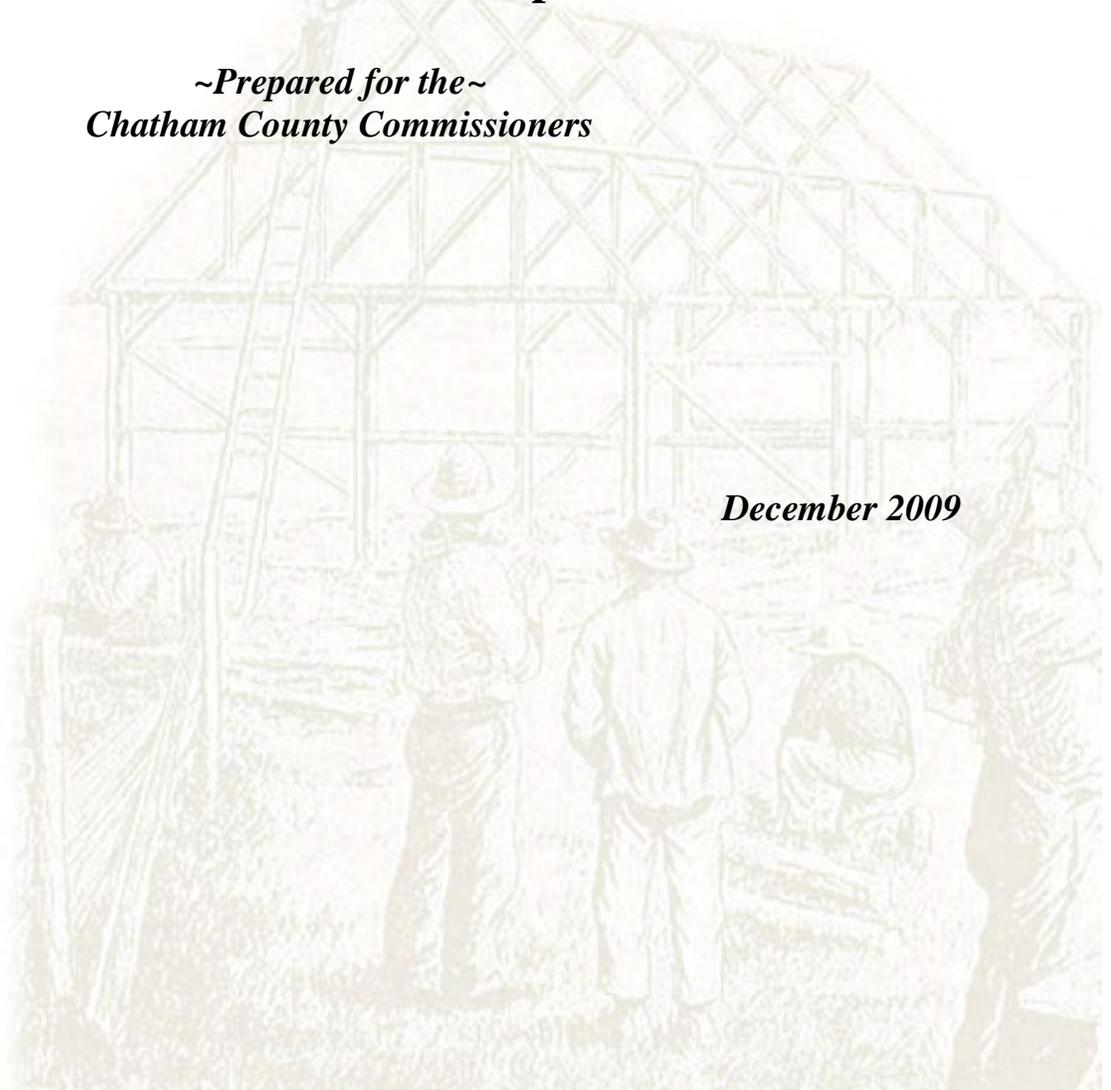




# **Chatham County, North Carolina Agricultural Economic Development Plan**

*~Prepared for the~  
Chatham County Commissioners*

*December 2009*



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## **1.0 Project Background**

Recommendations in this strategic plan are drawn from empirical and anecdotal evidence collected during the study period of January, 2009 through June, 2009. During this period, an extensive amount of data was collected, of which only a portion is presented in this document. Interpretations of this data were utilized in preparing both the findings and recommendations section of this report.

Also critical in this analysis is the inclusive definition of agriculture that should motivate future agricultural programs in Chatham County.

### **1.1 Definition of Agriculture**

This study uses a broad definition of agriculture that includes all aspects of the cultivation and production of plant material and animal products; as well as the marketing, processing, and distribution of these products; and other, secondary on-farm activities (e.g., agricultural tourism, forestry, and aquaculture).

### **1.2 Information Resources**

#### Empirical Data Sources

A statistical analysis of the region was conducted using information from the United States Census of Agriculture, Bureau of Economic Analysis, Regional Economic Information System, ERSI, I-Market, and County Business Patterns. Information from these sources was adjusted for rural and urban bias and inflation. Trend analysis was conducted over the last twenty years, as appropriate.

Because the agricultural economy reaches beyond the County's borders, Agricultural & Community Development Services, LLC (ACDS, LLC) defined a regional market area from which to draw comparative data. This market area includes the counties of Alamance, Durham, Lee, Moore, Orange, Randolph, and Wake.

#### Anecdotal Data Sources

Interviews were conducted with approximately 40 farmers, agricultural service professionals, public officials, and other interested parties throughout the region. Information was gathered on individual perceptions of the agricultural industry, potential for future growth, and the impact of public policy. This information was used to validate trends discovered in the empirical analysis, as well as to discover underlying issues of importance to the industry.

Individual comments focused on eight broad issue areas. Interview issues focused on availability of next-generation farmers, market access at both the retail and wholesale levels, sprawling development patterns in eastern Chatham County, municipal rule making, poor relations with non-farm neighbors, loss of agricultural infrastructure, transportation problems, access to land preservation programming, and water access for irrigation and livestock uses. The viewpoints

expressed ranged from pessimistic to optimistic. One commonality among the farmers interviewed was the desire to continue farming and pass the farm on to a next generation. Interview results are integrated into the recommendations of the overall planning process.

### **1.3 Implementing the Plan**

In order for a strategic plan to be effective over the long term, it must be a dynamic, living document. To maintain its focus and vision, the Chatham County Agricultural Economic Development Plan should become an integral part of the Agriculture Advisory Board's annual work plan and should be supported by county, state, and local agencies. The Agricultural Advisory Board should work with the County Commissioners; the Chatham County Planning Division; Chatham County Farm Bureau; Chatham County Geographic Information System (GIS) office; North Carolina State Cooperative Extension; the Soil and Water Conservation District; Chatham County Office of Economic Development; Chatham County Chamber of Commerce; municipal governments; and others to develop specific, measurable goals and to report progress toward those goals on an annual basis.

Furthermore, the Agricultural Advisory Board should undertake a periodic review of progress made toward fulfilling the long-term priorities set forth in this document and to update them as appropriate to current conditions. It is further recommended that the review process be open to the public as a means to receive up-to-date input.

### **1.4 Industry Analysis and Overview**

Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis is a tool used by strategic planners and marketers to assess the competitive environment of a region, industry, business, or product. It is a very simple technique that supports strategic decision making by identifying the key trends and leveraging events facing Chatham County agriculture today.

To provide an initial framework for the County, the strengths, weaknesses, opportunities, and threats were assessed for the agricultural industry overall to include production agriculture, as well as agricultural support industries and consumer markets. The SWOT criteria identified are drawn directly from ACDS' interviews with the agricultural industry and empirical data analysis, which serves to confirm the more subjective input received from industry interviews. As such, this analysis should be considered an industry self-assessment validated by ACDS' data analysis and extensive experience.

#### ***Strengths***

Chatham County has a large and vibrant agricultural economy ranging from greenhouse and nursery production in eastern Chatham to beef and poultry production in western Chatham. These and other sectors of Chatham's agricultural industry are anchored by a core of family farmers. Forty-five percent of these farms derive their primary income from farming with nearly one-third of farm operators being women. All of these elements belie a strong agricultural community characterized by growth and diversity.

## ***Chatham County Agricultural Economic Development Plan***

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The foundation of Chatham County's agricultural economy continues to be its livestock sector. Livestock production made up 96 percent of the market value of agricultural products sold in 2007, up one percent from 2002. Cattle farming is the most prominent farm activity, with 571 operations in the county in 2007. Poultry farming accounts for the largest share of market value, with sales of \$145 million in 2007.

Small scale and alternative agriculture are also key strengths in Chatham County and represent a significant growth opportunity for both agri-business attraction and agri-business retention. Strong programmatic support provided by Chatham County Cooperative Extension and the Central Carolina Community College is an important element driving this success.

The majority of Chatham's small diversified farms market directly to the public through farmers' markets, community supported agriculture, and directly off the farm. Chatham County has four small farmers' markets; many farmers receive the majority of their income from selling at the larger farmers' markets in urban centers such as Carrboro, Chapel Hill, Durham, and Raleigh. This commitment to direct market sales is exemplified in the \$650,000 in direct market sales reported in the 2007 Census of Agriculture, which is a 640 percent increase over 1997.

Chatham County has a vibrant core of economic activity to its north and east, including Chapel Hill, Durham, Raleigh, and Cary. In recent years, there have been economic and demographic shifts that would help preserve the market activity in the county and insulate it from general economic slowdown. In the most recent census, 28 percent of the working population has bachelor's degrees, compared to 23 percent for the state. The median household income was \$43,000 in 2000 and is estimated to increase to \$55,011 in 2008 and \$62,487 in 2011. More people are expected to reside in Chatham County, with population estimates increasing 24 percent between 2000 and 2008 and 14 percent between 2008 and 2013. The number of households is also estimated to grow 26 percent between 2000 and 2008 and 14 percent between 2008 and 2013. The anticipated increases in economic and population indicators translate to expected increases in local consumption and spending, which bodes well for Chatham County's agricultural sector.

With nearly 248,000 acres of forest land<sup>1</sup> and 34 forest product businesses, Chatham County's forest products industry plays a significant role in the local economy, from the timber harvest and management sector through primary and secondary manufacturing. Despite losses in total forested acres, the resource has exhibited yearly growth in timber inventory and biomass, indicating that timber harvests and forest land loss are removing less biomass than is being naturally replaced.

### ***Weaknesses***

Chatham County's agricultural sector has evidenced weaknesses in several key areas. Among them is the volatility of commodity prices in recent years, particularly in the poultry sector. Recent volatility is responsible for drastic swings in farm cash receipts. For example, total cash receipts dropped 16 percent between 2001 and 2002 but increased 20 percent between 2003 and

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<sup>1</sup> United States Department of Agriculture, U.S. Forest Service, 2006 Forest Inventory Assessment.

2004. The large scale of poultry production in the county and in the state will generally keep output levels intact, but the volatility is expected to affect smaller scale operations and will also have an impact on market entry. Underlying poultry's significance, if the industry is negatively impacted long term, the influence on all of Chatham County's agricultural sectors would be significant. This is due to three factors. First is the large share of agricultural income represented by poultry (85 percent). Second is the fact that many farms are diversified and rely on poultry to support other production enterprises such as grain and cattle. Third, poultry supplies low cost nutrients to many other agricultural sectors, keeping input costs low.

Consolidation of farm operations and a continued decrease in the number of farm operators are additional concerns. As traditional agricultural sectors decline – due to what can best be described as a “negative feedback loop” of economic conditions – a difficult-to-reverse loss of skills, agricultural workforce, investment, and infrastructure is likely to occur. This condition often affects mid-sized family farms most significantly and contributes to low retention in this group as well as poor transition rates to new crops and enterprises.

Real estate demand for residential development is another key weakness for Chatham County's agricultural and forestry sectors. This growth presents four fundamental problems. First is rapid rise in land cost tied to development value, rather than resource-use value. This often means that agricultural land with development pressure may have an excess development value of \$70,000 per acre. Second, unrestricted growth, which is commonplace in the county, causes high levels of land fragmentation. Remaining plots are often too small to economically farm or forest. Third, the intermixing of industrial uses (agriculture and forestry) and residential uses is a recipe for land use conflict. Fourth, high levels of parcelization lead to neighbor conflict due to operational disturbances.

Forest operations are being additionally challenged by three factors. The first is a decline in forest products infrastructure as the industry undergoes consolidation during the economic downturn. The effects of this downturn are expected to be short-term, however, the industry's regional structure may change significantly through the recovery period. The second issue facing the industry is managing low value hardwoods and invasive species, given the limited incentives to manage these species during high-grade harvests. The final weakness is a lack of access to biomass energy markets, despite growth in this sector. Market access is limited by a shortage of aggregation facilities and proper chipping capacity at the log landing.

### ***Opportunities***

Due to Chatham County's proximity to major consumer markets, agricultural producers have the opportunity to benefit from the increasing demand for locally-grown agricultural products. Niche markets and opportunities within segments of traditional agricultural sectors offer additional opportunities for growth. Locally produced foods, such as dairy, are examples of markets seeing increased demand, as evidenced by such national and regional retailers as Whole Foods, Harris Teeter, and Food Lion. These retailers have successfully developed and sustained strong linkages with “local” food producers to supply their retail outlets.

In addition to retailers, regional interest in local foods is high among restaurants and institutional buyers, such as hospitals and schools. These outlets offer additional opportunities to facilitate

transactions between food producers and end users, in a manner that makes sense for businesses of varying scale and sophistication. An auction market and an electronic/virtual market for farm products are two possible ways of transmitting product and pricing information from small producers to the consumers in the region. Either option can be done in conjunction with existing organizations, such as East Carolina Organics, local farmers markets, retailers, or the State Farmers' Market system. Given the small size of most Chatham County producers and their commitment to direct market outlets, it may initially be difficult to build such systems. For many of these producers, expansion of farmers markets in nearby metropolitan areas may continue to offer the best source of growth and revenue generation.

Biofuel production and consumption offer another opportunity. Biofuels produced from agricultural feedstock can enable farmers to make use of waste or primary products and can reduce consumption of traditional fuels and their attendant higher costs. Expansion of federal tax breaks and "Stimulus" funding is expected to significantly increase these opportunities.

Renewable energy in general, and biomass-to-energy more specifically, are the subject of numerous state and federal policy and incentive programs designed to foster the development of renewable energy resources. The driving purpose is to reduce our dependence on foreign sources of energy and improve environmental conditions. There are 47 forest industry power plants in North Carolina, using a total of 3.64 million tons of throughput for at-place energy generation. This includes pulp and paper mills, sawmills, veneer/plywood mills, and oriented strand board facilities. Most of the facilities are located in the Piedmont region, but the Northern Coastal Plain region (north-east of Chatham County) consumes the highest level of inputs at 1.24 million tons. The findings suggest that at-place biomass usage in the state is thriving and that the key resources for self-generation are abundant in the state. The demand for biomass resources is strong, but the variety of at-place supply sources should not affect supply or efficiency of the overall chip and residue marketplace.

### ***Threats***

One of the greatest threats to agriculture is the volatility of commodity markets. These drastic price swings impact short- and long-term investment patterns and business planning efforts. Tied to this trend is the increased globalization of the agricultural supply chain. Globalization forces many local farmers to compete with lower costs of production around the world, lowering their profit margins. This is another factor necessitating the move towards direct marketing of agricultural products.

An additional threat that impedes food distribution for small producers and direct marketing is the existing structure of food distribution. The regional food distribution system is set up to serve either the Raleigh metropolitan market directly or as a distributor to regional metropolitan centers. Within this context, local producers and processors often serve the function of first-shipper and are at the lowest price point in the distribution system. Local growers are competing with imported products (this includes grains, produce, tobacco, and meat products), often without receiving the benefit of the transportation differential of being located in close proximity to markets. Keeping a viable system of distributors and manufacturers is a means to lessen the impacts of this trend. Expansion of farmers markets is another means to bridge this gap.

## *Chatham County Agricultural Economic Development Plan*

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Water access is critical to the long-term success of agriculture. Its importance is both as an input to production and as necessary element of post harvest handling. Limited well volumes and the lack of a large municipal system, threaten long-term sustainability of many types of agriculture. Particularly threatened are vegetable, livestock, and nursery/greenhouse operations, which rely on having guaranteed and well timed water availability. The issue of agricultural water access is important statewide and subject of recent state level analysis.

Agriculture is a very labor intensive industry, and uncertain labor availability is an increasing threat. The agricultural industry in Chatham is highly dependent on the use of foreign workers, as in much of the country’s agricultural sector. Clarification of their legal right to work is an issue which, if not resolved, threatens the survival of agriculture in the county. The labor issue has similarly affected the forest products industry by forcing many of North Carolina’s furniture manufacturers to off-shore production. This allows manufacturers to competitively produce finished goods, but has the effect of reducing local demand for hardwood species.

Overseas production of pulpwood and saw timber threatens the pricing structure of southern softwood and hardwood supplies and represents one of the greatest threats to the industry. Of particular concern are plantations in the southern hemisphere that can supply logs portside in the United States that compete directly against southern yellow pine. The growth in offshore plantations, combined with a rise in real estate values, has also caused a shift in private forestland ownership, as industrial forest owners shed real estate holdings.

The economic downturn is the final threat to the long-term stability of the forest products industry as it is causing a significant realignment of primary and secondary manufacturing capacity. This leaves an open question of how the local industry will fit in a restructured forest products industry.

High commodity costs driven by increases in fuel, nutrients, and agricultural chemicals, as well as diminished competition in service and supply, is a nationwide threat for both agriculture and forestry. Each industry remains keenly focused on these trends, particularly in this environment of depressed prices and low market activity, with forest products most significantly affected.

<b>SWOT MATRIX</b>			
<b>STRENGTHS</b>	<b>WEAKNESSES</b>	<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>• strong production sectors</li> <li>• strong private sector/entrepreneurial interests</li> <li>• proximity to consumer markets</li> <li>• strong government interest and support</li> <li>• good soils and climate resources</li> <li>• large timberland holdings</li> </ul>	<ul style="list-style-type: none"> <li>• aging farm population</li> <li>• high land values</li> <li>• parcel fragmentation</li> <li>• high risk for nuisance suits</li> </ul>	<ul style="list-style-type: none"> <li>• growth in “local” food consumption</li> <li>• increased institutional “local” food purchasing</li> <li>• rise of niche markets</li> <li>• development of regional biofuels markets</li> <li>• expansion of use in forest biomass for energy</li> </ul>	<ul style="list-style-type: none"> <li>• volatile commodity prices</li> <li>• supply chain consolidation</li> <li>• globalization</li> <li>• input costs</li> <li>• labor availability</li> <li>• poor economic conditions</li> <li>• offshore forest plantations</li> <li>• Water access</li> </ul>

## **2.0 Agricultural Economy**

Agriculture in Chatham County is a developed and productive industry consisting of 1,089 farm enterprises on 104,171 acres of farmland. The current situation reflects a decrease since 2002, from 1,128 farms and 118,752 acres.

