

Current Use Board
Agricultural Land Assessment Model
Subcommittee Meeting

Approved as amended

DATE: March 30, 2023

TIME: 9:30 a.m.

LOCATION: Department of Revenue - Training Room, 109 Pleasant Street, Concord NH

SUBCOMMITTEE MEMBERS:

Chuck Souther, Chair, Public Member, Agriculture
Representative Josh Yokela
Anton Bekkerman, Dean's Designee, UNH College of Life Sciences and Agriculture
Shawn Jasper, Commissioner, NH Department of Agriculture, Markets and Food ~ *Excused*
Norm Bernaiche, Assessing Official, Population >5,000
Tom Thomson, Public Member ~ *Excused*

MEMBERS of the PUBLIC:

Rick Evans, DRA
Robert Johnson, NH Farm Bureau

Mr. Souther convened the meeting at 9:30 a.m.

The subcommittee is meeting to review the two proposals presented by Mr. Bekkerman at the August 6, 2022, Board meeting, relating to how the farmland assessment range may be calculated. The current range is \$25-\$425 per acre for the farmland category. It is unknown exactly when the range was established and how it was determined. In past years, the Board has relied on information from the Commissioner of Agriculture and representatives of UNH relating to the current prices of corn, hay and haylage, the three main crops in the State. Each year this information was reviewed by the Board but did not result in any changes in values. The Current Use Board is looking to implement a new formula to provide transparency and the ability to defend how the farmland rates are determined, a formula similar to the forest land assessment model.

Mr. Bekkerman posed the following questions to consider: What is the connection between the value of the land, which UNH has gathered and reported information on in previous years, and the range of assessed value? How is the assessed value determined from the value based on the income-producing capability of the land? He followed with a summary of the two proposed recommendations.

Proposed Method 1

This method would use the land values from the 1970s, when this range was first believed to have been adopted, and current year land values to calculate a percentage change to determine how much the value of land has increased in the last 50 years. This would result in an increase in value due to land values having increased from then until now. It would also provide a sustainable method using a publicly available tool that provides land values assessed by the USDA through surveys.

Mr. Bekkerman explained while this would be the most straightforward method, it incorporates factors other than the pure productivity of the land. It is impacted by market factors such as new technologies and crop variety that make farmland more productive and interest rates and demand for farmland. Market forces that may not be closely related to land productivity and determining the percentage of change due to land productivity versus market forces would be very difficult.

Mr. Bernaiche suggested market forces have nothing to do with the income-producing capability of land. It is unknown how and when the \$25-\$425 range was established, and he felt it does not make sense to create a new methodology with a flawed one.

Proposed Method 2

This method uses a traditional economic approach of calculating the actual value of agricultural land by looking at long-term productivity measures such as yields, prices, cap rates and tax rates to capture the entirety of the value of the land. Mr. Bekkerman stated that many states value agricultural land this way. The information used in this approach is publicly available therefore the accuracy with the formula is good. However, there are a few challenges in New Hampshire.

New Hampshire is a highly diversified state that produces a large variety of products. The dairy industry, land used for dairy production or to support dairy production, is changing as hay and silage are the two primary crops. As dairy production changes, a consideration could be made to use more or different crops.

The second challenge is that New Hampshire does not have a lot of good data. There is some data on year-to-year yields for hay but no data for year-to-year yields and prices for corn silage. For corn silage, assumptions are made based on data from surrounding states to try and reflect what is happening in New Hampshire. Surveys have been done in the past but are labor and cost intensive and receive very low response rates. If a survey is considered an option, Mr. Bekkerman recommends doing them on a 5-7 year cycle.

The third challenge is that this formula will provide the value of the productivity of the land not the assessed value or a range. Therefore, how to calculate the assessed value will need to be determined.

Mr. Bekkerman's understanding of the formula is to determine a baseline value for the productivity of the land that can be adjusted based on the physical and producing capability traits of the individual property. He added that another option could be to calculate a maximum value and adjust down based on soil characteristics. Mr. Bernaiche added this is where the subjectivity would come in by the assessor based on known information.

Chair Souther stated he is not in favor of the first idea because it ties too much into sales and market value which is what this process is bound to stay away from. This opposition was also heard at the public forums, to keep market values out of the process.

There is a lot more data available now to determine the yields, prices and costs, where loans come from and what the effective rates farmers will see relative to the same information that may or may not be available from the 1970s. Using Method 2 with the state equalized tax rate will create consistency with the forest assessment model.

The implementation of the formula will be a process. It will be vetted by this subcommittee, the full Board and the public through public hearings. It is important to create a formula that will produce values that can be explained.

Mr. Johnson stated members of Farm Bureau were provided both methods. The use of market information was a big concern and Method 2 was preferred. He asked about the statistics used by the USDA for farmland and how land and agricultural building values would be separated out. As buildings are not allowed on current use land, how would that affect the use of USDA information that is collected nationally? Mr. Bekkerman suggested that would not be considered in Method 2 because it is focused on the productivity of the land.

Mr. Bekkerman stated he was very comfortable with the data for hay to be used in the formula because the information is available for New Hampshire and while the yields for silage are reported, prices are not. He explained he used information from surrounding states to use in the Method 2 example. A five year survey could be done locally with Farm Bureau members to collect specific prices of silage in New Hampshire which could then be adjusted using the USDA inflation index of farm costs, providing confidence in the data.

Mr. Johnson added that forage is something you don't see in the data. It isn't hay but it is growing all of the time and is a large percentage of crops. Mr. Bekkerman suggested it is difficult to get that data, especially in New Hampshire, primarily because there is not market for it and no transparency or records of sales.

Mr. Bernaiche ***motioned to recommend Method 2 for use in determining the farmland assessment range***; Mr. Bekkerman ***seconded the motion***. There was additional discussion to clarify how the Method 2 formula will work and why the subcommittee is recommending it. Mr. Bekkerman will prepare the formula for presentation to the full board. Chair Souther called the motion. Chair Souther, Mr. Bekkerman and Mr. Bernaiche approved; Representative Yokela opposed. ***Motion passed with a vote of 3-1.***

Mr. Bernaiche ***motioned to adjourn***; Representative Yokela ***seconded the motion***. Chair Souther called the motion. ***Motion passed unanimously.***

Chair Souther adjourned the meeting at 11:25 a.m.

Respectfully Submitted, Stephanie Martel
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Current Use Board may be submitted, requested or reviewed by:

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