

August 18, 2005

PRESENT: Dr. Charles W. Curry, Chairman  
Charles C. Schooley, Vice Chairman  
Larry C. Howdyshell  
Garland Martin  
Mark Grove  
William Bashaw  
Bruce M. Bowman  
Kitra A. Shiflett  
Dale L. Cobb  
Beatrice B. Cardellicchio

OTHERS PRESENT: Dr. David Kohl

ABSENT: Larry Shiflett  
Betty Jo Hamilton  
Clay Hewitt

VIRGINIA: Meeting of the Agricultural Task Force Committee held on Thursday, August 18, 2005, at 7:00 P.M., in the County Government Center, Verona, Virginia.

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Chairman Curry introduced Dr. David Kohl from Virginia Tech.

Dr. David Kohl gave a report on Mega Forces of Agriculture and Rural Communities. He stated that the future of agriculture was that the lifestyle would be driving the business model. He stated that women and minorities would be increasing their role on the landscape of agriculture. He stated that on the bright side of agriculture there are strong real estate values and cash rents, low long term interest rates, livestock prices are strong, spotty grain prices, many new lenders in the market, hard asset financing, and strong government support. He stated that there is a dark side of agriculture as well. He stated that the cost of production increases due to oil, high cost of investment due to steel and equipment, medical coverage cost, non-financial liquidity in American agricultural balance sheet, government supports, trade wars, and the rural issues creating lifestyle issues that are all on the dark side in agriculture.

Dr. Kohl also stated that real estate is a bubble for agricultural and rural communities. He stated that some of the bubbles are the interest rates and foreign financing, opportunity cost of the stock market, flight to hard assets due to geo-political risk, and thin credit practices. He stated that the "Mother of all Bubbles" includes the stock market and that the housing price value doubled in the past five years. He stated that in this case there is a bright side and a dark side as well. He stated that the bright side is the fall back after 2000 stock market crash, increased consumer spending, soft landing with 2001 recession, boom in lifestyle and country home markets, and 7.5% of total GDP related to appreciation. The items that are on the dark side includes a negative amortization, ARMs 50% states largest rise, investment cash non-liquid asset, and outside the lines financing. He stated that the bubble is bursting worldwide. He stated that 19 of the 20 real

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estate busts have led the way to a recession. He stated that in the past four years consumer spending and construction has been 90% of the GDP. He stated that there is a movement toward cash and liquidity.

Dr. Kohl stated that by 2015 there would be seven business models. They are super commodity/agribusiness, traditional commodity, vertically integrated, contract agriculture, lifestylers, value added, and the agri-entertainer. He stated that the super-commodity/agribusiness consists of more complex entities, small business is lending the model, low and medium cost producers, and it has been solutions-based. He stated that the traditional commodity consists of the balance sheet and strong cash earnings with poor skill base, reverse mortgages, most profitable customer to banks and farm credit, high cost provider, 10 – 30 – 30 – 30 rule, loyal, lacking youth, rural lifestyle issues, and lack of full employment. He stated that the vertically integrated and contract agriculture consists of the value chain convergence, multinationals, franchise farming, threat to move internationally, system oriented, and fully employed. He stated that the lifestylers use a W-2 income and a Schedule C & K lending, they are rural America dependent, energetic, well-educated, some thin credits, and farm credit growth in many regions. He stated that value added and agri-entertainer consists of high risk and reward, rural America lending, and have the youth and energy.

Dr. Kohl asked the audience a number of questions to determine their rural competitiveness and he also showed them a chart categorizing each generation.

Dr. Kohl stated that he would now take questions from the audience.

Question

How would a high real estate value help a farmer?

Answer

He stated keeping a strong balance sheet and selling acres off is an advantage. Most people cannot afford to buy land and most of the farm real estate is rented.

Question

What is an example of the agri-entertainer?

Answer

He stated a corn maze, pumpkin patch, riding trails, etc. are all examples of an agri-entertainer. The youth will think of many ideas. The traditional farmer has difficulty picking up on those ideas. The Agricultural Task Force should get the youth involved with this task.

Question

What do you think about PDRs/Conservation Easements?

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Answer

He stated that he would not give any opinion on PDRs/Conservation Easements. This is one of the trends occurring nationwide. There always has to be a balance between urban areas and agricultural areas.

Question

How can we embrace infrastructure so that it can support agriculture?

Answer

He stated that having equipment dealers and any type of business that will provide services to agriculture would support infrastructure.

Question

Do you think real estate will decline or level off?

Answer

He stated that real estate would probably level off in the next twelve months.

Question

What method or program would stop the breakup of larger farms into small farms?

Answer

He stated that this could not be accomplished by just one program. There are many tools involved including zoning, taxes, attracting the youth back into farming, etc.

Question

What do you think is the difference between Rockingham and Augusta County?

