are created in the state's economy. For every job on dairy farms, an additional 1.24 jobs are created. Even agricultural services, a growing part of the agricultural sector, create 0.25 additional jobs for every job in agricultural services.

In areas where development pressure exists, study after study has found that agricultural land and related uses contribute more in tax revenue than they require in municipal services. Exactly the opposite is true for residential development and even most commercial and industrial development. So, it is actually fiscally responsible to maintain agricultural land in agriculture.

In addition, well-managed farmland provides ecosystem services, such as water filtration, ground water replenishment, soil enrichment, stormwater retention – all of which would



have to be replaced with costly engineered systems if the land were converted to less permeable surfaces.

A strong agricultural economy also contributes to a strong tourism economy in several ways. First, by maintaining a landscape with appealing visual qualities. Study after study has shown how attracted we are to “working landscapes.” Second, agriculture and attendant activities provide experiences valued by tourists. These range from on-farm experiences like hayrides, corn mazes, and wineries to industrial tourism –the Ben & Jerry’s factory remains one of the top tourist attractions in Vermont –to events and festivals with agricultural themes, to educational tourism like apprenticeship programs, conferences, farm visits, etc.

An agricultural economy structured to provide wholesome food within a region also contributes to human health and may reduce the cost of health care to the extent that improved diets alleviate obesity and other diet-related conditions and contribute to increasing worker productivity throughout the economy.

In short, agriculture is not just a way of life; it’s a vital economic sector full of specialized businesses and business opportunities and opportunities for innovation that deserves your attention and the attention of your economic development agencies, bankers, regulators, and policy-makers.



Agriculture creates income, jobs, tax revenues, eco-system services, tourism opportunities, and can improve human health. That's a lot of reasons to care!

Part Two: Why does agriculture matter in this nine county region of Central New York?

Because you have advantages other regions do not.

You have a farming culture.

You have excellent farmland and a fair amount of it.

You have water in abundance.

You have agricultural entrepreneurs.

You have people moving here who want to farm and farmers who are aging out of production.

You are close to substantial markets; but don't take them for granted. (Washington apples story).

In 2007, the market value of all ag products sold in the nine counties was about 529 million dollars. Between 2002 and 2007, the value of ag product sold increased in every single county by between 1% and 42% (!) with average growth of 22%.



Agriculture isn't just dairy farms anymore. You have breweries, yogurt, cheesemakers, horse farms, vegetable farms, grass pellets manufacturers, greenhouses, modern slaughterhouses, and agri-tourism as well as dairy farms growing hay, corn, and other field crops. Many agricultural enterprises incorporate advanced genetics, information and manufacturing technologies. Agricultural entrepreneurs do a lot more than milk the cows. They have to be serious about the business of agriculture to survive.

Part Three: Understanding Demand and the Ag System

Demand Comes First

Land doesn't stay in agriculture unless the goods and services produced there have a market! Without a profitable market, farms go out of business, land goes fallow, and or fields grow houses. The farmland preservation movement learned this lesson the hard way. Preserving farmland doesn't preserve farming. Land is necessary, but not sufficient for a thriving agricultural economy.

Lucky for you, this is a moment of real opportunity on the demand side of the market. Consumers are demanding to know where their food is coming from and under what conditions it is produced. This isn't just happening in the United States, but worldwide. At Britain's biggest grocery chains, 44% of consumers are buying more local food than they did a year ago. Sales of local food were up 25% last year at the British version of WalMart (Asda). Tesco expects sales of local food to reach \$1.6 billion in 2011, up 15%



from the year before. Furthermore, sales of local food were more resilient during the recession than those of other premium foods.¹

Consumers want to know the “story” behind what they buy. They want food that is safe and healthy. Consumers are increasingly voting with their dollars to support regional and local agricultural products, not only for the products, but because they are catching on to the fact that it’s better for the local economy as well. The federal government’s push to improve diets to fight obesity is opening up new opportunities for direct marketing and wholesale marketing. In many instances, demand exceeds supply. Opportunities are expanding at several levels.