The local farming economy suffers from similar economic woes as can be found region-wide. Chronically volatile commodity prices have been a common trend both nationally and locally for traditional farm commodities, such as poultry products – a primary product of Chatham County agriculture. As a response to these conditions, Chatham County has actively sought to develop alternative agricultural enterprises and is well known regionally for the success of its small farm program.

While lower farm prices and higher costs are indeed a national phenomena for agriculture, Chatham County farmers find their problems exacerbated by local conditions. The development growth emanating from the Raleigh-Durham metropolitan area has put pressure on local land and has presented alternatives to farming that discourage production agriculture.

This above described issue is exacerbated by the closing of poultry plants throughout the Southeast, thereby dampening demand for birds which may have a significant and long-term affect on all agricultural sectors in Chatham County. As of 2007, poultry directly accounted for 85 percent of all agricultural activity in the County and is highly correlated to other sectors such as grain and cattle, which account for another 8 percent of agricultural output. Given the strong correlation between these industry sectors, the loss of poultry could cause a severe downturn in both cattle and grain industries causing a rapid transition in both land and operations. This heavy reliance belies the need to both support the industry as well as developing a means to diversify the agricultural industry as a whole.

Table 1 provides a snapshot of the agricultural industry sectors currently operating in Chatham County. As indicated above, and in the table, Chatham's highest value sectors are poultry, cattle, dairy, and nursery and greenhouse sectors. The table also highlights high growth sectors in the local agricultural economy that may offer solid long term transitional opportunities. These growth opportunities include vegetables (127 percent growth 2002-2007), equine (125 percent growth 2002-2007), cattle (90 percent growth 2002-2007), Greenhouse and Nursery (55 percent growth 2002-2007), and Poultry (39 percent growth 2002-2007). Sheep, goats, and other livestock are likely to offer additional growth in the agricultural economy, but statistical verification is difficult.

<b>Table 1: Agriculture Industry Highlights</b>			
<b>Agriculture Sector</b>	<b>1997 Market Value</b>	<b>2002 Market Value</b>	<b>2007 Market Value</b>
Grains, oilseeds, dry beans, and dry peas	(NA)	\$653,000	\$691,000
Tobacco	\$2,455,000	\$1,894,000	\$1,201,000
Vegetables, melons, potatoes, and sweet potatoes	(NA)	\$342,000	\$777,000
Fruits, tree nuts, and berries	\$115,000	(D)	\$156,000
Nursery, greenhouse, floriculture, and sod	(NA)	\$2,002,000	\$3,111,000
Cut Christmas trees and short-rotation woody crops	(NA)	(D)	\$18,000
Other crops and hay	(NA)	\$663,000	\$915,000
Poultry and eggs	\$109,324,000	\$104,312,000	\$145,343,000
Cattle and calves	\$6,961,000	\$7,118,000	\$13,506,000
Milk and other dairy products from cows	\$5,141,000	\$3,233,000	\$3,622,000
Hogs and pigs	\$2,200,000	(D)	\$1,462,000
Sheep, goats, and their products	(NA)	(D)	\$335,000
Horses, ponies, mules, burros, and donkeys	(NA)	\$220,000	\$497,000
Aquaculture	(NA)	\$1,000	\$1,000
Other animals and other animal products	(NA)	(D)	\$114,000
Total	\$126,081,000	\$117,891,000	\$171,749,000
D= Disclosure N/A= Not Available Source: U.S. Census of Agriculture 1997, 2002, 2007			

Dealing with the financial health of farm operators is a key starting point in this process and one that begins with supporting sectors such as poultry and dairy production. Nurseries and greenhouses have contributed a relatively smaller share, but they could offer growth opportunities in the future, nonetheless.

Due to the much discussed volatility in commodity prices, farm income has barely risen in the last four years. However, many costs have steadily increased. These increases are contributing to dwindling farm margins and flat farm proprietors' income (see Table 2). The main contributor to this condition has been the rising cost of production inputs, such as energy, production chemicals, agronomic services, repairs, taxes, and depreciation. These rapid increases, in part, reflect the more capital intensive nature of agriculture practiced in Chatham County.

<b>Table 2: Chatham County Farm Proprietor Income (\$000)</b>					
	2002	2003	2004	2005	2006
Total Revenue	\$123,791	\$112,762	\$131,492	\$128,835	\$127,596
Total Expenses	\$100,777	\$104,131	\$112,347	\$107,048	\$103,282
<b>Net Income</b>	\$23,013	\$8,631	\$19,145	\$21,788	\$24,313
Source: Bureau of Economic Analysis, Regional Economic Information System, Table CA-45. Inflation-adjusted using 2005 Prices Paid by Farmers Index.					

As with most agricultural communities across the nation, farm income in the region has fluctuated radically throughout this decade. The result is that farm income has to be supplemented with off-farm income sources, resulting in a greater need for services to support farmers in their endeavor to remain profitable and maintain viable enterprises. Given these prevailing economic realities, services such as incubators, investment advisory services, and access to state and federal grant assistance become critical in support of the agricultural sector.

## **2.1 Agricultural Industry Trends for Chatham County**

The following analysis is intended to provide a snapshot of Chatham County’s primary industry sub-sectors. Data used in completing this analysis comes from interviews as well as the National Agricultural Statistics Service. Forest product data is collected from the U.S. Forest Service and I-Market.

### **Cattle**

<b>Table 3: Cattle Data for Chatham County: 1997, 2002, 2007</b>			
	1997	2002	2007
Number of cattle farms	745	615	521
Number of beef cows	35,767	33,599	31,691
Total value of cattle sold (\$1,000’s)	\$6,961	\$7,118	\$13,506
Source: U.S. Census of Agriculture			

As with other counties with cattle operations, Chatham County’s production indicators show declines in activity, but increases in sales. Between 1997 and 2007, there was a 30 percent decline in the number of farms in the county. Over the same period, the total inventory of beef cows declined eleven percent.

The decline in cattle production activity was offset by pricing trends and increasing market demand. Between 1997 and 2002, the total value of cattle sold increased two percent. Between 2002 and 2007, the value of sales grew 90 percent. The increase was mainly a result of the continuously improving trend in general economic conditions. Prices and quantities demanded

for beef increased, following the increases in household income. But expectations on future trends remain uncertain, as the slowing economy might shift tastes and preferences to more affordable meat products, such as chicken or pork.

### ***Dairy***

<b>Table 4: Milk and Dairy Data for Chatham County: 1997, 2002, 2007</b>			
	1997	2002	2007
Number of farms	24	24	12
Number of cows	2,210	1,607	1,166
Total value of milk and dairy products sold (\$1,000's)	\$5,141	\$3,233	\$3,622
<i>Source: U.S. Census of Agriculture</i>			

Chatham County is one of the counties in the state that has a dairy sector. The sector is in decline and the trend is expected to continue with recent price declines. Shifts to organic production and producer controlled manufacturing are currently under discussion as means to stave off further decline.

From 1997 to 2002, there were no changes in the number of farmers, but the inventory of cows declined 27 percent, leading to a 37 percent decrease in total value of dairy products sold. Between 2002 and 2007, the number of farms in the County was reduced by half and cow inventory declined another 27 percent. Despite the downward trend of production, the total value of products still grew 12 percent. The increase is largely due to trends in the market, as dairy prices stayed at high levels because of strong retail demand for traditional dairy products, such as milk and frozen products, as well as specialty items like cheeses and yogurts. During 2008 and 2009, declines in dairy prices have been near the historic lows.

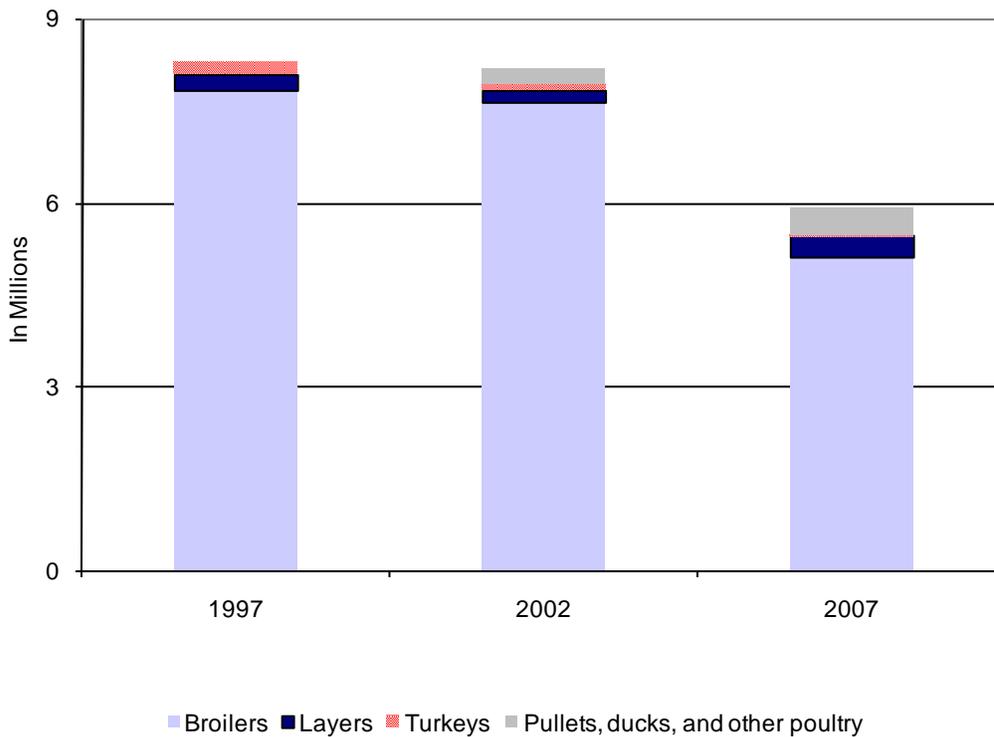
### ***Poultry***

<b>Table 5: Poultry Data for Chatham County: 1997, 2002, 2007</b>			
	1997	2002	2007
Number of poultry farms	218	205	187
Number of poultry and eggs	8,311,140	8,201,652	5,940,920
Total value of poultry and eggs sold (\$1,000's)	\$109,324	\$104,312	\$145,343
<i>Source: U.S. Census of Agriculture</i>			

While poultry continues to be a main agricultural sector in the state, declines have been seen in production indicators. Thirteen poultry farms ceased operations in the county between 1997 and 2002, while egg and poultry inventories fell one percent. The declines resulted in a one-percent drop in the total value of sales during the period. Contributing to the decline was the volatile nature of the market. Overseas demand for all poultry products dropped due to avian flu concerns, but domestic consumption was able to keep the decline at marginal levels.

Between 2002 and 2007, another 18 farms ceased operations and inventories fell 28 percent. But despite the declines, the total value of sales increased 39 percent to \$145 million. The increase in sales was mainly due to the improving economic conditions over the period. Higher individual and household incomes led to increases in poultry consumption and price levels. Despite the current economic slowdown, sales trends are expected to perform better in the poultry industry against other livestock sectors since it is a cheaper alternative to other meats, such as beef and pork.

**Figure 1: 2007 Poultry Inventory for Chatham County**



Broiler production is the dominant poultry activity in the county. It accounted for 86 percent of total poultry inventory in 2007 and ranked twelfth out of 100 counties in the state in terms of inventory size. Shares of broiler inventory were even higher in 2002, at 93 percent, and in 1997, at 94 percent.

## **Greenhouse and Nursery**

<b>Table 6: Nursery and Greenhouse* Data for Chatham County: 1997, 2002, 2007</b>			
	1997	2002	2007
Number of farms	n/a	48	38
Square feet under glass	53,352	45,427	71,100
Acres in the open	n/a	22	21
Total value of floriculture sold (\$1,000's)*	n/a	\$2,002	\$3,111
*Includes bedding/garden plants, cut flowers and cut florist greens, foliage plants, potted flowering plants, and other bedding crops.			
<i>Source: U.S. Census of Agriculture</i>			

The “Greenhouse and Nursery sector is made up of a wide array of business types including field grown trees, bedding plants, flowers, sod, and similar types of production. Collectively these segments are important to the local agricultural economy, particularly in the eastern portions of the County, because of its strong ties to the region’s population centers. This importance is highlighted by growth in overall sales from 2002 to 2007 of 55 percent.

Because of the small number of operations, solid information on subsectors is difficult to obtain. However, some trends can be detected in the current data. Farm operations and the acres used in the open appear to have stayed constant. However, square footage under glass increased 57 percent between 2007 and 2002, following a 15 percent decline from 1997 and 2002.

While there were no declines in production indicators, total sales in categories such as floriculture show a 15 percent decline from \$457,000 in 1997 to \$387,000 in 2007. The decline in sales is a reflection of the general reduction in spending for ornamental plants by consumers.<sup>2</sup> Sales are not expected to grow in the near future, as consumers might continue to forego spending for horticulture items due to the economic slowdown.

## **Other Sectors**

Due to its vibrant small farming program and close proximity to urban centers, Chatham County’s agricultural industry consists of many other types of agricultural operations that range from small scale fruit and vegetable production to vineyards and wineries. Many of these operations rely heavily in direct access to consumers and it is expected that the impact of the sector is significantly under-reported in the U.S. Census of Agriculture. This is particularly true of venues like Celebrity Dairy, which is not only a producer of goats and goat milk products, but also offers hospitality services such as a bed and breakfast.

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<sup>2</sup> Jerardo, Alberto, “Floriculture and Nursery Crops Yearbook 2007,” United States Department of Agriculture Economic Research Service, September 2007.

## **Forest Products**

Locally, the forest products industry remains relatively strong. The county boasts 34 forest products businesses with \$75 million in sales. These sectors are led by the Timber Harvest and Management and Primary Manufacturing sectors. Four firms have been added to these sectors since 2004, despite a regional decline in firms and employment.

**Table 7: Forest Products Industry for Chatham County: Second Quarter of 2009**

Sic Code	Firms	Employment	Sales (millions)
Sawmills and planing mills, general	7	87	4.4
Logging	7	24	0.9
Reconstituted wood products	3	387	47.3
Wood kitchen cabinets	3	8	0.8
Prefabricated wood buildings	2	1	0.1
Wood products, nec	2	3	0.2
Millwork	2	3	0.2
Hardwood dimension and flooring mills	2	3	0.2
Timber tracts	2	10	0.4
Wood pallets and skids	1	99	5.4
Wood preserving	1	10	1.7
Nailed wood boxes and shook	1	75	0.7
Hardwood veneer and plywood	1	200	13.3
Total	34	910	75.6

Source: I-Market Second Quarter 2009.

The regional decline in forest product sales is well entrenched and is a reflection of the general reduction in spending for housing and durable goods. Consistent with this situation is a rapid rise in the unutilized plant capacity. In 2007, the industry had a capacity 24 percent greater than demand. Through 2009, the “over” capacity situation is expected to get significantly worse. Sales are not expected to grow in the near future, as consumers forego spending for items such as furniture due to the continuing economic slowdown.

### **3.0 Recommendations and Action Items**

Agriculture in Chatham County, North Carolina is undergoing significant structural change as the county's economy changes from a rural, resource-based economy to a suburban, service-driven economy. All of this is occurring at a time when Chatham County is undergoing historically high population growth. The agricultural economy faces both opportunity and challenge and must actively plan for its economic future during this transitional period.

The challenge faced by Chatham County is to successfully manage this transition for the benefit of the agricultural industry, individual farms, and the community at large. In order to support agricultural industry cluster development that fits the current state of the industry, the county should consider a combination of structural economic development programs, such as business retention, expansion, and attraction programming related to primary production sectors; recruitment or internal development of secondary market opportunities; broad based work force development; and infrastructure planning, as well as business development programming that specifically addresses the needs of individual agricultural enterprises.

The eleven recommendations incorporated in this document fall within three broad categories or focus areas. The focus areas are largely independent with some level of interactivity. The focus areas are briefly described below.

1. ***Agribusiness Attraction, Retention, and Expansion*** – This focus area concentrates on pre-staging assets to re-establish the county as the center of agricultural processing activity. Given the county's large livestock sector, the focus of these efforts is in the area of improving livestock marketing and processing capacity. A clear focus in new market development is on providing a processing environment geared toward the highest levels of food safety and security with a ready and skilled workforce.
2. ***Agricultural Market Expansion*** – Within this focus area, recommendations target improvements in access to local and regional markets at both the wholesale and retail levels. Market development activities look to expand the capability of individual farms to improve market position and access higher value supply chains. The business development support elements of this focus area include counseling, concept development, land access, and financing support with the intent to support growth and transition in the agricultural economy. Beyond individual farm businesses, additional programming is recommended to enhance the agribusiness policy climate and encourage infrastructure development to support industry sector growth.
3. ***Public Policy and Regulation*** – Activities in this focus area are dedicated to land use, environmental, health, human resource development, and transportation policy support needs that are intended to bring local conditions in line with regional competitors. By example, this may include modifying or extending nuisance suit protections to farmers who operate under good management practices or expanding the allowed distribution and value-added uses on a farm so that Chatham County producers can compete more effectively in the marketplace. Recommendations under this focus area also highlight the need to create a reliable source of skilled and unskilled labor which can meet the needs of modern agricultural practices for the range of industries already present in the county.

***Focus Area 1: Agribusiness Attraction, Retention, and Expansion***

These solutions are based on current economic needs and opportunities and seek outcomes that have a direct benefit to the community through such effects as industry stabilization, job creation, enhanced tax base, and improved quality of life. Recovery of food manufacturing and distribution is a key element of this focus area.

**RECOMMENDATION 1**

*Develop a Forestry and Agribusiness Retention, Expansion, and Attraction Plan*

Chatham County is in a unique position to lead the region in agribusiness input-output infrastructure development, given the strength of its upstream and downstream industries. Based on current market conditions, such as workforce composition, industrial development patterns, and access to primary interstate systems, the county is well situated to develop value-added and distribution related agribusiness industry clusters. Such development is already evident in Siler City and along the U.S. 421 corridor. Enhancement of this cluster, however, is necessary given the recent plant closures and drop-off in production in the poultry sector. One of the primary impediments to developing such opportunities is the lack of a coordinated, inter-agency effort to retain, attract, expand, and develop such clusters.

**ACTIONS**

- Develop a targeted marketing plan focusing on strategic advantages of Chatham County.
  - existing core of transportation and logistics businesses
  - accessible infrastructure
  - positive environmental assets
  - available and qualified workforce
  - supportive public sector.
- Integrate bio-energy and alternative energy projects within the plan.
- Encourage attraction of agricultural technology.
- Encourage better utilization of rail access and rail sidings in Siler City.
- Assess existing incentives, economic development programs, and real-estate suitability for sectors outlined for recruitment and development.
- Identify key marketing partners and conduct outreach with generators of agribusiness deal flow.
  - site location consultants and real estate brokers
  - business park developers
  - Department of Commerce
  - Department of Agriculture and Consumer Services
  - trade associations
  - agricultural industry associations.
- Prepare marketing collateral and disseminate critical decision-making information through direct mail, industry “ambassador” programs, brokers’ tours, etc.
- Develop a pilot program for streamlining and/or fast-tracking agribusiness development projects within the key transportation corridors or around key environmental assets.