Answer

He stated that Rockingham County was discovered sooner than Augusta County. Harrisonburg has developed faster than Staunton and Waynesboro. Rockingham County has James Madison University. People have migrated from Lancaster, Pennsylvania came to Rockingham County.

Question

Will big business monopolize and take the food market away?

Answer

He stated that this would happen if the top five producers merged. This would be the "Walmartization" of agriculture. There is fear of this happening which would take away all entrepreneurship. Remember, laws are changed from the bottom up.

Question

How is the agriculture program doing at Virginia Tech?

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Answer

He stated that there are a large number of sales, management, but some students are still interested in agricultural education. Many people are discouraged about learning about agriculture. One in five students have an agricultural background.

Dr. Kohl stated that there are strategies to work with all generations to get the work accomplished. He stated that there is a lot of opportunity with the seven business models.

Chairman Curry thanked Dr. Kohl for coming to speak and answer the public's questions.

Chairman Curry introduced all of the committee members and then gave a brief summary of the Agricultural Task Force. He also stated that the committee is expecting to have another public input session.

Chairman Curry stated that now the Agricultural Task Force would take input from the public.

Mr. Thomas Byerly, 4305 Scenic Highway, Mount Solon, stated that the tool that appears to him that may have some merit in some parts of the County is the Conservation Easements. He stated that the reason why he says that is because they wanted to preserve a property in Highland County and they had the same problem in trying to keep property from being subdivided. He stated that he is most interested in the corridor from Bridgewater to Churchville. He stated that the hilltop views have the potential because of location of being attractive for subdividing. He stated that a Conservation Easement might be a method of preserving land. He stated that investors are buying these lands and selling them at top dollar. He stated that after purchased they are putting the Conservation Easement on the property and then taking advantage of the tax credit. He stated that he would prefer that the local people take advantage of the tax benefits. He stated that our agricultural forestal districts do not benefit from a Conservation Easement. He stated that the reason why they do not qualify is because they are already "protected". He asked if the Board of Supervisors would consider letting the landowners enter into a permanent conservation easement if they would grant exiting out early from the agricultural forestal district. He stated that parts of the County are very attractive with the hilltop views and command tremendous prices. He stated that a Conservation Easement is a way that you can protect land but it is not 100% and it does have some negatives.

Chairman Curry stated that he would bring that topic up.

Mr. James Wenger, 320 Middle River Road, Staunton, stated that several years ago the County set up another committee but nothing came through with that. He stated that the other committee talked about PDRs. He stated that he is not sure if that is an answer to the County's problems. He stated that he would not put anybody else's name on his deed. He stated that for some places that might be a good thing. He stated that he does not want to tie himself down forever. He stated that if you sell his development rights off the farm, yes it will help him but it will not help the next generation. He stated that he would probably farm until it is all gone. He stated that his kids would not be able to use it because they will not afford to farm anymore and it will just be green space. He stated that he does not know if he could cut a lot off and give it to his kids to keep

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them on the farm. He stated that he would like to see something that helps the farmer generations to come. He stated that he is opposed to PDRs.

Mr. Chris Glover, 1775 Barren Ridge Road, Staunton, stated that PDRs would help someone like himself who is trying to farm now. He stated that he rents most of his land and is looking to buy a farm in the future. He stated that he couldn't afford to pay what these farms are bringing but a farm that had an easement already on it would be an option. He stated that he is the next generation and he is in strong support of PDRs.

Mr. Bill Francisco, 343 Bethel Green Road, stated that the Agricultural Task Force should look into trying to encourage PDRs. He stated that a lot of counties have done this. He stated that if the farmer does not want their family to be able to develop the farm, they should get involved with the program. He stated that the only way to save farmland is with Conservation Easements.

Mr. Wesley Kent, 924 Craig Shop Road, Weyers Cave, stated that he is for PDRs for the next generation. He stated that if they preserve large blocks of farmland, they are not making any more farmland, and the land value will stay there for the most part for the next generation. He stated that there will be other people like himself that wanted to be a farmer that did not grow up on a traditional family farm and got a farm on their own such as Chris Glover. He stated that he is in favor of PDRs.

Chairman Curry stated that the committee has looked at PDRs and they will be studying it some more. He stated that there is a lot of variation in the way that PDRs are implemented in various localities around the state and they would entertain your comments individually as to what the public might like to see if the County were to have a PDR program.

Chairman Curry asked if there were any other comments from the public?

There being none, Chairman Curry asked if any of the committee members would like to speak?

Mr. Howdyshell stated that he would like to thank Dr. Kohl for his presentation. He stated that if you only came away with one point the presentation it was well worth it. He stated that the point that he got out of the presentation was that change was accomplished from the bottom up and he appreciates that.

There being no further business, the meeting was adjourned.

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Chairman