- Direct marketing – or sales directly from farmers to consumers through farmers’ markets, community supported agriculture, internet sales and direct to restaurants, stores and other types of retail establishments;
- Wholesale marketing through auctions, regional markets, and distributors
- Sales to processors of regional value-added products like breweries, yogurt manufacturers, cheese manufacturers, distilleries and others.

I would encourage you to think of agriculture as a set of relationships tied to the demand side of the market.

One of the most significant barriers to the success of New York farmers, as reported in a survey conducted by Cornell about a decade ago, is low product prices. That’s of course, still true; especially in the dairy industry where prices are controlled and do not directly



reflect market demand. We aren't going to solve the dairy pricing dilemma here today, although I understand your Senator Kirsten Gillibrand is working hard to address this issue. However, dairy farmers who do not wish to be subject to federal pricing formulas are increasingly seeking value added alternatives on their own. Some are doing this by providing inputs to processors to be used in yogurt, ice cream, cheese, etc. This can be an excellent strategy. Most of the dairy farmers in my area in Vermont are member of the St. Albans Dairy Coop that sells to Ben & Jerry's. Ben & Jerry's has a long term commitment to purchase their milk at a premium.

Some dairy farmers are choosing to invest in their own value-adding enterprises. However, relatively few have the resources or range of skills required to bring their value adding efforts to scale. Some are content to operate at a small scale. There's nothing wrong with that, and their efforts also contribute by supporting the services needed for larger enterprises. Others, whether farmers, processors or service providers, want to grow.

The challenge of our time is figuring out how to harness the entrepreneurial energy in agriculture today so that talent and product can be aggregated to reach markets large enough to make a difference to the economy of the region as a whole.

The first step is to have an understanding of the dots that need to be connected so that growth, when it happens, benefits the region as much as possible. (SLIDE HERE)



Here is the “big picture” of the agricultural economy, from inputs to consumers. The outer ring shows the support infrastructure for the agricultural economy. That’s where public officials come into the picture. The inner ring shows the benefits of the agricultural economy. (See attached graphic – this will be on the screen during the entire talk from this point forward.)

I’m going to keep this up here for the rest of my talk so that you can think about where the gaps and opportunities and shining examples of success are in your county.

Part Four: What can each of you do in your role as a public official to support and grow the agricultural economy of this region?

1. Know your partners and stay abreast of opportunities at the state and federal level

Whenever you undertake any action to support the agricultural economy, you should not be doing it alone, but in partnership with entrepreneurs, and appropriate non-profit, for profit and public sector entities.

Think about agricultural development as a team sport. It’s not something you can do alone; however, your unique perspective as public officials can be immensely helpful. That’s because you are in a position to: bring people together around a shared agenda for the public good and create bridges between the agricultural economy and the mainstream economy; maintain close ties to regulators and policy-makers at the county, state, and



even federal level so that when you need something they are there for you; bring your collective regional voice to the table and advocate for policies that will help grow the agricultural economy without undermining other forms of wealth in the community.

You need to get to know the organizations in your county that are already active in the agricultural sector including Cooperative Extension, Farm Bureau, Natural Resource Conservation Districts, Resource Conservation and Development Councils and others. You need to understand what they do and why they do it and offer your support to help maintain critical support services.

You need to become aware of what is happening in agriculture in your area and who the agricultural entrepreneurs are. Let them know that you want to be helpful. Help them reach out to resources at the state and federal levels. There are dollars available to municipalities for development that are not readily available to the private sector.

A few of the state and federal programs and resources you might want to know about if you don't already are:

New York State Farmland Protection Program – had a significant backlog of unspent funds as of October 2010.