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- Integrate the Agribusiness Retention, Expansion, and Attraction Plan (BREA) within broader economic development initiatives at the County and State levels such as the North Carolina Forest Products Marketing and Utilization Plan.
- Develop a means to support home grown business opportunities, such as the potential to develop a poultry cooperative with the Cape Fear poultry growers.

**IMPLEMENTATION RESPONSIBILITY:** Office of Economic Development, North Carolina State Cooperative Extension, as well as industry associations, private businesses, higher education institutions, Farm Bureau, and other agencies as necessary.

**RESOURCE REQUIREMENTS** – Completion of a targeted marketing strategy can be accomplished as part of a Comprehensive Economic Development Strategy, as described in Recommendation 2, or as a standalone document. In either case, County financial resources will be required and should be allocated between \$15,000 and \$35,000.

**ISSUE PRIORITY** – This issue is considered a moderate to high priority, given the fact that agriculture is an important industry sector in the County with upstream and downstream industries highly correlated to the livestock and poultry sectors. This recommendation should be addressed within eighteen months.

**RECOMMENDATION 2**

*Explore the Feasibility of a Dedicated Agribusiness Park in Cooperation with Siler City*

Siler City has comparative regional advantages in distribution, warehousing, and manufacturing. These advantages are driven by Siler City’s favorable zoning and infrastructure, as well as its proximate access to U.S. 64 and U.S. 421. Leveraging these advantages, the County and City should seek conditional funding from the United States Economic Development Administration (EDA) Comprehensive Economic Development Strategy to conduct a feasibility analysis of pre-staging approved development sites. Establishing a dedicated agribusiness park, through new park development or redevelopment of existing facilities, could serve as a catalyst for attracting and expanding value-added agricultural and food industry development and, if properly administered, provide direct linkages to local and regional production agriculture. Such facilities would also allow Chatham County to leverage business attraction and business development opportunities created regionally by facilities such as the food incubator in Orange County.

***Applicability of EDA Funds to Chatham County***

The Economic Development Administration is the primary federal agency charged with supporting development projects in urban and near urban areas with significant poverty or economic dislocation. Because of these requirements, Chatham County does not generally qualify for receipt of such funds; however, Siler City qualifies under both requirements.

Areas that receive funding must possess an up-to-date Comprehensive Economic Development Strategy (CEDS) that has been approved by the EDA. Completing a CEDS is the first step in receiving these funds and is a lengthy and involved process that is best undertaken as a regional effort. The County and Siler City would need to support the creation of such a plan.

**ACTIONS**

- Support development of a CEDS focused on Siler City.
  - Provide county support in applying for an EDA planning grant.
  - Include infrastructure and water quality improvements.
- Develop a scope of services and timeline for the completion of a feasibility analysis
  - market feasibility
  - financial feasibility
  - management and organizational issues
  - site assessment
  - preliminary engineering
  - business and marketing plan.
- Seek funding support for feasibility analysis through United States Department of Agriculture (USDA), Rural Development or as a planning grant from the EDA.
- Encourage biomass co-generation projects within the park.
- Conduct exploratory meetings with regional business park developers.

## ***Chatham County Agricultural Economic Development Plan***

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- Integrate the Agribusiness Park concept within the Agribusiness Retention, Expansion, and Attraction Plan.

**IMPLEMENTATION RESPONSIBILITY:** Siler City Manager with support from County grant writer, Economic Development, North Carolina State Cooperative Extension, industry associations, regional commercial developers, Farm Bureau, and other agencies as necessary.

**RESOURCE REQUIREMENTS** – Preparing a CEDS is an involved process that requires both specialized expertise and significant community involvement. Because of this, EDA provides planning grants to develop such plans. It is recommended that the County support an EDA planning grant application by providing both grant writing assistance and matching funds of up to \$50,000. The entire CEDS planning process is estimated to cost between \$125,000 and \$150,000. Additional task items can be funded through the CEDS process, once the plan is in place.

**ISSUE PRIORITY** – Given the significant economic restructuring underway in the agricultural sector, this issue is considered a high priority with an immediate timeline.

### **RECOMMENDATION 3**

#### *Enhance Business Development Programs and More Fully Incorporate the Interests of the Agricultural and Forestry Industries*

The success of any industry is incumbent on the ability of the businesses and entrepreneurs to control assets, take risks, and make markets. Agriculture in Chatham County is no exception, and its long-term success will have as much to do with the savvy and skills of its agricultural entrepreneurs and farm managers as it does with market fundamentals. Enhancing the skills and business networks of these and future entrepreneurs can have a significant positive impact on the future of agriculture in Chatham County.

#### **ACTIONS**

- Enhance relationships between agribusinesses, the Chatham Agribusiness Council, Chatham County Economic Development, and Farm Bureau through formalized board exchanges and cooperative economic development planning and business support.
- Support Chatham County Economic Development integration with the agricultural industry by funding expansion of the agricultural element of any economic development work plan or strategic plan.
- Develop a feedback mechanism to incorporate agribusiness and forestry needs in county development programming through periodic agribusiness surveys conducted in cooperation with other associations and agencies.
- Support the creation of a pilot-scale manufacturing plant and business incubator.
  - Develop a scope of services and timeline for the completion of a feasibility analysis for a business incubator.
    - market feasibility
    - financial feasibility
    - management and organizational issues
    - site assessment
    - preliminary engineering
    - business and marketing plan.
  - Seek funding support for feasibility analysis for grower-based development initiatives.
  - Conduct exploratory meetings with regional business developers and agribusiness entrepreneurs.
  - Develop a pilot program to package a professional and technical service network made up of private sector expertise and built on the model of a virtual business incubator.
- Facilitate the development of formal “masterminding” roundtables of farmers, agribusinesses, and other related industries that may benefit from periodic meetings to discuss business and management issues, land preservation, market development, and other relevant topics.
  - Conduct quarterly brown bag lunches for farmers that focus on networking and the topical discussion of important issues such as farm management, farm transition planning, marketing, timber management, real estate, policy/regulations, and other relevant topics.

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- Work with farmers to improve non-production income sources, such as hunting leases and woodlot management.
- Support and expand the Chamber of Commerce, Agribusiness Council, and other program activities that enhance business growth and understanding of agricultural industry needs.

**IMPLEMENTATION RESPONSIBILITY:** Office of Economic Development, North Carolina State Cooperative Extension, and Soils and Water District with assistance from industry associations, private businesses, higher education institutions, Farm Bureau, and other agencies as necessary.

**RESOURCE REQUIREMENTS** – This recommendation will require limited County financial resources of approximately \$5,000 to \$7,500, plus staff time to support training efforts.

**ISSUE PRIORITY** – With existing resources in place, this recommendation is one of enhancement rather than building from the ground-up. It is therefore considered a moderate priority. Due to the relatively low funding requirements and importance of entrepreneurial advancement, it is recommended that implementation begin in twelve to eighteen months.

## ***Focus Area 2: Agricultural Market Expansion***

Within this focus area, recommendations target improvements in access to local and regional markets at both the wholesale and retail levels. Market development activities look to expand the capability of individual farms to improve market position and access higher value supply chains. Beyond individual farm businesses, additional programming is recommended to enhance the agribusiness policy climate and encourage market infrastructure development to support industry sector growth. Initially such efforts should seek to leverage programming at Central Carolina Community College, Cooperative Extension, and existing private initiatives.

### **RECOMMENDATION 1**

*Develop an Integrated Marketing System that Expands Opportunity to Direct Market and Wholesale Level Trade*

With the rapid expansion of local food programs at the retail and institutional level, Chatham County producers would be well served by the creation of a centrally managed, retailer driven marketing system. Successful models of such systems can be found throughout the Northeast and Mid-Atlantic and include examples such as the local food brokerage system run by Clyde's Restaurants in the Washington, D.C. metropolitan area.

The system's intent would be to increase both direct market and wholesale level transactions to fit the varied need of farmers, from small market-oriented producers to large livestock operations. The target market for the system is the more than \$550 million in retail food leakage regionally. As such a system develops, it will be important to link the marketing system to development options, such as the creation of a pilot-scale manufacturing plant or the attraction/expansion of related distribution and manufacturing options such as Eastern Carolina Organics distribution system. The system would ideally be linked to the recruitment and expansion of direct market farmers and may be supportive of retaining graduates of the Central Carolina Community College's Sustainable Agriculture program.

### **ACTIONS**

- Identify a core group of farmers, restaurants, and retailers with an expressed interest in providing year-round local products to assess the need for developing a comprehensive agricultural marketing information system.
  - Develop a list of key target products.
  - Create a marketing information system that includes:
    - an inventory management/tracking system (see below for more detail).
    - a transaction system.
  - Identify/assess delivery standards, local regulatory issues, and methods.
  - Recruit participants to assist with development and testing of a marketing information system.
  - Ensure that the program is regionally adaptable and non-duplicative of other initiatives.

## *Chatham County Agricultural Economic Development Plan*

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- Develop a countywide food purchasing policy, using a single point of supply, to be adopted across all county funded programs. This activity is exemplified in Woodbury, Iowa Appendix G.
- Develop or purchase a virtual market interface to facilitate brand development, such as Fresh Fork Market.
  - Develop a pilot project to test electronic brokerage of agricultural commodities in cooperation with local farmers and retailers.
  - Provide a consumer interface to link farmers with direct market/agri-tourism consumers.
    - buying clubs
    - Community Supported Agriculture operations
    - farmers' markets.
  - Provide retailer and distributor interfaces that allow integration with merchandising, electronic data interchange, and settlement systems.
  - Create an internet-based advertising program, leveraging low cost consumer outreach methods such as Google Ads and search engine optimization, so that internet searches allow consumers to easily find the appropriate local food retailer/producer.
  - Recruit retailer and distributor participation.
  - Develop a chain-of-custody system.
  - Develop a cost plus payment system with a ten-day settlement cycle.
  - Submit a regional broadband grant application to improve high speed access and conduct training in the use of virtual market interface.
- Improve food safety and farm product traceability.
  - Offer financial support for certification of farmers and extension agents as certified experts in Safe Quality Foods (SQF) and Good Agricultural Practices (GAP).
  - Integrate a chain-of-custody system into the virtual market interface.
  - Explore the development of a local, returnable packing material program.
  - Support winter marketing meetings with production sectors to focus on record keeping for full product traceability, packing, grading, and food.

**IMPLEMENTATION RESPONSIBILITY:** North Carolina State Cooperative Extension, North Carolina Department of Agriculture and Consumer Services (NCDACS), farmers, regional retailers, food manufacturers, local distributors, and others as appropriate.

**RESOURCE REQUIREMENTS** – This recommendation is expected to require significant staff resources and development funding support. Development funding can be leveraged from federal grants, such as USDA's Value-Added Producer and Farmers Market Promotion Program grant programs. Leveraged funds are also possible through private sector partnerships with retailers, distributors, farmers, and others. Formation of the initial working group will require modest staff allocation that is expected to be coordinated through Cooperative Extension. Development of an electronic marketing system will require significant financial and staff resources estimated at \$130,000 to \$180,000. Grant funds are available to support such an effort at the State and federal levels, but will require matching funds. Adopting a standardized SQF

and GAP training protocol that will support pre-audit farm surveys is expected to require local funding support of \$15,000 to \$20,000. Grant funds should be available.

**ISSUE PRIORITY** – Given the level of interest in local foods, combined with high levels of food leakage in the region, this is considered a high priority initiative.

### **RECOMMENDATION 2**

#### *Create an Alternative Energy Development Program*

In much the same way that local product is becoming the driving force in the food industry, alternative energy production is driving change in both agricultural and energy sectors. Development of a program to support alternative energy crops and distributed energy production in the community may prove beneficial to both agricultural and general audiences. The large forested area of Chatham County further enhances bio-energy possibilities.

#### **ACTIONS**

- Conduct an alternative energy conference in conjunction with the bio-energy industry, USDA Rural Development, and the Division of Forestry to highlight emerging technologies, technical support services, and financing opportunities.
- Provide grant support for applied research and education related to the utilization of appropriately scaled alternative energy and energy conservation practices.
  - energy audits
  - wind
  - biomass (fuel and combined heat and power)
  - solar
  - others, as appropriate.
- Conduct consumer and industry outreach.
  - tours
  - website
  - fair demonstrations and expositions
  - alternative energy trade shows.
- Work with landowners to develop woody biomass aggregation and distribution capability that meet Forest Stewardship Council and Sustainable Forestry Initiative certification requirements.
- Provide or support access to technical resources for those exploring the application of alternative energy and energy conservation practices on farms.

**IMPLEMENTATION RESPONSIBILITY:** North Carolina State Cooperative Extension, Division of Forestry, NCDACS, others as appropriate.

**RESOURCE REQUIREMENTS** – This recommendation is expected to require modest staff resources and development funding support. Much of the development funding can be leveraged funds from private sector technology providers and energy service companies, as well as federal grants. The overall work program is expected to require local match funding of \$10,000 to \$15,000. Grant funds should be available.

**ISSUE PRIORITY** – Given the level of interest in bio-fuels and alternative energy and the current positive policy climate, this is considered a high priority initiative.

### **RECOMMENDATION 3**

#### *Support Public-Private Development of an Agritourism, Retail, and Culinary Arts Center*

Chatham County offers tremendous opportunity for retail and tourism market development, given the rapid changes in demographic characteristics (e.g., high average household income and high educational attainment) of both the county and the region. Culinary training opportunities are also expected to increase with the creation of a Culinary Arts program at Central Carolina Community College. In addition, the nearly \$556 million retail leakage in the food sector in the Raleigh metropolitan market indicates the potential to create a profitable operating business under the proper conditions. The Finger Lakes Wine and Culinary Center in New York provides a model for successful development. ([www.newyorkwines.org](http://www.newyorkwines.org) )

#### **ACTIONS**

- Identify private sector partner(s).
- Conduct retail opportunity study.
  - Feasibility Analysis
  - Leakage Surplus Analysis
  - Site location Analysis
  - Develop Product and Services List
  - Design Analysis
  - Financial Analysis.
- Identify grant support resources.
  - Market Development
  - Farmer Support/Supply.
- Assist development of farmer marketing relationship to assure profit margins at all levels of the local marketing system.
- Support value-added and wholesale marketing opportunities.
- Integrate with existing marketing activities, such as the Haw River Wine Trail.

**IMPLEMENTATION RESPONSIBILITY:** North Carolina State Cooperative Extension, Central Carolina Community College, Office of Economic Development, NCDACS, private developers/entrepreneurs, and others as appropriate.

**RESOURCE REQUIREMENTS** – This recommendation is expected to require modest staff resources and development funding support since it is expected to be a privately supported effort. Development funding may meet EDA requirements, as described previously. County match funding to support a feasibility study grant application would require a local match of \$5,000 to \$35,000, depending on level of feasibility analysis. Grant funds for a feasibility study should be available through USDA Rural Development programs, such as Rural Business Enterprise Grants and Value Added Producer Grants.

**ISSUE PRIORITY** – Given the growth in agritourism interest, this is considered a moderate to high priority initiative.

### ***Focus Area 3: Public Policy, Education, and Regulation***

The following recommendations address the broad-based issues relating to public policy and regulation at the State and local level as they affect the long term sustainability of agriculture. The particular focus of these recommendations is to develop and maintain a relationship between and among the various constituent groups that influence agriculture.

#### **RECOMMENDATION 1**

##### *Create an Outreach and Public Relations Program*

An informed citizenry that understands and accepts the industrial nature of agriculture and forestry will make better neighbors and better consumers.

#### **ACTIONS**

- Work with the Farm Bureau and the North Carolina Forestry Association to develop a farmer-based committee that will coordinate outreach and serve as a first line of response in neighbor/industrial conflict.
  - Identify key audiences/stakeholder groups that impact agriculture.
  - Develop important message statements to deliver to above audiences.
  - Produce collateral material and programming to outreach to various audiences.
    - print material
    - media kit
    - television and radio programming
    - website
    - special events.
  - Hold quarterly meetings with editorial boards of local papers.
  - Create an agricultural speakers' bureau to carry the "message" to community and civic groups through public speaking engagements.
- Work with the public school system and youth programs, such as 4-H and youth equine activities, to integrate the "message" of agriculture within the primary school system and youth training events.
- Expand farm tours to support the message of agriculture as well as topical on-farm issues.
- Enhance the public relations network and partnerships with other agencies that have an active public outreach program.

**IMPLEMENTATION RESPONSIBILITY:** Action items under this recommendation require significant interagency cooperation with a range of potential task leaders. It is expected that overall leadership will be provided by North Carolina State Cooperative Extension, Farm Bureau, agricultural industry associations, North Carolina Professional Loggers Association, Central Carolina Community College, North Carolina State University, as well as other agencies.

**RESOURCE REQUIREMENTS** – This recommendation is expected to require modest staff resources and a marketing budget of \$5,000 to \$10,000 for materials and printing. Leveraging funding with private sector donations and grant resources is likely and will be issue based.

**ISSUE PRIORITY** – Given the agricultural industry’s concern that its needs are poorly understood by the broader community, this is considered a high priority initiative. Action to begin developing an outreach program is therefore suggested to begin immediately and should be tied to land preservation outreach and programming.

### **RECOMMENDATION 2**

#### *Expand Education and Training Programs*

As agriculture and forestry become smaller elements of both the county's land use and economy, it will become increasingly difficult to keep the interests of agriculture in the forefront of policy makers' minds. Study team members found that keeping policy makers, industry leaders, and the general public informed and educated goes a long way toward developing better relations. In addition, the agricultural industry and forestry have common needs that can be met through public training resources.

#### **ACTIONS**

- Create a web based information sharing system for use by farmers, landowners, and the forest products industry to integrate and enhance existing information exchange systems.
- Work with educational institutions at the post-secondary and continuing education level to develop flexible training modules for use by agricultural operations
  - language training for managers and workers
  - advanced farm management training
  - other issue-based training, as necessary.
- Conduct training and outreach relative to land use policy, with a specific focus on agricultural land use planning and purchase of development rights programming.
  - Hold periodic discussion sessions with town and municipal officials, as well as agricultural industry leaders, to discuss agricultural industry needs and policy impacts.
  - Conduct an economic development training session, inviting agricultural and forestry industry leaders and county and town policy makers.
- Develop incentives to encourage participation of local teachers in accredited agriculturally and forestry-based continuing education.

**IMPLEMENTATION RESPONSIBILITY:** Action items under this recommendation require significant interagency cooperation, with a range of potential task leaders. It is expected that overall leadership will be provided by North Carolina State Cooperative Extension, North Carolina Forestry Association, Farm Bureau, agricultural industry associations, Central Carolina Community College, North Carolina State University, as well as other agencies.

