



MARBIDCO
growing rural ventures™

MARYLAND AGRICULTURAL AND RESOURCE-BASED
INDUSTRY DEVELOPMENT CORPORATION
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Mary Shank Creek, *Chair* / Stephen R. McHenry, *Executive Director*

TESTIMONY STATEMENT

BILL: House Bill 727 (Natural Resources - Maryland Park Service and State Parks - Alterations (Great Maryland Outdoors Act))

COMMITTEE: House Environment and Transportation

DATE: February 23, 2022

POSITION: Support

The Maryland Agricultural and Resource-Based Industry Development Corporation (MARBIDCO) supports House Bill 727, which among several features accelerates four years of statutory funding (at \$2.5 annually) for the **Next Generation Farmland Acquisition Program** into a single distribution in FY 2024 of \$10 million. MARBIDCO appreciates the support of the important program which now has two important components (and a third one is potentially in development).

The Next Generation Farmland Acquisition Program (Next Gen Program) was established by MARBIDCO to help qualified young or beginning farmers who have trouble entering or staying in the agricultural profession because of relatively high farmland costs and a lack of access to adequate financial capital to purchase farmland. The Next Gen Program is a relatively speedy farmland conservation easement (or option) purchase program that is designed to help facilitate the transfer of farmland to a new generation of farmers, while at the same time, effectively helping to preserve the subject agricultural land from future development.

The Next Gen Program is an important tool in the financial programs toolbox that allows MARBIDCO to help young or beginning farmers who need access to good quality farmland. The Next Gen Program permits MARBIDCO to provide a young or beginning farmer with the money needed to make a large down-payment on a farm, in order to meet the equity contribution and projected cash flow requirements of a commercial lender, which then permits the lender to make a loan to help finance the balance of a farm purchase. An additional benefit of this program is that the farms that are being purchased are being put on a path to being permanently preserved.

Since the launch of the original Next Gen Program in FY 2018, MARBIDCO has received a total of \$12,231,250 in appropriations from the State of Maryland, (with \$2.5 million received annually, except in FY 2021 there was a small pandemic-related reduction of \$268,750). In FY 2023, \$2.5 million is budgeted in the Dedicated Purpose Account for the Next Gen Program (this for the first time, rather than in MDA's budget allowance).

The Next Gen Program is generally designed to provide a “beginner farmer” (see definition below*) with the money needed for a down-payment towards a farm purchase, while the subject farmland is put on a path to becoming permanently preserved. At settlement, the Next Gen farmer is awarded an “Option Purchase”, where they enter into an Option Agreement with MARBIDCO and receive an Option Purchase amount (at 51% FMV of the land) to be used as the farm purchase down-payment. (Eligible farm properties must be at least 50 acres in size, unless they are contiguous to already preserved land, then they can be smaller.)

**A Beginner Farmer is defined as one who:*

- *Does not own a farm or (or currently owns less than 20 acres of agricultural land); **and***
- *Has not operated a farm or ranch as a principal operator for more than 10 years; **and***
- *Has at least one year of farming experience or has completed a qualified farm management training program that includes substantial fieldwork experience (must be documented in an appropriate fashion); **and***
- *Expects to substantially participate in the farm operation on the subject property.*

The Option Agreement allows the Next Gen farmer a period of several years to sell the permanent easement to a rural land preservation program (such as MALPF, Rural Legacy, a county program, etc.) Typically, once the Next Gen farmer has received an offer to sell the permanent easement, MARBIDCO will terminate and release the Option and receive a repayment amount equivalent to the original Option Purchase Price amount (plus an additional 3% admin fee collected), and the Next Gen farmer is able to retain the remaining amount of money from the permanent easement sale.

In FY 2020, MARBIDCO established a variant of the original program called the **Small Acreage Next Generation Farmland Acquisition Program (SANG)** to help qualified Next Gen farmers purchase smaller farm properties - between 10 to 49 acres in size. Under the SANG program, MARBIDCO awards the SANG farmer with funds for a farm purchase down-payment via an outright “Easement Purchase”, where the applicant agrees to permanently preserve the property under a deed restricted conservation easement in exchange for these funds.