New York State Agriculture Districts Law – reduces property tax assessments on active farm land
New York State Healthy Food/Healthy Communities Initiative (2009) expands direct and wholesale market opportunities for farmers and includes a food market



revolving fund for rural and urban communities and a matching grant program to establish farmers' markets.

Farmers' Market Nutrition Program – provides subsidies to low-income families to increase consumption of locally grown fresh fruits and vegetables.

New York's law governing winemaking also opens the way for small distilleries. A distillery in Ulster County is currently sourcing 85% of its inputs locally.

Environmental Finance Center at Syracuse University – works with elected representatives to engage the public in support of agricultural infrastructure among other things. Also administers NYFoodTrader.org and NYAgTrader.org to facilitate exchange of goods and services and develop new markets.

You live in a state with outstanding resources including Cornell University and its extension program and research capacities, and some strong agricultural associations.

Various programs exist to support new farmers, including those that provide mentorship and apprenticeship opportunities and connect new farmers with established farmers. The more new farmers you bring into the area, the more are likely to choose to farm here.

If you don't already have one, you should consider creating an Agricultural Advisory Committee at the municipal level. Among other things, the Committee could identify programs and opportunities relevant to your counties. It could also review the impact of existing and proposed plans, policies, and ordinances on the agricultural economy and recommend changes as needed. The American Farmland Trust has drawn up a model ordinance for establishing such a committee. You are blessed by being in a state and



region with organizations like the one sponsoring this conference that would like nothing better than to work with you as partners.

2. Understand the system of agricultural production and work with your colleagues to identify gaps

Whenever an agricultural development opportunity presents itself, you should be asking yourselves how to maximize its impact by connecting as many parts of the local or regional economy as possible. While others are dealing with the intricacies of individual projects, you, as public officials, can focus on the big picture, looking for ways to connect the dots and fill in the gaps for the greater good. Whenever someone approaches you looking for support or a permit or a rule change to support an agricultural enterprise, find out how it fits into the agricultural system. What gap is it filling? How could it be structured to fill that gap even better and help get more high quality products to market?

For example, a slaughterhouse may be a missing piece for connecting demand for regional meat products with supply; however a slaughterhouse by itself may not allow the region to meet institutional demand for a product like ground beef. That may require an additional investment in equipment, training, marketing that could further benefit the region.

Likewise, every time you make a public investment, look for the agricultural angle. For example, if you support a hospital, can you use that as an opportunity to promote local



foods? If you extend a water line, can you use that as an opportunity to expand food processing capacity? If you have an industrial park, can it accommodate agricultural uses? If you are struggling with a solid waste problem, can you aggregate food waste for composting or energy production that can benefit local growers and the community? Can the same aggregation system that is put in place to support farm to school programs be used to reach other markets?

Sometimes these connections may be across jurisdictions with, for example, a processor in one county and producers in another. How can you partner across jurisdictions for mutual benefit, whether it is to provide or guarantee a loan or obtain a grant to bring in critical expertise, training or equipment?

As you get more involved in supporting the agricultural economy, you will meet more people and find more opportunities for engagement. Simply sharing what you are learning and bringing people together is an important function you can play.

3. Create and foster demand within the region wherever you can

For example, Woodbury County in Iowa adopted a “Local Food Purchase Policy”: mandating county offices purchase local (100 mile radius) and organic food when possible.



Other avenues for creating demand include farm to school programs; use of EBT cards for CSAs as well as farmers' markets; adoption of regional food procurement policies for municipal events and municipally financed institutions and programs such as senior meals, childcare programs, and recreation programs.

Hospitals are increasingly interested in offering high quality regional food. You could support an effort to reach out to hospitals, colleges, and other institutions across the nine county region to identify opportunities to increase regional demand.

Agricultural processors create demand as well. However, sometimes there are barriers to meeting that demand. For example, malted barley is apparently hard to get in New York, and despite the fact that hops were once grown here in quantity, they stopped being grown due to the virus. But the work of the Northeast Hops Alliance is looking at other cultivars and hops are making a comeback in this region.