**RESOURCE REQUIREMENTS** – This recommendation is expected to require a quarter to half-time staff resource as well as a budget of \$5,000 to \$15,000 to support program development and web programming. Initial web design and set-up is estimated at \$35,000 but may be linked into the development of a virtual marketing system for a lower cost. Leveraging funding with private sector donations, industry associations, and grant resources is likely and will be issue based.

**ISSUE PRIORITY** – Given the agricultural industry's concern that its needs are poorly understood by the broader community, this is considered a high priority initiative. Action should begin within twelve to eighteen months and be tied to outreach and public relations programs.

### **RECOMMENDATION 3**

#### *Develop a Farmer Recruitment Program*

The majority of farm owners in the region are over 55 years old. In many cases, the next generation is not planning on taking over the farming business. Because of this, a greater level of transition support should be made available to new farmers, including those that are first generation farmers who may have special business development needs.

Supporting the needs of new farmers is made complicated by a trend toward more small and diversified farms. In order to continue to grow and thrive in such an environment, it would be beneficial for these farms to have both expanded and additional resources dedicated to their unique needs for support, training, and research. Programs at the Central Carolina Community College and Chatham County Cooperative Extension offer some level of support in this regard currently, and provide a basis for growth and leadership in this area.

#### **ACTIONS**

- Support development of a multi-year pilot program that creates individualized new/young farmer training programs.
  - Identify feeder sources for interns and participant screening criteria.
  - Create a program of work tailored to individual farm and intern needs.
  - Develop a formal mentor program targeting newly graduating interns from local farms, students graduating from local schools, and other pre-qualified new/beginning farmers.
  - Create evening farm start-up and management classes modeled after Frederick County, Maryland's beginning farmer classes.
  - Assess the need for an agricultural academy modeled after the Central Carolina Community College as a long-term objective.
  - Create a formal program to link beginning farmers with land resources and onsite mentors.
  - Develop a model long-term lease for emerging agricultural operations in conjunction with local financial institutions.
- Conduct landowner meetings to assess the availability of land and agricultural infrastructure.
- Develop an outreach program to attract interested, new and beginning farmers to the county and link them to land resources to include social networking systems.
- Create a mentor program to link new farmers to experienced agribusiness owners.
- Collaborate with County and State efforts to develop new sources of capital dedicated to first-time farmers.
- Develop an ongoing financial literacy training program for young and upstart farmers.
- Create partnerships with Farm Credit and statewide industry associations as an attraction tool.
  - Form an exploratory committee made up of a representative base of farmers, educators, landowners, and researchers, such as farmers from all industry sectors (to include organic industry representatives, equine operations, and wineries), the Farm Bureau, Central Carolina Community College, NC State Cooperative Extension, NCDACS, and others as appropriate.

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- Develop a mission statement and program of work centered on local and regional issues
  - Establish and maintain relationships with local and regional research and development centers, both private and public.
  - Develop relationships with extraterritorial organizations, such as Penn State's Small Farm Program, New England Small Farm Institute, and the Rodale Institute for Organic Agriculture.
- Work with educational institutions at the post-secondary and community college levels to develop flexible training modules for use by agricultural operations:
  - Provide language training for managers and workers.
  - Develop advanced farm management training.
  - Coordinate other issue-based training as necessary.

**IMPLEMENTATION RESPONSIBILITY:** Action items under this recommendation require significant interagency cooperation with a range of potential task leaders. It is expected that overall leadership will be provided by North Carolina State Cooperative Extension, Farm Bureau, agricultural industry associations, Central Carolina Community College, North Carolina State University, as well as other agencies.

**RESOURCE REQUIREMENTS** – Developing expanded beginning farmer programming can be a costly procedure, but it is also one that has numerous potential funding sources. Fundraisers, philanthropies, and federal grants through USDA, Cooperative State Research Extension, and Education Service are all practical means to fund programs. Initially an allocation, or fundraising initiative, should be undertaken to raise \$30,000 to \$35,000 for establishing a mentorship and intern program as a means to extend the educational efforts of Central Carolina Community College's programs. Additional program needs and resources should be evaluated after such implementation.

**ISSUE PRIORITY** – Given the demand created by Central Carolina Community College and Cooperative Extension programs for expanded young, beginning, and alternative farming programs, implementation is a high priority and should begin immediately.

**RECOMMENDATION 4**

*Support Regional Agricultural Leadership Development*

The long-term success of agriculture within Chatham County and the region are directly impacted by the quality of the industry's existing and emerging leadership. Specifically, the development of new leadership to set the vision for the future of agriculture is critical to the success of the industry over the long term.

**ACTIONS**

- Work with Agricultural Leadership Development Program graduates to develop an open-format leadership training program targeting local leadership development. The program should focus on broadening producer exposure to all elements of the agricultural industry as well as government, politics, and input/output industries.
- Encourage greater farmer participation in local, regional, and statewide leadership development programs, such as the Chatham County Chamber of Commerce's Leadership Chatham program.
- Introduce board and leadership training to existing agricultural organizations and agencies.
- Enhance inter-industry communications through formal networking events between farmers and agribusinesses.

**IMPLEMENTATION RESPONSIBILITY:** North Carolina State Cooperative Extension, local Chamber of Commerce, Farm Bureau, and other agencies as necessary.

**RESOURCE REQUIREMENTS** – Budgets will be limited to staff allocation to conduct discovery meetings with agribusiness industry and leadership development programs. Additional budget consideration should be given to support scholarships for leadership programs, with an expectation of one \$1,500 scholarship to be offered per annum.

**ISSUE PRIORITY** – Given the need to increase participation by young farmers in leadership positions, this recommendation is considered a high priority issue with implementation expected within eighteen months.

**RECOMMENDATION 5**

*Enhance Labor Force Conditions*

With its competitive supply of low skilled and semi-skilled labor, the local workforce is currently conducive to agriculture. However, transition of the economy to a service base may negatively affect this over time. If farmland conversion continues, with the attendant increase in farm land values, this situation could be exacerbated by a declining number of farmers and a low retention of next generation farmers. The resulting labor shortage may restrict future development of the industry.

**ACTIONS**

- Improve labor housing conditions.
- Improve accessibility of unskilled labor
  - Create linkages with urban labor centers that house agriculturally focused labor forces, such as new immigrants.
  - Develop on-site job training programs for laborers and managers
    - life skills
    - language skills.
  - Explore labor pooling options in collaboration with partners, such as the Workforce Improvement Board
    - electronic work centers
    - labor screening systems
    - transportation provision.
- Improve accessibility of skilled labor.
  - Develop labor training programs at secondary and post secondary institutions.
  - Develop a recruitment program focusing on high demand and transitional skills.
  - Explore labor management and labor sharing arrangements.
  - Develop an internship program focusing on farmer retraining, new/beginning farmer, and labor retention.

**IMPLEMENTATION RESPONSIBILITY:** Action items under this recommendation require significant interagency cooperation with a range of potential task leaders. It is expected that overall leadership will be provided by Chatham County Economic Development, North Carolina State Cooperative Extension, Farm Bureau, agricultural industry associations, Central Carolina Community College, North Carolina State University, as well as other agencies.

**RESOURCE REQUIREMENTS** – If the agricultural industry taps into existing local and regional workforce development agencies to support development, initial investments are expected to be low. Budgets will be limited to staff allocation to conduct discovery meetings with agribusiness industry and workforce training agencies. Additional budget guidance should be developed as part of these initiatives.

**ISSUE PRIORITY** – Due to the economic climate, this recommendation is considered a moderate to low priority issue with implementation expected to begin in three to five years.

Appendix A  
Demographic and Business Data Summary

# Chatham County Agricultural Economic Development Plan

Business Summary by SIC Codes									
	DMA: 560 (Raleigh-Durham (Fayetteville), NC)				Counties: Chatham County, NC				
	Total Businesses:				1,960				
Total Employees:				16,236					
Total Residential Population:				62,387					
Employee/Residential Population Ratio:				0.26					
	BUSINESSES		EMPLOYEES		BUSINESSES		EMPLOYEES		
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Agriculture & Mining	2,863	2.7%	18,399	1.5%	97	4.9%	315	1.9%	
Construction	9,595	9.0%	63,246	5.3%	219	11.2%	590	3.6%	
Manufacturing	2,781	2.6%	99,039	8.3%	64	3.3%	3,652	22.5%	
Transportation	2,571	2.4%	20,300	1.7%	50	2.6%	221	1.4%	
Communication	901	0.8%	27,621	2.3%	6	0.3%	130	0.8%	
Utility	398	0.4%	9,142	0.8%	12	0.6%	24	0.1%	
Wholesale Trade	4,339	4.1%	73,161	6.1%	83	4.2%	1,557	9.6%	
Retail Trade Summary	22,109	20.8%	240,017	20.0%	373	19.0%	2,967	18.3%	
Home Improvement	1,504	1.4%	18,024	1.5%	42	2.1%	668	4.1%	
General Merchandise Stores	791	0.7%	27,124	2.3%	13	0.7%	431	2.7%	
Food Stores	2,306	2.2%	30,623	2.6%	46	2.3%	437	2.7%	
Auto Dealers, Gas Stations, Auto Aftermarket	3,133	2.9%	25,656	2.1%	59	3.0%	246	1.5%	
Apparel & Accessory Stores	1,569	1.5%	9,198	0.8%	15	0.8%	41	0.3%	
Furniture & Home Furnishings	2,518	2.4%	18,326	1.5%	45	2.3%	196	1.2%	
Eating & Drinking Places	5,317	5.0%	81,556	6.8%	66	3.4%	720	4.4%	
Miscellaneous Retail	4,971	4.7%	29,510	2.5%	87	4.4%	228	1.4%	
Finance, Insurance, Real Estate Summary	10,099	9.5%	60,807	5.1%	137	7.0%	700	4.3%	
Banks, Savings & Lending Institutions	2,191	2.1%	17,342	1.4%	29	1.5%	151	0.9%	
Securities Brokers	889	0.8%	4,470	0.4%	12	0.6%	17	0.1%	
Insurance Carriers & Agents	2,143	2.0%	14,366	1.2%	29	1.5%	73	0.4%	
Real Estate, Holding, Other Investment Offices	4,876	4.6%	24,629	2.1%	67	3.4%	459	2.8%	
Services Summary	43,730	41.2%	483,151	40.3%	777	39.6%	5,150	31.7%	
Hotels & Lodging	695	0.7%	13,667	1.1%	12	0.6%	256	1.6%	
Automotive Services	3,484	3.3%	14,636	1.2%	80	4.1%	208	1.3%	
Motion Pictures & Amusements	2,348	2.2%	20,595	1.7%	30	1.5%	203	1.3%	
Health Services	6,386	6.0%	154,073	12.9%	107	5.5%	1,390	8.6%	
Legal Services	1,460	1.4%	10,621	0.9%	20	1.0%	78	0.5%	
Education Institutions & Libraries	1,850	1.7%	99,998	8.4%	38	1.9%	1,369	8.4%	
Other Services	27,507	25.9%	169,561	14.2%	490	25.0%	1,646	10.1%	
Government	3,975	3.7%	95,780	8.0%	117	6.0%	896	5.5%	
Other	2,862	2.7%	6,756	0.6%	25	1.3%	34	0.2%	
Totals	106,223	100.0%	1,197,419	100.0%	1,960	100.0%	16,236	100.0%	

Source: ESRI forecasts for 2009. Business data provided by InfoUSA, Omaha NE. Copyright 2009. all rights reserved.

# Chatham County Agricultural Economic Development Plan

Business Summary by NAICS Codes								
	DMAs: 560 (Raleigh-Durham (Fayetteville), NC)				Counties: Chatham County, NC			
Total Businesses:	106223				1960			
Total Employees:	1,197,419				16,236			
Total Residential Population:	2,856,947				62,387			
Employee/Residential Population Ratio:	0.42				0.26			
	BUSINESSES		EMPLOYEES		BUSINESSES		EMPLOYEES	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Agriculture, Forestry, Fishing and Hunting	1021	1.0%	6,563	0.5%	32	1.6%	105	0.6%
Mining	77	0.1%	1,113	0.1%	4	0.2%	34	0.2%
Utilities	174	0.2%	7,491	0.6%	6	0.3%	5	0.0%
Construction	10,295	9.7%	66,412	5.5%	233	11.9%	639	3.9%
Manufacturing	2,923	2.8%	97,177	8.1%	66	3.4%	3,647	22.5%
Wholesale Trade	4,206	4.0%	71,407	6.0%	82	4.2%	1,553	9.6%
Retail Trade	16,276	15.3%	155,162	13.0%	296	15.1%	2,210	13.6%
Motor Vehicle and Parts Dealers	2145	2.0%	20,462	1.7%	38	1.9%	177	1.1%
Furniture and Home Furnishings Stores	1,088	1.0%	7,111	0.6%	18	0.9%	140	0.9%
Electronics and Appliance Stores	1,134	1.1%	10,392	0.9%	20	1.0%	34	0.2%
Building Material and Garden Equipment and Supplies Dealers	1,404	1.3%	17,630	1.5%	40	2.0%	653	4.0%
Food and Beverage Stores	2,118	2.0%	28,614	2.4%	48	2.4%	441	2.7%
Health and Personal Care Stores	1,078	1.0%	9,455	0.8%	13	0.7%	62	0.4%
Gasoline Stations	988	0.9%	5,194	0.4%	21	1.1%	69	0.4%
Clothing and Clothing Accessories Stores	1,901	1.8%	10,440	0.9%	18	0.9%	44	0.3%
Sporting Goods, Hobby, Book, and Music Stores	1,032	1.0%	6,307	0.5%	18	0.9%	35	0.2%
General Merchandise Stores	791	0.7%	27,124	2.3%	13	0.7%	431	2.7%
Miscellaneous Store Retailers	2,406	2.3%	10,558	0.9%	49	2.5%	124	0.8%
Nonstore Retailers	191	0.2%	1,875	0.2%	0	0.0%	0	0.0%
Transportation and Warehousing	2,069	1.9%	18,270	1.5%	36	1.8%	216	1.3%
Information	2,023	1.9%	38,611	3.2%	25	1.3%	230	1.4%
Finance and Insurance	5358	5.0%	36,877	3.1%	71	3.6%	242	1.5%
Central Bank; Credit Intermediation and Related Activities	2,287	2.2%	17,736	1.5%	29	1.5%	152	0.9%
Securities, Commodity Contracts, and Other Financial Investments and Related Activities	919	0.9%	4,550	0.4%	13	0.7%	17	0.1%
Insurance Carriers and Related Activities; Funds, Trusts, and Other Financial Vehicles	2,152	2.0%	14,591	1.2%	29	1.5%	73	0.4%
Real Estate and Rental and Leasing	5,871	5.5%	28,382	2.4%	95	4.8%	484	3.0%
Professional, Scientific, and Technical Services	8,437	7.9%	68,596	5.7%	127	6.5%	483	3.0%
Legal Services	1,559	1.5%	10,974	0.9%	21	1.1%	78	0.5%
Management of Companies and Enterprises	53	0.0%	1,432	0.1%	0	0.0%	0	0.0%
Administrative and Support and Waste Management and Remediation Services	4,286	4.0%	27,536	2.3%	82	4.2%	200	1.2%
Educational Services	2,202	2.1%	99,098	8.3%	39	2.0%	1,364	8.4%
Health Care and Social Assistance	9,183	8.6%	183,831	15.4%	157	8.0%	1,831	11.3%
Arts, Entertainment, and Recreation	1,798	1.7%	18,404	1.5%	31	1.6%	193	1.2%
Accommodation and Food Services	6,075	5.7%	95,833	8.0%	78	4.0%	976	6.0%
Accommodation	695	0.7%	13,667	1.1%	12	0.6%	256	1.6%
Food Services and Drinking Places	5380	5.1%	82,166	6.9%	66	3.4%	720	4.4%
Other Services (except Public Administration)	16,948	16.0%	70,962	5.9%	356	18.2%	888	5.5%
Automotive Repair and Maintenance	2,642	2.5%	10,170	0.8%	62	3.2%	178	1.1%
Public Administration	4,032	3.8%	96,627	8.1%	119	6.1%	904	5.6%
Unclassified Establishments	2,916	2.7%	7,635	0.6%	25	1.3%	32	0.2%
Totals	106,223	100.0%	1,197,419	100.0%	1,960	100.0%	16,236	100.0%

Source: ESRI forecasts for 2009. Business data provided by InfoUSA, Omaha NE. Copyright 2009, all rights reserved.

# Chatham County Agricultural Economic Development Plan



## Market Profile

Raleigh-Durham (Fayetteville), NC

DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Chatham County, NC

Counties: Chatham County, NC



2000 Total Population	2,388,597	49,329
2000 Group Quarters	90,428	603
2009 Total Population	2,856,947	62,387
2014 Total Population	3,138,968	69,828
2009 - 2014 Annual Rate	1.90%	2.28%



2000 Households	908,751	19,741
2000 Average Household Size	2.53	2.47
2009 Households	1,105,467	25,346
2009 Average Household Size	2.50	2.44
2014 Households	1,219,814	28,490
2014 Average Household Size	2.50	2.43
2009 - 2014 Annual Rate	1.99%	2.37%
2000 Families	619,639	13,855
2000 Average Family Size	3.04	2.91
2009 Families	729,310	17,266
2009 Average Family Size	3.04	2.90
2014 Families	795,181	19,216
2014 Average Family Size	3.04	2.90
2009 - 2014 Annual Rate	1.74%	2.16%



<b>2000 Housing Units</b>	999,768	21,358
Owner Occupied Housing Units	59.9%	71.4%
Renter Occupied Housing Units	31.0%	21.1%
Vacant Housing Units	9.1%	7.6%
<b>2009 Housing Units</b>	1,241,704	27,280
Owner Occupied Housing Units	58.9%	71.7%
Renter Occupied Housing Units	30.1%	21.3%
Vacant Housing Units	11.0%	7.1%
<b>2014 Housing Units</b>	1,366,158	30,514
Owner Occupied Housing Units	59.3%	72.1%
Renter Occupied Housing Units	30.0%	21.3%
Vacant Housing Units	10.7%	6.6%

### Median Household Income

2000	\$41,142	\$42,972
2009	\$54,899	\$54,654
2014	\$56,600	\$57,570

### Median Home Value

2000	\$103,089	\$113,270
2009	\$143,681	\$124,145
2014	\$162,075	\$130,921

### Per Capita Income

2000	\$20,925	\$23,355
2009	\$27,599	\$27,989
2014	\$29,170	\$29,321

### Median Age

2000	33.7	38.7
2009	35.6	41.9
2014	35.9	43.3

**Data Note:** Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by total population. Detail may not sum to totals due to rounding.