Under both versions of the program, once the permanent easement is on track to be settled, MARBIDCO assigns the easement to a “Permanent Easement Holder”, since MARBIDCO does not hold or administer permanent conservation easements. (MARBIDCO only holds temporary easements.)

Summary Next Generation Program Statistics*

- Total Projects Funded: **33** (30 Original Next Gen and 3 SANG)
- Total Farmland Acres Preserved: **3,080 acres**
- Total Dollar Amount for Easement or Option Purchases Made So Far: **\$9.0 million**

**Does not include pending project applications.*

What Does the Future Hold for the Next Gen Program?

The demand for the **original Next Gen Program** has been relatively steady averaging approximately 8 to 10 applications per year. (Not all applicants are able or willing to complete the process, and some have actually withdrawn their applications after receiving approval.) MARBIDCO expects this trend in the number of applications received to continue going forward.

The demand for the **Small Acreage Next Gen Program (SANG)** appears to be increasing as the word about the new program spreads. The volume of inquiries received in recent months has picked up steadily. MARBIDCO expects the number of SANG applications to increase over time and the demand for SANG projects could mirror that of the original Next Gen Program.

The Committee will also be interested to know that there is also a new urban farmer-focused variation of the Next Gen Program that is currently under development (for properties under 3 to 5 acres in size located in urban areas). MARBIDCO is seriously considering implementing such a program recognizing the need to help urban farmers gain long-term access to land but to also preserve the land and provide a benefit to the community. MARBIDCO has held meetings recently with three land trusts in the Baltimore metro area to see if establishing an **Urban Farmer Next Gen Program** would be feasible for launch in the near future. Farmland preservation in urban settings holds certain challenges not experienced in rural areas, particularly given the fact that urban land trusts do not hold or administer permanent conservation easements in the same manner that rural land trusts do.

MARBIDCO is exploring the feasibility of offering a program in which it would work with both qualified farmers and urban land trusts to finance the purchase of farm-appropriate parcels of land in urban areas which would be owned by the land trust and leased at little cost to Next Gen urban farmers under a long-term arrangement. Under a ground lease model, the land trust owns the land, and the farmer owns the improvements on the land. By allowing the certainty that is provided by a longer-term land lease, the farmer is incentivized to make, and is able to own the improvements, made to the property. Therefore, he or she has an equity stake in the enterprise and can recoup his or her investment in improving the land and purchasing agricultural facilities later if needed (including soil conditioning, water/irrigation, hoop houses, etc.) By having the land trust own the land (the ground only), the land trust can ensure the land is not developed and remains as a community benefit. MARBIDCO expects to reach a conclusion concerning the feasibility of this approach in the near future.

As such, MARBIDCO respectfully requests a Favorable Report for House Bill 727.

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MARBIDCO was established by the Maryland General Assembly 15 years ago to help enhance the sustainability and profitability of the State's agricultural and resource-based industries to help bolster rural economies, support locally produced food and fiber products, and preserve working farm and forest land. MARBIDCO is a nimble, quasi-public financial intermediary organization which has a mission to serve exclusively the commercial farming, forestry, and seafood industries of Maryland. Assisting young and beginning farmers are a special focus for MARBIDCO, as is farm operation diversification (through value added processing activities). Commercial urban farming has also become a focus of MARBIDCO's efforts.

In delivering its financing programs, MARBIDCO works cooperatively with commercial banks and farm credit associations, as well as a host of federal, State, regional and local government agencies, and universities. Since 2007, MARBIDCO has approved 1056 financings totaling nearly \$80 million for food and fiber business projects located in all Maryland's counties (including Baltimore City) – and in the process has leveraged more than \$170 million in commercial lender financing. For more information about MARBIDCO's programs, please visit: www.marbidco.org.