Small scale processors also make valuable contributions. Just last month, Sedgwick, Maine became the first town in Maine and perhaps the nation to unanimously adopt a Local Food and Self-Governance Ordinance to preserve small-scale farming and food processing. In essence, it exempts producers or processors of local foods in the Town from licensure and inspection provided that the transaction is only between the producer or processor and a patron when the food is sold for home consumption. I brought a copy with me if anyone would like to see it.



Even in dairy, some places are experiencing more demand than supply. What would it take to increase production capacity to meet demand?

Encourage regional chain stores to carry regional products.

Create an award for businesses that do the most to promote local agriculture. Recognition can go a long way to influencing behavior.

Contribute to public markets in areas with sufficient population base.

Support innovations in the region like the Central New York Bounty, the Utica Foodshed Buying Club, Mercer Dairy, the Upstate Growers and Packer cooperative, and Sunrise Family Farms; innovative programs like these should be encouraged in all CNY counties.

Co-sponsor “meet the grower/meet the buyer” events in your region.

4. Invest in agriculture as an economic development opportunity

Work with your Industrial Development Agency and any other local economic development lending authorities to open up their primary loan funds to the agricultural sector. Agriculture, properly developed, has as much, if not more, potential to create jobs, income, and a strong tax base for your communities as any other sector. The



modernization, expansions, and innovations required to capture market opportunities need to be supported by the full range of economic development resources available. Remember, agriculture is not “just” farms; farms support service providers, aggregators, processors, distributors, wholesalers and retailers with significant multipliers that will strengthen your economy.

At the state level, work together to open up the programs administered by Empire State Development to the full range of businesses in the agricultural sector.

In addition to using economic development programs to support agricultural enterprises, you can also use various types of tax incentives. For example, you could provide tax assistance during rehabilitation of land or a building that will be used to support the agricultural economy or you could forgive back taxes on properties undergoing changes in use that will allow them to contribute to the agricultural economy.

You can also plan municipal infrastructure investments to support agricultural enterprises. For example, agricultural processing generally requires a great deal of water and wastewater treatment capacity. If you work with agricultural entrepreneurs, you can plan infrastructure improvements and expansions to meet their needs. Likewise, one of the challenges with getting to scale for small to mid-sized producers is aggregating product. You can create aggregation points in conjunction with park and ride sites or other appropriate municipally maintained areas.



Actively assist agriculture-related businesses in obtaining permits at the local and state level. Help agricultural entrepreneurs design their businesses to comply with regulatory requirements and, where necessary, assist in negotiating appropriate variances.

Include agriculture-related training in your workforce development plans. For example, farmers increasingly need training in food safety to be able to sell into wholesale markets. Consider this and other agriculture training needs as part of your workforce development program.

Educate employers about farmers' needs for suitable off farm employment. The majority of farmers rely on off-farm employment to support their families. However, farming makes unique demands on one's time that are often seasonal in nature. Just as schools used to plan vacations around farm needs at planting and harvest time, your economic development agencies can help employers recognize, adjust to, and benefit from structuring employment opportunities that meet farmers' needs today.

Finally, you can invest in retention services and succession planning for farms and all agriculturally-related businesses. You should make it your business to know who is planning to retire or close their business or farm, when, and whether they need assistance in finding a buyer or investor to take over. Some communities establish committees to interview key business owners about succession planning. Sometimes these interviews identify opportunities for new business development and sometimes, if you get there



early enough, interventions can prevent a business from simply shutting its doors with no replacement.

5. Protect farmland, farming and related natural resources

When is the last time you read your county plan? If you're serious about the agricultural economy, you should name it in your county planning documents and in your economic development documents and you should use the zoning, regulatory, and tax tools at your disposal to protect and grow it.

As we've mentioned, good farmland is necessary but not sufficient for a thriving agricultural economy. New York State has set up several programs to help counties protect farmland. Numerous land trusts exist to assist with this also.

