



CITY OF CONCORD

New Hampshire's Main Street™

REPORT TO THE MAYOR AND CITY COUNCIL

FROM: Beth Fenstermacher, Assistant City Planner

DATE: April 26, 2019

SUBJECT: Request to amend an agricultural lease with Morrill Farm Dairy, LLC, for the property located at West Locke Road, Map 29Z, Lots 24 and 25, as recommended by the Conservation Commission.

Recommendation

Authorize the City Manager to enter into a lease amendment with Morrill Farm Dairy, LLC to reduce the annual rent to \$6,540 per year, with the condition that the rent be re-negotiated with each subsequent lease renewal, beginning in 2022.

Background

The City entered into a 10-year lease agreement with Morrill Farm Dairy, LLC on a portion of the above-cited properties in April 2012, with the option to renew for four additional five (5) year terms. The rent for the initial 10 year term was \$12,400, to increase each year based on the Bureau of Labor Statistics Consumer Price Index. Currently, the Morrills are paying \$13,132 per year, which is approximately \$164.00 per tillable acre. Per the lease agreement, the City may negotiate an adjustment in the rent upon each renewal. However, given the current economic hardships born by dairy farmers, the Morrills are requesting an adjustment now instead of waiting until 2022.

The Conservation Commission oversees agricultural leases on four properties managed by the Commission. Bartlett Family trust leases land off West Portsmouth Street at a rent of \$30 per tillable acre on 60.5 acres (\$1,815/year total). Sloping Acres Farm leases land off Gully Hill Road at a rent of \$25 per tillable acre on 65.25 acres (\$1,631.25/year total). The Morrills are paying approximately \$164 per tillable acre on 80 acres (\$13,132/year total). The rents are based on the bids provided by each farm during the Request for Proposal process. When the City entered into the lease agreement with the Morrills in 2012, the dairy market was stable and profitable with no indication of a decline.

At the end of the 2018 growing season, the Morrills presented their request to the Conservation Commission to reduce the rent by 50%, making the total annual rent \$82 per acre, or \$6,540 per year. A

copy of their request is included as supplemental information. This amount would still be two to three times higher than what other farms are paying to lease City-owned land. It is worth noting that the three agricultural properties under lease agreement with the three different farms have similar soils and production value.

Over the past seven years, the Morrills have improved the production value of the land, increasing soil fertility, removing invasive species, and improving areas along the edges of the field. Their request takes into consideration the time and financial investment to improve the quality of this open agricultural land, which was beyond obligation of the lease.

Discussion

The Conservation Commission discussed the request and agreed that the goal of conserving the land was to protect the agricultural legacy of the land, not to make money. They would like to see a reduction in the Morrill rent to reflect some equity across the farms. The Morrills have invested a lot of equity in this property to ensure that they will remain in agricultural production for generations.

It is well documented that dairy farming is dying in New England due to the economics of dairy farming no longer making farms viable. Milk prices have dropped from an average \$21 per hundredweight in 2012 to \$15 in 2018. The Morrills reported that in that time, their cost of production has increased to \$20 per hundredweight; therefore, they rely on other sources of income such as feed sales, which is also decreasing in value.

Planning staff and the Conservation Commission support the relief sought by the Morrills to ensure their viability and support a multi-generational farm that is dedicated to protecting the agricultural resources of the City.