**Source:** ESRI forecasts for 2009 and 2014; U.S. Bureau of the Census, 2000 Census of Population and Housing

# Chatham County Agricultural Economic Development Plan



## Market Profile

Raleigh-Durham (Fayetteville), NC

Chatham County, NC

DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Counties: Chatham County, NC



### 2000 Households by Income

Household Income Base	909,073	19,742
< \$15,000	16.3%	14.8%
\$15,000 - \$24,999	12.8%	12.6%
\$25,000 - \$34,999	13.2%	12.6%
\$35,000 - \$49,999	17.1%	16.9%
\$50,000 - \$74,999	19.6%	20.9%
\$75,000 - \$99,999	9.8%	11.0%
\$100,000 - \$149,999	7.3%	6.5%
\$150,000 - \$199,999	2.0%	2.2%
\$200,000 +	1.9%	2.4%
Average Household Income	\$53,823	\$57,233

### 2009 Households by Income

Household Income Base	1,105,464	25,346
< \$15,000	11.8%	11.0%
\$15,000 - \$24,999	8.9%	9.5%
\$25,000 - \$34,999	9.7%	10.1%
\$35,000 - \$49,999	14.8%	14.6%
\$50,000 - \$74,999	20.9%	21.9%
\$75,000 - \$99,999	15.3%	18.2%
\$100,000 - \$149,999	11.8%	8.7%
\$150,000 - \$199,999	3.7%	2.9%
\$200,000 +	3.3%	3.1%
Average Household Income	\$70,167	\$68,548

### 2014 Households by Income

Household Income Base	1,219,811	28,490
< \$15,000	10.8%	10.3%
\$15,000 - \$24,999	8.2%	9.0%
\$25,000 - \$34,999	8.7%	9.1%
\$35,000 - \$49,999	13.9%	12.6%
\$50,000 - \$74,999	22.7%	26.5%
\$75,000 - \$99,999	14.1%	17.5%
\$100,000 - \$149,999	14.1%	8.8%
\$150,000 - \$199,999	3.9%	2.9%
\$200,000 +	3.6%	3.4%
Average Household Income	\$73,874	\$71,518

### 2000 Owner Occupied Housing Units by Value

Total	599,239	15,239
< \$50,000	16.3%	18.3%
\$50,000 - \$99,999	32.2%	26.6%
\$100,000 - \$149,999	22.7%	18.1%
\$150,000 - \$199,999	12.9%	14.7%
\$200,000 - \$299,999	10.0%	11.4%
\$300,000 - \$499,999	4.4%	7.0%
\$500,000 - \$999,999	1.2%	3.2%
\$1,000,000+	0.3%	0.7%
Average Home Value	\$132,491	\$158,673

### 2000 Specified Renter Occ. Housing Units by Contract Rent

Total	305,040	4,204
With Cash Rent	92.2%	87.6%
No Cash Rent	7.8%	12.4%
Median Rent	\$474	\$446
Average Rent	\$493	\$517

**Data Note:** Income represents the preceding year, expressed in current dollars. Household income includes wage and salary earnings, interest, dividends, net rents, pensions, SSI and welfare payments, child support and alimony. Specified Renter Occupied Housing Units exclude houses on 10+ acres. Average Rent excludes units paying no cash rent.

Source: ESRI forecasts for 2009 and 2014; U.S. Bureau of the Census, 2000 Census of Population and Housing

# Chatham County Agricultural Economic Development Plan



## Market Profile

Raleigh-Durham (Fayetteville), NC

Chatham County, NC

DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Counties: Chatham County, NC



### 2000 Population by Age

Total	2,388,597	49,329
Age 0 - 4	7.0%	6.3%
Age 5 - 9	7.2%	6.2%
Age 10 - 14	7.0%	6.4%
Age 15 - 19	6.9%	5.6%
Age 20 - 24	7.8%	5.2%
Age 25 - 34	16.2%	14.3%
Age 35 - 44	16.5%	16.1%
Age 45 - 54	13.0%	14.9%
Age 55 - 64	8.0%	9.8%
Age 65 - 74	5.7%	8.0%
Age 75 - 84	3.5%	5.5%
Age 85+	1.1%	1.7%
Age 18+	74.8%	77.5%

### 2009 Population by Age

Total	2,856,947	62,387
Age 0 - 4	7.0%	6.0%
Age 5 - 9	6.7%	6.0%
Age 10 - 14	6.6%	6.2%
Age 15 - 19	6.9%	5.9%
Age 20 - 24	7.4%	5.0%
Age 25 - 34	14.3%	11.0%
Age 35 - 44	15.0%	14.4%
Age 45 - 54	14.6%	15.9%
Age 55 - 64	10.7%	13.9%
Age 65 - 74	5.8%	8.1%
Age 75 - 84	3.5%	5.3%
Age 85+	1.4%	2.2%
Age 18+	75.7%	78.1%

### 2014 Population by Age

Total	3,138,968	69,828
Age 0 - 4	6.9%	5.7%
Age 5 - 9	6.8%	5.8%
Age 10 - 14	6.6%	6.2%
Age 15 - 19	6.6%	5.9%
Age 20 - 24	7.5%	5.2%
Age 25 - 34	14.3%	10.6%
Age 35 - 44	14.0%	12.9%
Age 45 - 54	13.8%	15.1%
Age 55 - 64	11.6%	15.1%
Age 65 - 74	7.1%	10.1%
Age 75 - 84	3.4%	5.1%
Age 85+	1.4%	2.2%
Age 18+	76.0%	78.6%

### 2000 Population by Sex

Males	49.2%	49.2%
Females	50.8%	50.8%

### 2009 Population by Sex

Males	49.4%	49.3%
Females	50.6%	50.7%

### 2014 Population by Sex

Males	49.4%	49.4%
Females	50.6%	50.6%



## Market Profile

Raleigh-Durham (Fayetteville), NC  
DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Chatham County, NC  
Counties: Chatham County, NC



### 2009 Population 15+ by Marital Status

Total	2,274,423	51,062
Never Married	28.5%	22.3%
Married	56.0%	60.7%
Widowed	5.9%	7.8%
Divorced	9.7%	9.2%



### 2000 Population 16+ by Employment Status

Total	1,848,366	39,391
In Labor Force	66.6%	65.7%
Civilian Employed	60.6%	63.7%
Civilian Unemployed	3.5%	1.9%
In Armed Forces	2.5%	0.1%
Not in Labor Force	33.4%	34.3%

### 2009 Civilian Population 16+ in Labor Force

Civilian Employed	87.6%	90.5%
Civilian Unemployed	12.4%	9.5%

### 2014 Civilian Population 16+ in Labor Force

Civilian Employed	91.8%	93.7%
Civilian Unemployed	8.2%	6.3%

### 2000 Females 16+ by Employment Status and Age of Children

Total	952,197	20,373
Own Children < 6 Only	8.4%	7.7%
Employed/in Armed Forces	5.0%	5.5%
Unemployed	0.4%	0.2%
Not in Labor Force	3.0%	2.0%
Own Children <6 and 6-17	6.2%	4.9%
Employed/in Armed Forces	3.6%	3.2%
Unemployed	0.3%	0.0%
Not in Labor Force	2.3%	1.6%
Own Children 6-17 Only	17.6%	16.0%
Employed/in Armed Forces	12.9%	12.6%
Unemployed	0.6%	0.5%
Not in Labor Force	4.0%	2.9%
No Own Children <18	67.8%	71.4%
Employed/in Armed Forces	35.1%	35.9%
Unemployed	2.3%	1.1%
Not in Labor Force	30.4%	34.5%

# Chatham County Agricultural Economic Development Plan



## Market Profile

Raleigh-Durham (Fayetteville), NC  
DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Chatham County, NC  
Counties: Chatham County, NC



### 2000 Population by Race/Ethnicity

Total	2,388,597	49,329
White Alone	63.8%	74.9%
Black Alone	28.9%	17.1%
American Indian Alone	0.8%	0.4%
Asian or Pacific Islander Alone	1.9%	0.6%
Some Other Race Alone	3.0%	5.8%
Two or More Races	1.6%	1.1%
Hispanic Origin	5.7%	9.6%
Diversity Index	56.3	51.2

### 2009 Population by Race/Ethnicity

Total	2,856,947	62,387
White Alone	61.9%	71.2%
Black Alone	27.8%	16.9%
American Indian Alone	0.9%	0.4%
Asian or Pacific Islander Alone	2.8%	0.8%
Some Other Race Alone	4.7%	9.1%
Two or More Races	2.0%	1.5%
Hispanic Origin	8.3%	14.0%
Diversity Index	60.9	59.3

### 2014 Population by Race/Ethnicity

Total	3,138,968	69,828
White Alone	60.9%	69.0%
Black Alone	26.9%	16.7%
American Indian Alone	0.9%	0.5%
Asian or Pacific Islander Alone	3.2%	1.0%
Some Other Race Alone	5.8%	11.2%
Two or More Races	2.2%	1.6%
Hispanic Origin	9.9%	16.7%
Diversity Index	63.4	63.6



### 2000 Population 3+ by School Enrollment

Total	2,287,754	47,638
Enrolled in Nursery/Preschool	1.9%	1.5%
Enrolled in Kindergarten	1.6%	1.4%
Enrolled in Grade 1-8	12.2%	10.9%
Enrolled in Grade 9-12	5.4%	4.8%
Enrolled in College	5.8%	2.9%
Enrolled in Grad/Prof School	1.4%	0.9%
Not Enrolled in School	71.6%	77.7%

### 2009 Population 25+ by Educational Attainment

Total	1,863,249	44,223
Less than 9th Grade	5.9%	7.4%
9th - 12th Grade, No Diploma	10.0%	11.0%
High School Graduate	26.8%	28.0%
Some College, No Degree	18.8%	16.4%
Associate Degree	8.4%	7.3%
Bachelor's Degree	19.3%	17.0%
Graduate/Professional Degree	10.8%	12.9%

**Data Note:** Persons of Hispanic Origin may be of any race. The Diversity Index measures the probability that two people from the same area will be from different race/ethnic groups.

Source: ESRI forecasts for 2009 and 2014; U.S. Bureau of the Census, 2000 Census of Population and Housing

# Chatham County Agricultural Economic Development Plan

<b>Market Profile</b>		
	<b>Raleigh-Durham (Fayetteville), NC</b>	<b>Chatham County, NC</b>
	<b>DMAs: 560 (Raleigh-Durham (Fayetteville), NC)</b>	<b>Counties: Chatham County, NC</b>
	<b>2009 Employed Population 16+ by Industry</b>	
	Total	1,215,618
	Agriculture/Mining	1.3%
	Construction	8.3%
	Manufacturing	9.9%
	Wholesale Trade	2.9%
	Retail Trade	10.6%
	Transportation/Utilities	3.7%
	Information	3.0%
	Finance/Insurance/Real Estate	5.4%
	Services	48.7%
	Public Administration	6.3%
	<b>2009 Employed Population 16+ by Occupation</b>	
	Total	1,215,618
	White Collar	62.8%
	Management/Business/Financial	14.2%
	Professional	25.9%
	Sales	10.5%
	Administrative Support	12.3%
	Services	15.3%
	Blue Collar	21.9%
	Farming/Forestry/Fishing	0.6%
	Construction/Extraction	6.6%
	Installation/Maintenance/Repair	3.9%
	Production	5.7%
	Transportation/Material Moving	5.1%
	<b>2000 Workers 16+ by Means of Transportation to Work</b>	
	Total	1,143,621
	Drove Alone - Car, Truck, or Van	78.6%
	Carpooled - Car, Truck, or Van	14.0%
	Public Transportation	1.2%
	Walked	2.3%
	Other Means	1.2%
	Worked at Home	2.9%
	<b>2000 Workers 16+ by Travel Time to Work</b>	
	Total	1,143,621
	Did not Work at Home	97.1%
	Less than 5 minutes	2.7%
	5 to 9 minutes	9.7%
	10 to 19 minutes	32.0%
	20 to 24 minutes	15.5%
	25 to 34 minutes	19.5%
	35 to 44 minutes	5.5%
	45 to 59 minutes	6.5%
	60 to 89 minutes	3.5%
	90 or more minutes	2.1%
	Worked at Home	2.9%
	Average Travel Time to Work (in min)	24.3
	<b>2000 Households by Vehicles Available</b>	
	Total	908,751
	None	7.8%
	1	32.6%
	2	40.1%
	3	14.6%
	4	3.7%
	5+	1.4%
	Average Number of Vehicles Available	1.8
<a href="#">Source: ESRI forecasts for 2009; U.S. Bureau of the Census, 2000 Census of Population and Housing</a>		

# Chatham County Agricultural Economic Development Plan



## Market Profile

Raleigh-Durham (Fayetteville), NC  
DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Chatham County, NC  
Counties: Chatham County, NC



### 2000 Households by Type

Total	908,751	19,741
Family Households	68.2%	70.2%
Married-couple Family	51.1%	56.3%
With Related Children	24.7%	23.1%
Other Family (No Spouse)	17.1%	13.9%
With Related Children	11.6%	8.3%
Nonfamily Households	31.8%	29.8%
Householder Living Alone	25.3%	24.5%
Householder Not Living Alone	6.5%	5.3%
Households with Related Children	36.3%	31.4%
Households with Persons 65+	19.2%	26.2%

### 2000 Households by Size

Total	908,751	19,741
1 Person Household	25.3%	24.5%
2 Person Household	33.7%	38.0%
3 Person Household	18.0%	17.2%
4 Person Household	14.3%	12.6%
5 Person Household	5.7%	4.8%
6 Person Household	1.9%	1.6%
7+ Person Household	1.2%	1.3%

### 2000 Households by Year Householder Moved In

Total	908,751	19,741
Moved in 1999 to March 2000	23.0%	15.6%
Moved in 1995 to 1998	30.7%	28.2%
Moved in 1990 to 1994	15.5%	18.1%
Moved in 1980 to 1989	13.8%	15.6%
Moved in 1970 to 1979	8.6%	9.9%
Moved in 1969 or Earlier	8.5%	12.7%
Median Year Householder Moved In	1995	1993



### 2000 Housing Units by Units in Structure

Total	999,768	21,358
1, Detached	62.0%	68.6%
1, Attached	3.8%	3.3%
2	2.9%	2.7%
3 or 4	3.7%	1.2%
5 to 9	4.9%	1.2%
10 to 19	3.7%	0.9%
20+	3.2%	1.8%
Mobile Home	15.5%	20.2%
Other	0.2%	0.1%

### 2000 Housing Units by Year Structure Built

Total	999,768	21,358
1999 to March 2000	4.5%	4.3%
1995 to 1998	13.6%	14.1%
1990 to 1994	11.5%	12.2%
1980 to 1989	20.5%	20.5%
1970 to 1979	18.3%	16.1%
1969 or Earlier	31.6%	32.8%
Median Year Structure Built	1980	1981

# Chatham County Agricultural Economic Development Plan

		<h2>Market Profile</h2>	
<b>Raleigh-Durham (Fayetteville), NC</b> <b>DMAs: 560 (Raleigh-Durham (Fayetteville), NC)</b>		<b>Chatham County, NC</b> <b>Counties: Chatham County, NC</b>	
<a href="#">Top 3 Tapestry Segments</a>			
1.		Midland Crowd	Southern Satellites
2.		Up and Coming Families	Midland Crowd
3.		Southern Satellites	Prosperous Empty Nesters
 <p><b>2009 Consumer Spending shows the amount spent on a variety of goods and services by households that reside in the market area. Expenditures are shown by broad budget categories that are not mutually exclusive. Consumer spending does not equal business revenue.</b></p>			
	Apparel & Services: Total \$	\$1,943,037,514	\$42,328,144
	Average Spent	\$1,757.66	\$1,670.01
	Spending Potential Index	70	67
	Computers & Accessories: Total \$	\$251,744,018	\$5,456,485
	Average Spent	\$227.73	\$215.28
	Spending Potential Index	100	94
	Education: Total \$	\$1,331,903,851	\$28,471,016
	Average Spent	\$1,204.83	\$1,123.29
	Spending Potential Index	96	90
	Entertainment/Recreation: Total \$	\$3,607,994,981	\$82,339,076
	Average Spent	\$3,263.77	\$3,248.60
	Spending Potential Index	101	100
	Food at Home: Total \$	\$5,026,157,140	\$113,000,205
	Average Spent	\$4,546.64	\$4,458.31
	Spending Potential Index	100	98
	Food Away from Home: Total \$	\$3,706,824,371	\$81,586,945
	Average Spent	\$3,353.18	\$3,218.93
	Spending Potential Index	101	97
	Health Care: Total \$	\$4,181,622,137	\$101,571,081
	Average Spent	\$3,782.67	\$4,007.38
	Spending Potential Index	100	106
	Household Furnishings & Equip: Total	\$2,127,206,878	\$47,408,058
	Average Spent	\$1,924.26	\$1,870.44
	Spending Potential Index	89	86
	Investments: Total \$	\$1,504,753,972	\$37,583,149
	Average Spent	\$1,361.19	\$1,482.80
	Spending Potential Index	95	103
	Retail Goods: Total \$	\$27,507,299,198	\$625,619,304
	Average Spent	\$24,882.97	\$24,683.16
	Spending Potential Index	97	96
	Shelter: Total \$	\$16,679,791,984	\$360,016,898
	Average Spent	\$15,088.46	\$14,204.09
	Spending Potential Index	97	91
	TV/Video/Sound Equipment: Total \$	\$1,355,813,601	\$30,077,323
	Average Spent	\$1,226.46	\$1,186.67
	Spending Potential Index	101	98
	Travel: Total \$	\$1,948,458,958	\$44,670,951
	Average Spent	\$1,762.57	\$1,762.45
	Spending Potential Index	95	95
	Vehicle Maintenance & Repairs: Total	\$1,034,875,071	\$23,483,782
	Average Spent	\$936.14	\$926.53
	Spending Potential Index	100	99
<p><b>Data Note:</b> The Spending Potential Index represents the amount spent in the area relative to a national average of 100.</p> <p><b>Source:</b> Consumer Spending data are derived from the 2005 and 2006 Consumer Expenditure Surveys, Bureau of Labor Statistics. ESRI</p>			

# Chatham County Agricultural Economic Development Plan



## Retail MarketPlace Profile

Raleigh-Durham (Fayetteville), NC  
DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Chatham County, NC  
Counties: Chatham County, NC

### Summary Demographics

2009 Population	2,856,947	62,387
2009 Households	1,105,467	25,346
2009 Median Disposable Income	\$42,888	\$42,389
2009 Per Capita Income	\$27,599	\$27,989

### Industry Summary

	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus / Leakage Factor	Number of Businesses	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus / Leakage Factor	Number of Businesses
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$29,693,317,950	\$27,937,710,917	\$1,755,607,033	3.0	21,715	\$674,645,069	\$258,724,305	\$415,920,763	44.6	366
Total Retail Trade (NAICS 44-45)	\$25,479,305,573	\$24,280,371,441	\$1,198,934,132	2.4	16,157	\$582,109,074	\$217,694,354	\$364,414,720	45.6	293
Total Food & Drink (NAICS 722)	\$4,214,012,377	\$3,657,339,176	\$556,673,201	7.1	5,558	\$92,535,995	\$41,029,952	\$51,506,043	38.6	73