Municipalities should consider using these tools to identify prime agricultural land, create agricultural districts through zoning, reduce fragmentation of farmland and prohibit or limit non-farm development in areas where agriculture is the preferred use. When farmland is protected, farmers have an incentive to invest in their operations for the long term. Purchase of easements on the property can provide farmers with the capital needed for those investments.



In addition, municipalities can encourage long term (10-20 year) leases for agricultural land use, both by providing sample leases and by offering tax incentives. Long term leases also encourage investment.

It's not just the land that needs protecting, but the activities that farming requires such as tractor traffic, manure spreading, irrigation, cattle crossings, etc. One way to do this is by adopting a "Right to Farm" law. Cattaraugus County did this in 1995 and the Town of New Scotland in 2006 with many more in between because they recognized the importance of agriculture to their county and town. It is a local law pursuant to Section 10 of the Municipal Home Rule Law of New York. A Right to Farm law protects farmers from being sued for farming.

Another way to protect farming is by adopting a "Code of Country Living" tied to specific geographic designations so that people that are planning to settle in rural areas of your county understand that the county will not provide certain services such as water, sewer, school transportation, etc. By requiring residents who choose to settle outside service area boundaries to sign an agreement acknowledging their understanding of service limits, municipalities can remove the pressure to extend services and thereby increase development pressure on agricultural lands.

As important as it is to protect farmland, it is just as important to protect water quality. Water is an increasingly scarce resource worldwide. The abundance of water in your region, combined with the quality soils, give you a significant comparative advantage in



the agricultural economy, but only if you protect water quality. If the rush toward natural gas mining through hydrofracking goes unregulated and results in surface and/or groundwater pollution, the cost of treatment is likely to make agricultural activities prohibitively expensive and the very presence of contaminants will reduce market demand for products produced here no matter what the facts of the matter are. Once a threat to food safety is perceived, the facts won't matter. Municipalities can take steps at the local level to protect themselves.

6. Learn from each other! Work together across jurisdictions wherever it makes sense.

Jay Matteson (who is here today) has been heading up the Jefferson County Agriculture Development Corporation for the past decade. Their "Come Farm with Us" program provides information on financial resources for agriculture, agricultural real estate for sale, technical assistance resources for agricultural entrepreneurs, and information about farmland protection. Much of the information has relevance statewide. By focusing on agriculture as part of the county's overall economic development strategy, Jefferson County has retained and expanded existing processing capacity supplied by local farms. In fact, they are now ready to support farm expansions to meet growing demand for processed products.



It may make sense to capitalize on each other's strengths. For example, if Jefferson County has a good system for marketing farmland to farmers and a good system for tracking financial and entrepreneurial resources, perhaps your counties could pool dollars and create an additional staff position to share that information more broadly.

There are equally exciting stories within your nine counties. I strongly suggest you spend time today and consider setting aside additional time to share those stories and learn from one another.

The first step is to learn more about what is already going on and then build from there. Your job is to help this region connect the dots so that the wonderful agricultural resources you have here can be used effectively to meet market demand, both within this region and beyond.

By being proactive, you can send a message to your own constituents as well as those outside the region that this region is open to innovation to create a strong and sustainable agricultural economy. You have millions of people within a day's drive, many of whom have no idea what you are capable of producing that they may want or need. I encourage you to take these ideas and be on the lookout for others that will allow you to help the farmers, distributors, aggregators, processors, and suppliers in this region connect the dots and bring new and profitable products to market within the region and beyond.



There are great examples of interventions supporting the agriculture economy in this region. For the next conference, I suggest asking each county to bring highlights forward and share them so you can collectively figure out how to build on your successes.