Industry Group	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Surplus / Leakage Factor	Number of Businesses	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Surplus / Leakage Factor	Number of Businesses
Motor Vehicle & Parts Dealers (NAICS 441)	\$6,403,453,212	\$6,041,263,453	\$362,189,759	2.9	2,151	\$143,748,023	\$42,629,217	\$101,118,806	54.3	36
Automobile Dealers (NAICS 4411)	\$5,540,752,055	\$5,407,698,310	\$133,053,745	1.2	1,120	\$122,617,100	\$38,594,141	\$84,022,959	52.1	19
Other Motor Vehicle Dealers (NAICS 4412)	\$486,073,635	\$296,460,504	\$189,613,131	24.2	237	\$12,309,752	\$748,742	\$11,561,010	88.5	3
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	\$376,627,522	\$337,114,639	\$39,512,883	5.5	794	\$8,821,171	\$3,286,334	\$5,534,837	45.7	14
Furniture & Home Furnishings Stores (NAICS 442)	\$910,959,728	\$707,647,082	\$203,312,646	12.6	1,050	\$22,819,602	\$10,268,231	\$12,551,371	37.9	17
Furniture Stores (NAICS 4421)	\$592,872,965	\$365,949,929	\$226,923,036	23.7	499	\$17,444,839	\$6,379,141	\$11,065,698	46.4	7
Home Furnishings Stores (NAICS 4422)	\$318,086,763	\$341,697,153	-\$23,610,390	-3.6	551	\$5,374,763	\$3,889,090	\$1,485,673	16.0	10
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	\$844,325,172	\$684,753,091	\$159,572,081	10.4	1,099	\$16,548,072	\$3,015,280	\$13,532,792	69.2	21
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	\$1,133,140,325	\$1,134,305,464	-\$1,165,139	-0.1	1,416	\$28,122,001	\$27,880,419	\$241,582	0.4	41
Building Material and Supplies Dealers (NAICS 4441)	\$1,009,150,169	\$1,025,458,854	-\$16,308,685	-0.8	1,045	\$23,666,715	\$24,053,767	-\$387,052	-0.8	29
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	\$123,990,156	\$108,846,610	\$15,143,546	6.5	371	\$4,455,286	\$3,626,652	\$828,634	7.6	12
Food & Beverage Stores (NAICS 445)	\$4,490,587,808	\$4,348,597,069	\$141,990,739	1.6	1,987	\$103,991,187	\$41,857,158	\$62,134,029	42.6	43
Grocery Stores (NAICS 4451)	\$4,356,214,520	\$4,216,275,676	\$139,938,844	1.6	1,544	\$93,004,785	\$38,270,037	\$54,734,748	41.7	27
Specialty Food Stores (NAICS 4452)	\$53,052,874	\$46,773,303	\$6,279,571	6.3	298	\$7,794,922	\$1,682,425	\$6,112,497	64.8	11
Beer, Wine, and Liquor Stores (NAICS 4453)	\$81,320,414	\$85,548,090	-\$4,227,676	-2.5	145	\$3,191,480	\$1,924,696	\$1,266,784	24.8	5
Health & Personal Care Stores (NAICS 446/NAICS 4461)	\$1,082,195,858	\$1,340,919,587	-\$258,723,729	-10.7	1,044	\$24,272,396	\$7,864,937	\$16,407,459	51.1	14
Gasoline Stations (NAICS 447/NAICS 4471)	\$4,409,230,729	\$4,674,698,916	-\$265,468,187	-2.9	1,115	\$109,051,342	\$46,552,919	\$62,498,423	40.2	26
Clothing and Clothing Accessories Stores (NAICS 448)	\$1,158,497,135	\$979,649,394	\$178,847,741	13.7	1,905	\$15,514,955	\$3,356,338	\$12,158,617	64.4	17
Clothing Stores (NAICS 4481)	\$879,248,873	\$662,840,925	\$216,387,948	14.0	1,310	\$11,920,031	\$9,178,573	\$2,741,458	62.6	13
Shoe Stores (NAICS 4482)	\$127,355,211	\$111,752,490	\$15,602,721	6.5	267	\$1,334,056	\$307,383	\$1,026,673	62.5	1
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	\$151,913,451	\$105,055,979	\$46,857,472	18.2	328	\$2,260,868	\$307,497	\$1,953,371	76.1	3
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	\$328,700,852	\$220,336,208	\$108,364,644	19.7	1,016	\$5,284,805	\$1,160,781	\$4,124,024	64.0	15
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	\$147,431,758	\$103,373,567	\$44,058,191	17.6	755	\$1,884,620	\$553,126	\$1,331,494	54.6	12
Book, Periodical, and Music Stores (NAICS 4512)	\$181,269,094	\$116,962,641	\$64,306,453	21.6	261	\$3,399,985	\$607,655	\$2,792,330	69.7	3

**Data Note:** Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector.

Source: ESRI and infoUSA®.



## Retail MarketPlace Profile

Raleigh-Durham (Fayetteville), NC  
DMAs: 560 (Raleigh-Durham (Fayetteville), NC)

Industry Group	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Surplus / Leakage Factor	Number of Businesses	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Surplus / Leakage Factor	Number of Businesses
General Merchandise Stores (NAICS 452)	\$3,563,178,906	\$3,327,252,145	\$235,926,761	3.4	769	\$96,949,754	\$29,491,278	\$67,458,476	53.2	13
Department Stores Excluding Leased Depts. (NAICS 4521)	\$1,770,321,519	\$1,620,858,501	\$149,463,018	4.4	302	\$52,568,992	\$16,441,667	\$36,127,325	52.4	6
Other General Merchandise Stores (NAICS 4529)	\$1,792,857,387	\$1,706,393,644	\$86,463,743	2.5	467	\$43,980,762	\$13,049,611	\$30,931,151	54.2	7
Miscellaneous Store Retailers (NAICS 453)	\$429,595,546	\$392,131,351	\$37,464,195	4.6	2,405	\$7,287,941	\$3,617,796	\$3,670,145	33.7	50
Florists (NAICS 4531)	\$50,928,326	\$34,028,491	\$16,899,835	19.9	297	\$720,214	\$476,237	\$243,977	20.4	8
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	\$185,125,998	\$158,786,699	\$26,339,299	15.0	572	\$1,468,597	\$563,020	\$905,577	44.6	6
Used Merchandise Stores (NAICS 4533)	\$36,198,081	\$34,001,965	\$2,196,116	3.1	545	\$1,516,782	\$659,421	\$857,361	39.4	14
Other Miscellaneous Store Retailers (NAICS 4539)	\$157,343,141	\$187,314,196	-\$29,971,055	-8.7	931	\$3,682,348	\$1,919,118	\$1,663,230	30.2	20
Nonstore Retailers (NAICS 454)	\$725,442,302	\$528,817,681	\$196,624,621	15.7	200	\$8,918,996	\$0	\$8,918,996	100.0	0
Electronic Shopping and Mail-Order Houses (NAICS 4541)	\$177,960,349	\$108,838,785	\$69,121,564	24.1	34	\$0	\$0	\$0	0.0	0
Vending Machine Operators (NAICS 4542)	\$329,139,745	\$231,413,445	\$97,726,300	17.4	58	\$8,918,996	\$0	\$8,918,996	100.0	0
Direct Selling Establishments (NAICS 4543)	\$218,342,208	\$188,565,451	\$29,776,757	7.3	108	\$0	\$0	\$0	0.0	0
Food Services & Drinking Places (NAICS 722)	\$4,214,012,377	\$3,657,339,176	\$556,673,201	7.1	5,558	\$92,535,995	\$41,029,952	\$51,506,043	38.6	73
Full-Service Restaurants (NAICS 7221)	\$1,314,485,747	\$1,546,429,801	-\$231,944,054	-8.1	3,320	\$23,827,726	\$18,914,856	\$4,912,870	11.5	51
Limited-Service Eating Places (NAICS 7222)	\$2,308,834,827	\$1,716,681,322	\$592,152,705	14.7	1,675	\$55,990,785	\$20,345,788	\$35,244,997	46.4	16
Special Food Services (NAICS 7223)	\$325,190,176	\$268,527,986	\$56,662,190	9.9	279	\$8,839,172	\$1,502,207	\$7,336,965	70.9	5
Drinking Places - Alcoholic Beverages (NAICS 7224)	\$265,501,827	\$127,699,467	\$137,802,360	35.0	284	\$4,278,312	\$267,101	\$4,011,211	88.2	1

Appendix B

Economic Development Administration Application Process for  
CEDS Planning Grant

### ***CEDS Process Summary***

The U.S. Department of Commerce, Economic Development Administration makes awards under its Investment Assistance Program to Planning Organizations. A Planning Organization is simply defined as a recipient whose purpose is to develop a CEDS for a specific EDA-approved region. In addition, certification is needed from the local government designating an organization to oversee the CEDS. In the case of the Chatham County, the County would serve this function. While regionally developed CEDS get preference, a well defined and differentiated CEDS specific to a County or sub-region can gain funding if deemed appropriate by the EDA.

The CEDS itself is a comprehensive economic development roadmap for a region. The document is developed in close collaboration with public, private, and non-profit stakeholders of a community. One of the chief outcomes is a prioritized listing of projects that have been developed by the stakeholders with significant formal input from the community.

As a starting point, the CEDS can and should build upon existing planning documents, studies, and community involvement framework. Another major component of a CEDS is developing a comprehensive inventory of economic development programs and resources in a community (both existing and proposed). Some of this work has been completed in the region by the ACDS, LLC in conjunction with other regional clients, such as the NCDACS, and could be included in the process.

A key requirement of a CEDS process is the establishment of a Strategy Committee (CEDS Committee) to oversee the study process. The CEDS Committee must be representative of the major economic interests of a region (private sector, public sector, academic, workforce, and private citizens).

Once completed, a CEDS is submitted first to the appropriate local government agency or agencies for review and comment. Any comments received should be included in the document. After this step, the CEDS is submitted to EDA for review and acceptance. Once EDA approves the initial CEDS, grantees are required to submit annual reports on the progress of CEDS implementation.

EDA typically only funds 50 percent of the cost for planning assistance grants. Projects deemed “of a national scope” may be eligible for 100 percent funding.

### ***CEDS Planning Grant Application Process***

Funding to complete the CEDS is available from EDA via the Investment Assistance, Economic Development Support for Planning Organizations Grant program. To apply for funding for this program, the application for federal assistance form SF-424 must be completed by the planning organization. This application can be submitted in one of three ways: (1) electronic download, completion, and submission; (2) electronic download and completion and hardcopy submission; or (3) hardcopy completion and submission.

## *Chatham County Agricultural Economic Development Plan*

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The grant application process has been significantly streamlined in recent months to a single form (SF-424) with a reduced number of attachments and supporting documents now required of applicants. This process replaces a much more lengthy and time-consuming application process.

A detailed outline of the grant application requirements for a Chatham CEDS follows:

Form	Description of Requirements
SF-424	The application for federal assistance (SF-424) is the standard government-wide form used to apply for federal assistance. The form requires basic applicant and project information. Form also includes a question regarding applicant federal debt or delinquency to explain any such occurrence of an outstanding federal debt or delinquency.
SF-424A-Budget Information	Detailed estimated budget (Personnel, Fringe, Travel, Indirect Charges etc.) Forecasted Cash Needs
SF-424B-Assurances	Certification form signed by applicant regarding compliance with 18 provisions of law and federal statutes (i.e. Hatch Act and Civil Rights compliance).
EDA Form ED-900 (Sections A,C,D,E,F,G,H)	Within the EDA application is the "State Planning" category. This is the category in which CEDS grant funding will be requested and which determines the sections of the EDA application (Form ED-900) to be completed. The application also asks which type of applicant (governmental or non-governmental).
Form ED-900 Section A	Section A asks for a description of the region and the benefit to be derived from the project (CEDS). The impact of the project and alignment with EDA funding priorities is also requested. The applicant's ability to administer, implement and attract private investment to the project is requested. A time schedule is the final major component of Section A.  Additional Questions: -Proposed Budget (SF-424A) -Non-EDA funding -Other federal financial assistance sought -Lobbying certifications (Form CD-511) -Justification for sole source procurement (If contracts will <b>not</b> be awarded by competitive bid, a justification is required including a cost analysis.)
Form ED-900 Sections C,D,E,F,G,H	<u>Section C</u> - Requesting 100 percent funding for a CEDS and justifying the "national scope" of the project is in this section. <u>Section D</u> - For grants greater than \$100K, a "Name Check" Form CD-346 must be filled out, listing the names of all officers including the Executive Director and Chief Financial Officer for non-governmental applicants. <u>Section E</u> - The proposed use of amounts budgeted for "Equipment," "Contractual," or "Other" described on Form SF-424A is explained in this section. If any indirect costs are listed on Form SF-424A, they should be explained here. Key staff, including knowledge, organizational experience, etc. must be identified and described in this section. <u>Section F</u> - The Scope of Work is described and proposed Strategy Committee members are listed in this section. <u>Sections G and H</u> - Further explanations of how the CEDS and CEDS process will incorporate regional goals,

## *Chatham County Agricultural Economic Development Plan*

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	how success will be measured, and how long-term capacity will be built are noted in these sections.
Exhibit C	This exhibit includes assurance that the applicant will comply with applicable indirect cost rate regulations, that no private proprietary benefit will result from investment, that attorney's or consultant fees expended for securing EDA funding are not eligible costs, that conflict of interest provisions are in place, and that compliance with the Government Performance and Results Act of 1993 will be maintained.
Form CD-511-Certification Regarding Lobbying	This form certifies that no federal funds have been or will be used to lobby a federal agency or Member of Congress. <b>If lobbying has occurred, OMB Form 0348-0046, Disclosure of Lobbying Activities must be completed.</b>
Form CD-346	Name Check Form (See Section D requirements above)
Certificate of Good Standing	A state certificate of good standing or its legal equivalent must be attached.
Articles of Incorporation and By-Laws	Articles of Incorporation and By-Laws for a non-profit applicant must be included.
State Authorization Letter	A letter from a government entity acknowledging that this application is being submitted in cooperation with the local government must be attached.
Authorized strategic plan	The application should include the most recent strategic plan, if available...

Appendix C

Fresh Fork Market System Summary

Fresh Fork Market is a virtual farmers' market technology that began operations in Cleveland, OH in June, 2008. The firm, with two employees, has serviced 57 unique foodservice professionals and sold from over 40 unique, local suppliers. Home consumers are now participating in the form of a virtual community supported agriculture (CSA) on a subscription basis. The firm has expanded the price discovery system to include a farmer controlled inventory management, transaction, and distribution system, combining the favorable elements of the auction and price reporting systems.

This system seeks to address problems that arise during local transactions outside of the commercial food distribution system. When wholesale price is too low; Farm Fresh Market allows farmers to fetch a retail price by enabling them to sell directly to consumers. This kind of direct marketing is a great way to support local foods and provides farmers direct access to markets that they would not otherwise have. Through the Fresh Fork Market website, consumers can purchase local foods and do not have to take the time to work with each individual farmer.

**Figure 2: Problems Solved by Fresh Fork Market**



The main difficulties of implementing the Fresh Fork system in communities is giving institutional and restaurant customers, who have had no experience either buying local or sourcing product in this manner, assurances of the quality and delivery of local product. Unlike auctions, the buyer cannot physically participate in the transaction and may not have a developed relationship with the producer members of system. Therefore, appropriate staging of market entry in a community is essential. Local farm supplier tours and in-person product showcases are recommended solutions to this issue.

**Figure 3: Benefits and Features of the System:**



In order to effectively initiate a new regional system in an area such as the Research Triangle, the Fresh Fork management team believes that a single point of contact broker for institutional purchases would be the most effective strategy. This would help integrate both large and small farmers into the system and reduce the conflict between farmers servicing Fresh Fork and local farmers' markets.

In the summer of 2009, Fresh Fork initiated an internet-based CSA with pick-up points throughout Cleveland. While the success of this innovation is unclear, the model has attracted more than 100 customers in a month and promises year-round delivery of meats, eggs, and other dairy products.

Appendix D  
Intervale Case Study

The Intervale Center is a non-profit organization in Vermont that develops or assists farm- and land-based businesses. The Center operates six programs that provide various services within the production, processing, and distributions segments of farming. These programs are described below.

### ***Agriculture Development Services (ADS)***

ADS was established from a farm incubator initiative to support beginning farmers. The initiative, which was called the Farms Program, was founded in 1990 and leases land equipment, greenhouses, irrigation, and storage facilities to small, start-up independent farms that are committed to organic production. Farmers can also receive a range of services, such as technical and mechanical support, marketing assistance, and business planning. The Farms Program allows farmers to hurdle the many barriers they typically face in starting their operations. ADS now runs the Farm Program aside from two other initiatives: Success on Farms and The Food Hub. Success on Farms is a two-year business planning and technical assistance program that works one-on-one with farmers to enhance viability. The Food Hub is an initiative to network Vermont farmers for marketing purposes.

### ***Intervale Conservation Nursery***

The Intervale Conservation Nursery is a native tree and shrub nursery that raises ecologically grown plants for conservation projects statewide. The nursery oversees the Intervale riparian forest and provides educational workshops for the public. The sustainability of the forest and nursery is achieved by following the life cycles of the 35 species of trees kept and collecting local seeds and cuttings from natural areas.

### ***Healthy City***

Founded in 2002, the Intervale Center's Healthy City is an outreach program focused on disadvantaged local communities. It provides job- and life-skills training for at-risk youth ages 13 to 16 and educates them on better nutrition. Healthy City also addresses the needs of low-income families for fresh produce. The program's goals are achieved as teens and adults are educated in, and become committed to, growing healthy food for themselves, their families, and others in the community. Healthy City's specific initiatives include the Healthy City Youth Farm, the Gleaning Project, the Burlington School Food Project, and the Intervale Community Connections Project.

### ***Calkins Farmstead***

The Calkins Farmstead serves as the entryway to the Intervale Center and houses farms, windrows, and buildings. Each structure showcases its past productive use and contribution to local food production and farming enterprises. The Calkins Farmhouse was built in the 1860s and houses the last working dairy farming family in Burlington. The Community Barn is a renovated 1860s structure that is used for community events, educational programs, conferences, workshops, and private functions. The Dairy Barn was built in the 1920s, but was dismantled in 2007 and awaits reconstruction. The English Barn was a circa 1850s hay barn, but burned down in 2008 and is currently being reconstructed. The Corn Crib has been used as a storage building since its restoration.

***Intervale Compost Products***

The Intervale Compost Products was the Intervale Center's first venture in 1987. It was established to help restore depleted agricultural lands in the area as part of a larger cleanup effort in Intervale led by Will Raap, founder of Gardener's Supply Co. The compost operation has grown since, recycling 30,000 tons of waste each year to produce various compost-based agricultural and horticultural products.