Exercise

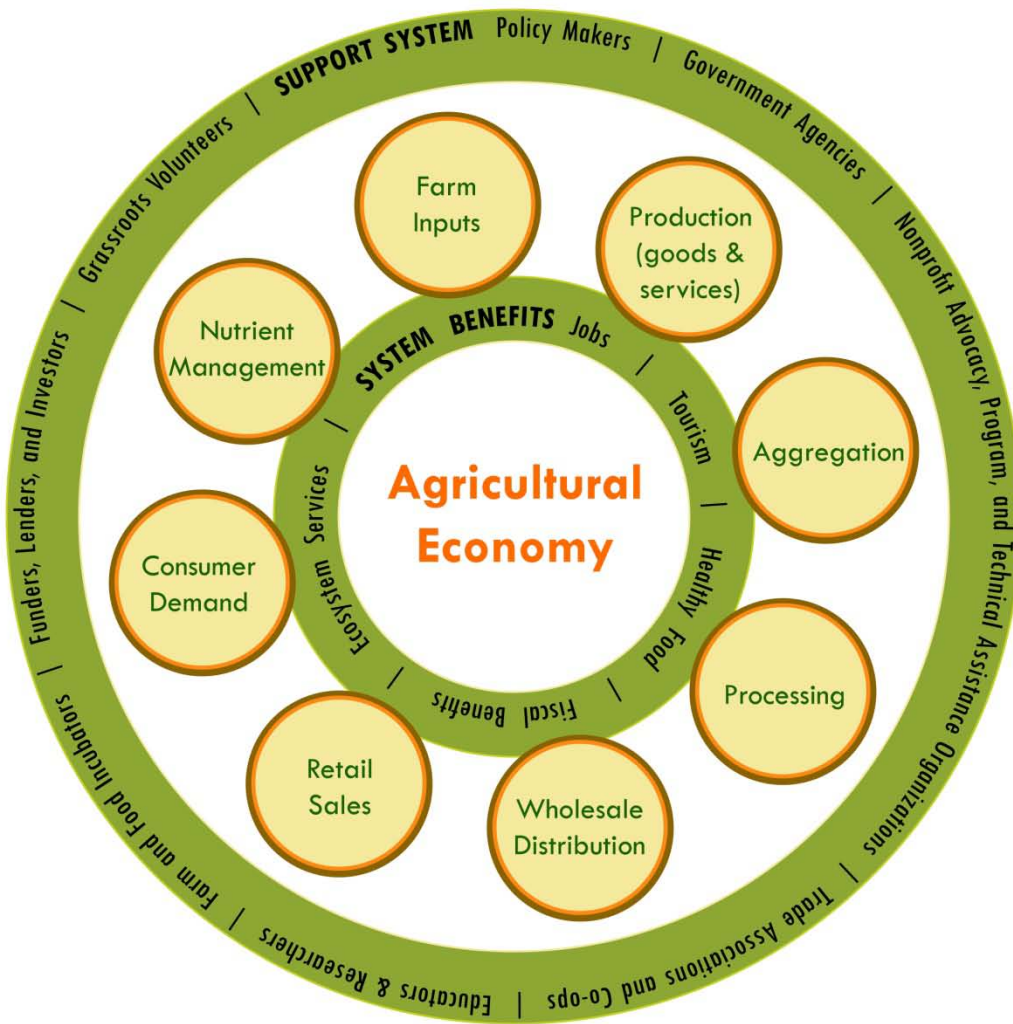
Right now, I'm going to suggest a short exercise. Look at the graphic on the screen and identify a part of the agricultural economy you are familiar with – come up with an example of one of the circles. Now think about your own role as a public official. Take out a pen and paper. I'm going to give you three minutes to write down as many answers to the following question as possible. Think outside the box – this is a creative process!

How are X (the circle) and Y(the support) connected?

How can Y (the support) affect X (the circle)?

Now share your thinking with the person next to you.





ⁱ “Why Big Grocers Go Where the Garlic Grows”, Cecile Rohwedder, Wall Street Journal, March 17, 2011.