***Food Enterprise Center***

The Food Enterprise Center was designed as an integrated food-processing facility to allow small food businesses to apply techniques in season-extending processing and value-added products. The facility includes a 20,000 square-foot food processing facility that is LEED-certified. Food processors that use the center will be supported by shared branding, refrigeration and storage, distribution, and shared kitchen use to incubate new products. The center also houses a 21,000 square-foot, year-round greenhouse to allow growers to produce crops in the off-season and in a controlled environment. The processing facility and the greenhouse will be heated by waste heat from a wood-fired generating plant from the City of Burlington. Construction of the center will cost \$5.5 million and will be partly funded by an \$850,000 investment by the City of Burlington and the Intervale Center.

Appendix E

Sample Long-Term Farm Lease

**MODEL AGRICULTURAL GROUND LEASE**

THIS LEASE (“this Lease” or “the Lease”) is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 200\_, by and between \_\_\_\_\_ (“Lessor” or “the Lessor”), and \_\_\_\_\_ (“Lessee” or “the Lessee”).  
Lease Provided by the Equity Trust.

**RECITALS**

WHEREAS, the Lessor is a not-for-profit corporation organized exclusively for charitable purposes, including the preservation and enhancement of land in its natural, open or forested and agricultural condition for scientific, charitable and educational purposes;

WHEREAS, it is a goal of the Lessor, in carrying out these purposes, to ensure that agricultural land and improvements be preserved as working farms and that access to such farms be kept affordable for farmers who are able and willing to carry out the Lessor’s purposes;

WHEREAS, the Premises described in this Lease have been acquired and are being leased by the Lessor to the Lessee in furtherance of Lessor’s charitable purposes;

WHEREAS, the Lessee shares the purposes and goals of the Lessor and has agreed to enter into this Lease not only to obtain those benefits to which Lessee is entitled under this Lease, but also to further the charitable purposes of the Lessor with regard to the Leased Premises;

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions stated in the Requirements and Restrictions attached to this Lease as Exhibit E (REQUIREMENTS AND RESTRICTIONS), and those terms and conditions that may affect the marketing and resale price of any Improvements on the Leased Premises; and

WHEREAS, it is mutually understood and accepted by Lessor and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners;

NOW THEREFORE, in consideration of the foregoing recitals, of mutual promises of Lessor and Lessee, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows.

Attached to this Lease as Exhibit A (LETTERS OF STIPULATION AND ACKNOWLEDGMENT) and made part of this Lease by reference are (a) a Letter of Stipulation of Lessee, and (b) a Letter of Acknowledgment of legal counsel of Lessee, setting forth their respective review and understanding of this Lease (in particular, Article 4,

**ARTICLE 1: LETTERS OF STIPULATION AND ACKNOWLEDGMENT**

regarding the use of the Leased Premises, and Article 10, regarding the transfer, sale or disposition of the Improvements) and related documents for this transaction.

**ARTICLE 2: DEMISE OF LEASED PREMISES**

2.1 PREMISES: The Lessor, in consideration of the rents reserved and the terms and conditions of this Lease, does hereby demise and leave unto Lessee, and Lessee does hereby take and hire from Lessor, the property (referred to in this Lease as the “Leased Premises” or the “Premises”) described in the attached Exhibit B (PREMISES) subject to the conservation easement (the “Conservation Easement”) attached as Exhibit C (CONSERVATION EASEMENT). Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Premises.

2.2 AS IS: Lessee agrees to accept title to the Leased Premises in their “as is” condition and “with all faults” existing as of the date hereof. Lessee agrees that this Lease has been entered into after full investigation of the Premises, or with Lessee satisfied with the opportunity afforded for investigation, and without reliance upon any statement or representation by Lessor unless such statement or representation is expressly set forth in this Lease.

2.3 RESERVATION OF MINERAL RIGHTS: Lessor reserves to itself all of the oil, gas, coal and other minerals, including water, upon, in and under the Leased Premises. This reservation shall not diminish the right of the Lessee under this Lease to occupy and freely use the Leased Premises. Any extraction of minerals by the Lessor shall be carried out with as little disruption to the Lessee as is possible. On the completion of any such extraction, Lessor shall return the surface of the Leased Premises to its original state. In instances requiring a material disruption of the Lessee’s right of use and occupancy of the Leased Premises, the Lessor shall not make such extraction without the consent of the Lessee.

Notwithstanding this reservation of mineral rights by Lessor, Lessee shall have the right to draw upon such quantity of water from the Leased Premises as may be reasonably necessary for purposes permitted under the terms of this Lease on the Leased Premises.

**ARTICLE 3: DURATION OF LEASE**

3.1 PRINCIPAL TERM: The term of this Lease shall be 99 years, commencing on the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Commencement Date”), and terminating on the \_\_\_\_\_ day of \_\_\_\_\_, 21\_\_ (the “Expiration Date”), unless terminated sooner or extended as provided below.

3.2 LESSEE’S OPTION TO EXTEND: Lessee may extend the principal term of this Lease for one (1) additional period of 99 years, subject to all of the provisions of this Lease. Lessor may make changes to the terms of the Lease for the renewal period prior to the beginning of such renewal period but only if these changes do not materially and adversely impair Lessee’s rights under the Lease. Not more than two (2) years nor less than one (1) year before the last day of the current term, Lessor shall give Lessee written notice (“the Expiration Notice”), stating the date of expiration of the Lease, describing any changes that Lessor intends to make

to the terms of the Lease as permitted above, and reiterating the conditions for renewal as set forth immediately below.

Lessee's right to exercise the option to extend is subject to the following conditions: (a) within 60 days of receipt of the Expiration Notice, Lessee shall give Lessor written notice irrevocably exercising the option to extend ("the Extension Notice"); (b) this Lease shall be in effect at the time the Extension Notice is given and on the last day of the term, and (c) there shall not be an Event of Default by Lessee under this Lease or under any loan documents between Lessee and any Permitted Mortgagee (as defined hereinafter) at the time the Extension Notice is given and on the last day of the term.

When Lessee has rightfully exercised the option to extend, Lessor and Lessee shall execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option has been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of lease. Such memorandum or notice of lease shall be recorded in accordance with the requirements of law on or promptly after the commencement of such renewal period of the Lease.

**3.3 CHANGE OF LESSOR; LESSEE'S RIGHT TO PURCHASE:** In the event that ownership of the land comprising the Leased Premises (the "Land") is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts to convey the Land to any person or entity other than a not-for-profit corporation, charitable trust, governmental agency or other similar entity sharing the goals described in the Recitals above, the Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached Exhibit D (FIRST REFUSAL). Any sale or other transfer contrary to this Section 3.3 shall be null and void. Notwithstanding the foregoing, the conveyance by Lessor of a mortgage of its fee interest in the Land shall not be deemed a conveyance or transfer for purposes of this Section 3.3, and shall not trigger a right of first refusal.

#### **ARTICLE 4: USE OF LEASED PREMISES**

**4.1 PERMITTED USE:** The Leased Premises shall be used only for residential, agricultural, or educational purposes and such other purposes as are supportive of or incidental to these uses. As used herein, agricultural use is defined as use for the raising of animals, including but not limited to, dairy cattle, beef cattle, poultry, sheep, swine, horses, ponies, mules, goats, and bees, for the purpose of selling such animals or a product derived from such animals in the regular course of business, and use for horticultural purposes, including but not limited to, the raising of fruits, vegetables, berries, nuts and other foods for human consumption, feed for animals, flowers, sod, trees, nursery, or greenhouse products, and ornamental plants and shrubs for the purpose of selling such products in the regular course of business, and also use for the production of forest products for the purpose of selling such products in the regular

course of business. (The parties agree that the terms of this Lease limit Lessee's right to pursue certain agricultural uses in certain ways.)

No use of the Leased Premises shall violate the terms and conditions of the conservation easement attached as Exhibit C (CONSERVATION EASEMENT).

4.2 REQUIREMENTS AND RESTRICTIONS: The Lessee shall implement and abide by the Requirements and Restrictions attached to the Lease as Exhibit E (REQUIREMENTS AND RESTRICTIONS). The Lessee shall cooperate with the Lessor to amend the Requirements and Restrictions from time to time, as needed, with the help of mutually agreeable land-use consultants. Both Lessee and Lessor must agree in writing to any changes in the Requirements and Restrictions before such changes take effect.

4.3 AGRICULTURAL INCOME REQUIREMENT: Lessee shall make active use of the Premises for agricultural purposes, and such use shall result in at least the minimum agricultural income for the Lessee as such minimum agricultural income is defined in Exhibit E (REQUIREMENTS AND RESTRICTIONS). The parties agree that the purpose of this requirement is to promote the continued agricultural use of the Premises by persons whose primary economic activity is farming.

4.4 OCCUPANCY: Lessee shall occupy the permanent single-family home located on the Leased Premises for at least ten (10) months of each year of this Lease, unless otherwise agreed by Lessor. Occupancy by children or other immediate family members or dependents of the Lessee shall be considered occupancy by Lessee.

Any buildings that are developed on the Premises (in accordance with Section 7.4 below) for the purpose of housing persons engaged on the Premises as students and/or agricultural workers shall be used to house only such persons and their families.

4.5 WRITTEN CONSENT FOR OTHER USES: The Lessee must secure written consent from the Lessor for any uses of the Leased Premises that are not consistent with the terms of this Lease (including the requirements and Restrictions attached as Exhibit E) or about which there may be reasonable doubt as to their consistency with the terms of this Lease. Any request by Lessee for such consent shall be either granted or refused by Lessor within 30 days of receipt thereof. If any proposed use of the Leased Premises, having been approved by Lessor, is such as also requires the approval of the holder of the Conservation Easement attached as Exhibit C, Lessor and Lessee shall cooperate in seeking such approval through the process prescribed in such easement.

4.6 RESPONSIBLE USE AND COMPLIANCE WITH LAW: Lessee shall use the Leased Premises in a manner so as not to cause actual harm to others or create any nuisances, public or private; and shall dispose of any and all waste in a safe and sanitary manner and in compliance with all applicable laws and regulations. Lessee shall maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects, except for normal wear and tear, in full compliance with all applicable laws and regulations, and in such

condition as is required to maintain the insurance coverage required by Section 9.4 of this Lease.

4.7 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends and visitors and anyone else using the Leased Premises with Lessee's consent and shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.8 INSPECTION: Lessor may inspect any portion of the Leased Premises except the interiors of occupied residential structures, at any reasonable time, but not more than 2 times in a single calendar year, and in any reasonable manner, upon at least twenty-four (24) hours oral notice to Lessee. In the event of emergency, Lessor may inspect any portion of the Leased Premises except the interior of occupied residential structures without notice provided the Lessor shall have made reasonable efforts to give advance notice to Lessee.

4.9 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

**ARTICLE 5: GROUND LEASE FEE**

5.1 GROUND LEASE FEE: In consideration of the possession, continued use and occupancy of the Leased Premises, Lessee shall pay to Lessor an annual ground lease fee (the "Ground Lease Fee"). The amount of the Ground Lease Fee shall be \_\_\_\_ dollars (\$\_\_\_\_) until or unless adjusted in accordance with Section 5.4 or Section 5.5 below.

5.2 PAYMENT OF GROUND LEASE FEE: The Ground Lease Fee shall be payable to Lessor, at the address specified in this Lease as Lessor's address, on the \_\_ day of \_\_\_\_\_ in each year for as long as this Lease remains in effect, unless, with Lessor's consent, the Ground Lease Fee is to be escrowed by a Permitted Mortgagee (as defined hereinafter), in which case payment shall be made as specified by that Mortgagee.

In the event that any amount of payable Ground Lease Fee remains unpaid when the Improvements are sold and the Lease is terminated or assigned to another party, the amount of payable Ground Lease Fee shall be paid to Lessor out of any proceeds from the sale of the Improvements otherwise due to Lessee at the time of such sale.

5.3 CALCULATION OF GROUND LEASE FEE: The Ground Lease Fee specified in Section 5.1 above has been calculated as the monthly fair rental value of the Leased Premises as of the commencement of the lease term. This calculation recognizes (a) that certain costs of ownership, including the cost of insurance and property taxes, are paid directly by the Lessee and are therefore not costs for which Lessor should be reimbursed through the Ground Lease Fee, (b) that use of the Leased Premises is restricted by the Lease in ways that reduce

the fair rental value, and (c) that Lessee will be providing certain benefits to Lessor including but not limited to preservation and enhancement of soil quality and protection of the environment.

5.4 PERIODIC ADJUSTMENT OF GROUND LEASE FEE: In order to keep the Ground Lease Fee reasonably current, Lessor may recalculate the amount specified in Section 5.1 from time to time, but no more often than every \_\_\_\_\_th year of the term of the Lease. At such times, the amount shall be recalculated to reflect the fair rental value of the Leased Premises at the time of recalculation, recognizing those factors set forth in Section 5.3 above. Lessor shall notify Lessee promptly upon recalculation of the new Ground Lease Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Ground Lease Fee shall then be as stated by Lessor in the notice. If Lessee does state objections to the recalculated Ground Lease Fee and Lessor and Lessee are then unable to agree on a recalculated Ground Lease Fee, the dispute shall be resolved according to the arbitration process set forth in Article 13 below, except that the arbitrators chosen by each party shall be ones with experience in the valuation of agricultural property in the geographical area in and around \_\_\_\_\_, \_\_\_\_\_.

5.5 ADJUSTMENT TO REFLECT REMOVAL OF RESTRICTIONS: The Ground Lease Fee stated in Section 5.1, as adjusted in the way provided in Section 5.4, shall be applicable during the term of this Lease. However, in the event that, for any reason, any of the provisions of Article 10 or Article 11 regarding transfers of the Improvements or Article 4 regarding use and occupancy of the Leased Premises are suspended or invalidated for any period of time, then during that time, the Ground Lease Fee shall be increased to an amount calculated by Lessor to equal the fair rental value of the Leased Premises for use not restricted by the provisions of the suspended portions of the Lease. In such event, Lessor shall notify Lessee of the amount calculated in this way, and the Ground Lease Fee shall then be this amount.

5.6 LATE PAYMENT: If Lessor has not received any installment of the Ground Lease Fee on or before the date on which the such installment first becomes payable under this Lease (the "Due Date"), Lessor may require Lessee to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by Lessor, at a rate not to exceed \_\_\_[specify either a fixed %, an index such as prime rate of a particular institution, or a legally established limit]\_\_\_. Such interest shall be deemed additional rent and shall be paid by Lessee to Lessor upon demand; provided, however, that Lessor shall waive any such interest that would otherwise be payable to Lessor if such payment of the Ground Lease Fee is received by Lessor on or before the thirtieth (30<sup>th</sup>) day after the Due Date.

**ARTICLE 6: TAXES AND ASSESSMENTS**

6.1 TAXES AND ASSESSMENTS: Lessee shall be responsible for payment of all taxes and governmental assessments that relate to the Improvements and the Leased Premises. Lessee shall also pay directly, when due, all other service bills, utilities charges, or other governmental assessments charged against the Leased Premises.

6.2 TAXES ON LEASED PREMISES: Even in the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, the responsibility for this expense shall remain that of the Lessee. Lessor shall promptly forward any such tax bills to Lessee upon receipt. Lessee shall promptly pay any such tax bill upon receipt from Lessor or the taxing authority.

6.3 LESSEE’S RIGHT TO CONTEST: Lessee shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Premises. Lessor shall, upon written request by Lessee, join in any such proceedings if Lessee reasonably determines that it is necessary or convenient for Lessor to do so. All other costs and expenses of such proceedings shall be paid by Lessee.

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in Section 5.1 above, Lessor may increase, but shall not be obligated to increase, Lessee’s Ground Lease Fee in an amount that will offset the cost of any delinquent and current taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner.

6.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, the party making such payment shall furnish evidence satisfactory to the other documenting the payment. A photocopy of a receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

**ARTICLE 7: IMPROVEMENTS**

7.1 OWNERSHIP: It is agreed that all buildings, structures, fixtures, fences, orchards, perennial horticultural plantings, and other improvements located on the Leased Premises and purchased by the Lessee or constructed or placed by the Lessee on any part of the Leased Premises at any time during the term of this Lease (the “Improvements”) shall be property of the Lessee. Title to such Improvements shall be and remain vested in the Lessee. However, Lessee’s exercise of the rights of ownership of the Improvements is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Lessee and the Lessor’s option to purchase the Improvements.

7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: Simultaneously with the execution of this Lease, Lessee is purchasing the buildings and other Improvements now located on the

Leased Premises (the “Original Improvements”), as described in Schedule “A” to the Deed, the form of which is attached to this Lease as Exhibit F (DEED).

7.3 ALTERATION OF IMPROVEMENTS: Subject to Lessor’s approval when such approval is required under the terms of section 7.5 below, the Lessee shall have the right to alter, improve, or expand existing Improvements (both the Original Improvements and any subsequent improvements) on the Leased Premises for residential, agricultural, horticultural, or educational uses permitted by the terms of this Lease, provided that such alteration, improvement or expansion is permitted by all applicable public laws and regulations and by the conservation easement attached as Exhibit C.

7.4 DEVELOPMENT OF NEW PERMANENT STRUCTURES: New permanent structures (permanent structures not included in the Original Improvements) may be developed only on portions of the Leased Premises where development is not prohibited by the conservation easement attached as Exhibit C, only for residential, agricultural, or educational uses permitted by the terms of this Lease, and only with the written consent of the Lessor. Specific uses for which such structures may be developed include, but are not limited to, housing for interns or seasonal agricultural workers, storage, shelter for animals, growing of plants, value-added processing of farm-raised products, retail sale of farm-produced products, educational activities, activities benefiting the local community, provided such uses are in compliance with all applicable public laws and regulations.

7.5 LESSOR’S APPROVAL REQUIRED: Lessee must receive prior written approval from Lessor for the siting and construction of new permanent buildings of any kind and for any modification of existing permanent buildings that expands or alters the exterior of such buildings. Lessee must also receive prior written approval from Lessor for any development or alteration of Improvements undertaken to house or facilitate any uses other than those specifically permitted by this Lease. If any proposed development or alteration of Improvements, having been approved by Lessor, is such as also requires the approval of the holder of the Conservation Easement attached as Exhibit C, Lessor and Lessee shall cooperate in seeking such approval through the process prescribed in such easement.

7.6 QUALITY OF IMPROVEMENTS: All construction and other work permitted by this Lease shall be done in a good and workmanlike manner and in compliance with all applicable laws, regulations, building codes, orders and requirements of all public authorities (“Legal Requirements”) and all commercially reasonable requirements of insurers of the Leased Premises (“Insurance Requirements”). Lessor may inspect Lessee’s work at reasonable times and shall promptly give notice of observed defects. The parties agree that Lessee shall be solely responsible for obtaining any necessary approval or otherwise satisfying any Legal Requirements or Insurance Requirements.

7.7 PROHIBITION OF LIENS: No lien of any type shall attach to the Lessor’s title to the Land or to Lessor’s interest in the Leased Premises or to any other property owned by the Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Premises,

the Improvements, or any interest of Lessor which remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the sixty-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Ground Lease Fee payable by Lessee upon demand.

7.8 MAINTENANCE AND SERVICES: Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by Section 4.6 above. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

7.9 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM: Upon the expiration of the term of this Lease as such term may be extended or sooner terminated in accordance with this Lease, Lessee shall surrender all permanent Improvements together with the Leased Premises to the Lessor. Ownership of the permanent Improvements shall thereupon revert to Lessor, provided, however, that in the event of a reversion upon the expiration of the term of this Lease, Lessor shall, through the process described in the following paragraph, purchase the Improvements from the Lessee, for the then applicable Purchase Option Price, calculated in accordance with Section 10.7 of this Lease.

Upon Lessee's failure to take the necessary steps (identified in Section 3.2 above) to extend the Lease for an additional term, Lessor shall, no later than 180 days prior to the date on which the Lease is due to expire, present to Lessee a plan specifying in reasonable detail Lessor's intended means of satisfying its obligation to purchase the Improvements for the then applicable Purchase Option Price. If Lessor's plan is to raise the funds necessary for such purchase by liquidating its interest in the Improvements, Lessor shall make a good faith effort to identify a buyer for the Improvements and to enter into a purchase and sale contract with such buyer prior to the expiration of the Lease term.

Notwithstanding the generality of the foregoing, Lessee may remove from the premises prior to the expiration of the Lease any property of the Lessee that is not permanently installed on the Premises and that has not been identified as part of the Improvements in an Exhibit to this Lease or in Lessor's written permission for its construction or placement on the Premises.

## **ARTICLE 8: FINANCING**

8.1 PERMITTED LEASEHOLD MORTGAGE: Lessee may mortgage the Improvements and the Leased Premises only with the written consent of Lessor. Not less than thirty (30)

days prior to the date on which Lessee (or a prospective Lessee who has contracted to purchase the Improvements) requests Lessor's consent to a mortgage to be effective, Lessee (or a prospective Lessee) shall furnish to Lessor copies of every document to be executed in connection with the transaction represented by such mortgage. Lessor may choose to consent to any mortgage, and in so doing shall designate such mortgage as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage only if (a) at the time such copies of documents are submitted and at the time proposed by Lessee (or prospective Lessee) for the execution of such documents, no default is then outstanding; and (b) the mortgage so submitted is a Standard Permitted Mortgage as defined in the attached Exhibit G (PERMITTED MORTGAGES). Lessee shall pay to Lessor at Lessor's option, as additional Ground Lease Fee, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with its review or approval of any mortgage that it is requested to review and permit.

8.2 RIGHTS OF PERMITTED MORTGAGEE: Any holder of a Permitted Mortgage (Permitted Mortgagee) shall without requirement of consent by the Lessor have the rights identified and defined in the attached Exhibit G (PERMITTED MORTGAGES).

8.3 REMOVAL OF CERTAIN PROVISIONS PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, sections 10.1 through 10.10, shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8.4 AMENDMENTS SUBJECT TO APPROVAL BY PERMITTED MORTGAGEE: Any amendments to this Lease shall be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty (30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof.

8.5 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this agreement and an incentive to abuse Lessee's authorization to encumber the Improvements and Leased Premises with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of the Improvements and Leased Premises remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article 10 of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay the amount of said excess proceeds directly to Lessor. In the event that, for any reason, such excess proceeds are

paid to Lessee, Lessee hereby agrees to promptly pay the amount of such excess proceeds to Lessor.

**ARTICLE 9: LIABILITY, INSURANCE, DAMAGE AND DESTRUCTION,  
EMINENT DOMAIN**

9.1 LESSEE'S LIABILITY: Lessee assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy and use of the Leased Premises and the Improvements.

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify and hold Lessor harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises and the Improvements. Lessee waives all claims against Lessor for such injury or damage. However, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to negligence or willful misconduct of Lessor or Lessor's agents or employees.

9.3 PAYMENT BY LESSOR: In the event that Lessor shall be required to pay any sum that is the Lessee's responsibility or liability, the Lessee shall promptly reimburse the Lessor for such payment and for reasonable expenses caused thereby.

9.4 INSURANCE: Lessee shall, at Lessee's sole expense, keep all Improvements continuously insured against loss or damage by fire and the extended coverage hazards for the full replacement value of such Improvements.

Lessee shall, at Lessee's sole expense, maintain continuously in effect liability insurance covering the Leased Premises and Improvements in the amounts of not less than \_\_\_\_\_ dollars (\$\_\_\_\_\_) for injury to or death of any one person; and \_\_\_\_\_ dollars (\$\_\_\_\_\_) for injury to or death of any number of persons in one occurrence; and \_\_\_\_\_ dollars (\$\_\_\_\_\_) for property damage. The dollar amounts of this coverage shall be adjusted at five-year intervals, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon 30 days notice to Lessee. This adjustment shall be based on changes in Lessee's Improvements and activities on the Leased Premises and such other factors as would affect the extent of Lessee's liability. Such insurance shall specifically insure Lessee against all liability assumed under this Lease, as well as all liability imposed by law, and shall also insure Lessor as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for Lessor and Lessee.

Lessee shall provide Lessor with copies of all policies and renewals of policies. All policies shall also contain endorsements providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days prior written notice to Lessor.

9.5 RESTORATION FOLLOWING DAMAGE OR DESTRUCTION: Except as provided in this Section 9.5, or in Section 9.6 below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to assure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Lessee shall also promptly take all steps necessary to assure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

If Lessee, using reasonable judgment and relying on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than eighty percent (80%) of the cost of repair and restoration, (provided Lessee has fulfilled all of the hazard insurance requirements set forth in Section 9.4 above), then Lessee may terminate this Lease by written notice to Lessor given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until forty-five (45) days after the date upon which the notice is received by Lessor. During this forty-five-day period Lessor may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at least eighty percent of the cost of repair and restoration. If successful in securing such adjustment, Lessor may render Lessee's termination notice null and void by written notice to Lessee within such forty-five-day day period. If Lessor fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the forty-five-day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to the Lessee (or Lessee's Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Lessor's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article 10 below. The balance of such proceeds, if any, shall be paid to Lessor.

9.6 ALTERNATIVE RESPONSE TO DAMAGE OR DESTRUCTION: Notwithstanding anything to the contrary in Section 9.5, in the event of fire or other damage to the Improvements, Lessee may propose to Lessor an alternative plan for the use of the insurance proceeds if Lessee determines that such restoration would not constitute the best use of the insurance proceeds for the residential, agricultural, and educational purposes permitted by this Lease. Such a plan shall make use of the insurance proceeds entirely for the purpose of improving the Leased Premises for the permitted purposes and shall provide for the safe, sanitary, and environmentally appropriate treatment of the site of the damaged Improvements and the safe and sanitary disposal or recycling of any remnants of the damaged Improvements. Lessor shall approve or reject such a plan within 30 days of its receipt, but shall not unreasonably withhold approval of any such plan that utilizes the insurance proceeds to improve the Leased Premises for purposes consistent with the terms of this Lease.

9.7 EMINENT DOMAIN AND PUBLIC DEDICATION: If, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, the Leased Premises are taken, either in their entirety or to such extent that, in the reasonable view of both Lessor and Lessee, the remaining Premises will no longer serve the residential and agricultural purposes of the Lessee, the Lease shall terminate as of the date Lessee gives up possession of the Leased Premises, and the entire amount of any award(s) paid shall be allocated as follows. The proceeds of the award shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to the Lessee (or Lessee's Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Purchase Option Price (as of immediately prior to the taking) calculated according to the provisions of section 10.7 below. The balance of such proceeds, if any, shall be paid to the Lessor.

In the event of a taking of a portion of the Leased Premises which, in the reasonable view of both the Lessor and the Lessee, does not reduce the value of the remaining Leased Premises to an extent that such remaining Premises will no longer adequately serve the residential and agricultural purposes of the Lessee, the parties shall deliberate together and shall agree if possible on a fair allocation of the award between Lessor and Lessee, based upon the relative amount of value taken from each. If the parties cannot agree on such allocation (or on whether the Lease should be terminated pursuant to this Section 9.7), the matter shall be referred to arbitration in the manner described in Article 13.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this Section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or Lessee of the Premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

9.8 REASSESSMENT OF RENTAL VALUE: In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, Lessor shall reassess the fair rental value of the remaining Premises and shall adjust the Ground Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Premises for use as restricted by the Lease.

9.9 RELOCATION OF LESSEE: In the event of a termination of this Lease as a result of a taking, Lessor shall take reasonable steps to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. Lessor's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against Lessor.

**ARTICLE 10: TRANSFER, SALE OR DISPOSITION OF IMPROVEMENTS**

10.1 INTENT: It is the understanding of the parties that the terms of this Article 10 are intended to assure that the Land will continue to be used for agricultural and educational purposes and that, when Lessee wishes to sell his or her interest in the Land and Improvements, another qualified farmer will have the opportunity to assume such interest on affordable terms. The provisions of this article 10 do not apply to any property of the Lessee that does not rest upon a permanent foundation or is not otherwise permanently installed on the Premises and that, pursuant to section 7.9 above, is not considered part of the Improvements.

10.2 TRANSFERS TO QUALIFIED PERSONS: Lessee may transfer Lessee's interest in the Improvements and Leased Premises only to the Lessor or to a Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All transfers of the Lessee's interest in the Improvements and Leased Premises shall be subject to Lessor's review and purchase option rights set forth in this Article 10. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

"Qualified Person" shall mean a person or group of persons who have demonstrated to Lessor's express satisfaction that they understand and accept the terms of this Lease and are willing and able to use the Leased Premises in full compliance with all of the restrictions and requirements established in this Lease and its several exhibits. Before transferring its interest in the Improvements and Leased Premises to any party other than Lessor, Lessee shall demonstrate that the prospective transferee is a Qualified Person by submitting to Lessor (a) proposed Letters of Stipulation and Acknowledgement (as defined in Article 1 hereof) and (b) a "Qualification Letter" from the prospective transferee. The Qualification Letter shall include (i) a statement of the prospective transferee's plans for making agricultural use of the Leased Premises in full compliance with all of the terms of this Lease and its several exhibits, and (ii) a statement of the financial assets and capital goods (including relevant equipment, supplies, livestock and other physical items) commanded by the prospective transferee and giving the prospective transferee the ability to carry out the planned agricultural use of the Leased Premises in full compliance with all of the restrictions and requirements established in this Lease and its several exhibits (including, but not limited to, the requirement, established in Section 4.3 above, that Lessee earn a certain "minimum agricultural income.")

10.3 TRANSFER TO LESSEE'S HEIRS: Upon receipt of a written request from Lessee at any time or upon receipt of notice from the executor of the estate of the owner (or last surviving co-owner) of the Improvements given within ninety (90) days of the appointment of such executor, Lessor shall consent to an assumption of this Lease to and by one or more of the possible heirs of Lessee, provided (a) that no default is then outstanding, (b) that Letters of Stipulation and Acknowledgement (as described in Article 1 of this Lease) and a Qualification Letter (as described in Section 10.2 above) are submitted to Lessor, and (c) that Lessor, based on its review of such Letters, determines that such heir or heirs are Qualified Persons as

defined in section 10.2 above. Lessor shall not withhold its approval of the proposed transfer on any grounds other than those stated in this paragraph.

Any heirs, legatees or devisees of Lessee whom Lessor has not thus permitted to assume this Lease shall not be entitled to possession of the Leased Premises but must transfer their interest in the Improvements and Leased Premises in accordance with the provisions of this Article 10.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: In the event that Lessee wishes to assign Lessee's interest in the Leased Premises and sell the Improvements, Lessee shall notify Lessor in writing of such wish (the Intent-to-Sell Notice). Such Notice shall include a statement as to whether the Lessee wishes to recommend a proposed transferee as of the date of the Notice.

*[Note: the sequence and content of the following sections will vary depending on what resale formula is used and whether Lessee's right to designate a buyer is explicitly recognized. (See Commentary and Discussion of Resale Formulas.)]*

10.5 APPRAISAL: On or before the date on which Lessee submits an Intent-to-Sell Notice, Lessee shall commission, at Lessee's expense, an appraisal by a licensed appraiser. This appraisal shall be a determination of the market value of the Improvements in their existing location and condition and as their use is restricted by the terms of this Lease (the "As restricted Market Value"), thus excluding any additional market value that might be realized if the property were located elsewhere or were to be used for purposes not permitted by this Lease. When completed, such appraisal shall be submitted to Lessor. Upon receipt of the appraisal, Lessor shall either (a) accept the appraisal as accurately representing the As-restricted Market Value of the Improvements for purposes of calculating the Purchase Option Price or (b) commission a second appraisal of the As-restricted Market Value by a licensed appraiser, at Lessor's expense, and submit a copy of this second appraiser's report to the Lessee within 30 days of Lessor's receipt of the first appraiser's report. If a second appraisal is commissioned and if the amount reported by the second appraiser does not differ from the amount reported by the first appraiser by more than ten percent (10%) of the first appraised value, then the amount to be used in determining the As-restricted Market Value of the Improvements shall be the average of the two appraised values reported by the two appraisers. If the amount reported by the second appraiser differs from the amount reported by the first appraiser by more than ten percent (10%) of the first appraised value, then the two appraisers shall together appoint a third appraiser who shall appraise the Improvements in accordance with the provisions of this section. In such event, the amount to be used in determining the As-restricted Market Value of the Improvements shall be the value reported by the third appraiser. The cost of the third appraisal shall be borne equally by Lessor and Lessee.

10.6 LESSOR'S PURCHASE OPTION. Upon receipt of an Intent-to-Sell Notice from Lessee, Lessor shall have the option to purchase Lessee's interest in the Improvements and Leased Premises (the "Purchase Option") for a price calculated as set forth in section 10.7

below (the “Purchase Option Price”). The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Qualified Persons while taking fair account of the investment by the Lessee.

If Lessor elects to purchase the Lessee’s interest in the Improvements and Leased Premises, Lessor shall exercise the Purchase Option by notifying Lessee in writing of such election (the Notice of Exercise of Option) within forty-five (45) days of the final determination of As-restricted Market Value in accordance with section 10.5 above, or the Option shall expire. Having given such notice, Lessor may either proceed to exercise the Purchase Option directly by purchasing the Lessee’s interest in the Improvements and Leased Premises, or may assign the Purchase Option to a Qualified Person.

The purchase (by Lessor or Lessor’s assignee) must be completed within ninety (90) days of Lessor’s Notice of Exercise of Option, or Lessee may sell Lessee’s interest in the Improvements and Leased Premises as provided in Section 10.8 below. The time permitted for the completion of the purchase may be extended by mutual agreement of Lessor and Lessee.

Lessee may recommend to Lessor a prospective transferee who is a Qualified Person and is prepared to submit a Letter of Stipulation (as defined in Article 1 hereof) and a Qualification Letter (as described in section 10.2 above). Lessor shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless Lessor determines that its charitable mission is better served by transfer of Lessee’s interest in the Improvements and Leased Premises to another party.

**10.7 CALCULATION OF PURCHASE OPTION PRICE:** In no event shall Lessee’s interest in the Improvements and the Leased Premises be sold for a total price that exceeds the Purchase Option Price. (Such total price shall be understood to include the amount of any fee charged by Lessee for the assignment of Lessee’s interest in the Leased Premises if such a fee is charged.) The Purchase Option Price shall equal the As-restricted Market Value of the Improvements determined through the process described in section 10.5 above.

**10.8 IF PURCHASE OPTION EXPIRES:** If the Purchase Option has expired or if Lessor has failed to complete the purchase within the ninety-day period allowed by Section 10.6 above, Lessee may sell the Improvements and assign the Lease, for not more than the then applicable Purchase Option Price, provided that the proposed transfer is determined to be in compliance with the terms hereof and the proposed transferee is determined to be a Qualified Person through the following process.

The Lessee shall submit to Lessor (a) a statement of the proposed sale price and other proposed terms of sale, (b) Letters of Stipulation and Acknowledgement from the proposed transferee (as defined in Article 1 hereof) and (c) a Qualification Letter from the proposed transferee (as described in Section 10.2 above). Lessor shall review these documents and shall evaluate their sufficiency as demonstrations of the compliance of the transfer with the terms of this Lease, of the proposed transferee’s understanding and acceptance of the terms of the Lease, and of the proposed transferee’s ability to use the Leased Premises in full

compliance with all of the restrictions and requirements established in this Lease and its several attachments. Within 30 days of its receipt of these documents, Lessor shall notify the Lessee of the results of its review and evaluation of these documents. In its notification, the Lessor shall state that it has or has not found the proposed transfer to comply with the terms of this Lease and the proposed transferee to be a Qualified Person, or the Lessor may state that the documents do not provide sufficient evidence on which to base a decision and may ask for additional information. If additional information is then submitted, the Lessor shall have 15 days from its receipt of such information in which to notify the Lessee of its decision. If Lessor fails to notify Lessee of a decision within the required period of time, the proposed transferee shall be assumed to be a Qualified Person. Lessor shall not withhold its approval of the proposed transfer on any grounds other than those stated in this paragraph.

If, one (1) year after the expiration of the Purchase Option or the expiration of the ninety-day period specified in Section 10.6 above, the Lessee's interest in the Improvements and Leased Premises still has not been sold to a Qualified Person, in spite of Lessee's diligent efforts to accomplish such a sale, Lessee may sell Lessee's interest in the Improvements and Leased Premises, for not more than the then applicable Purchase Option Price, to any party regardless of whether that party has been determined to be a Qualified Person.

**10.9 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE:** In the event Lessor does not exercise its option and complete the purchase of the Improvements as set forth above, and Lessee (a) is neither residing on the Leased Premises nor actively engaged in agricultural use of the Leased Premises, and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the giving of the Intent-to-Sell Notice, Lessee does hereby appoint Lessor to be Lessee's attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease, sell the property, and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

**10.10 IF TRANSFER ENTAILS SELLER FINANCING OR INSTALLMENT PURCHASE:** Lessee may agree to receive incremental payments for the sale of Lessee's interest in the Improvements and Leased Premises in accordance with this Article 10 (whether such payments are for the purpose of amortizing a loan from the seller or for the purpose of fulfilling other contractual obligations of buyer to seller). However, the net present value of such incremental payments (including any interest paid to the seller) shall not exceed, as of the time of the initial payment, the Purchase Option Price as defined in section 10.7 above.

## **ARTICLE 11: ASSIGNMENT AND SUBLEASE**

**11.1 GENERAL PROHIBITION:** Except as otherwise provided in Article 8 (including Exhibit G (PERMITTED MORTGAGES), Article 10, and this Article 11, Lessee shall not assign, sublease, sell or otherwise convey any of Lessee's rights under this Lease without the prior written consent of the Lessor. If permission is granted, any assignment or sublease shall be subject to the following conditions:

- a) Any such assignment or sublease shall be subject to all of the terms of this Lease.
- b) In the case of a sublease, the rental fee charged the sublessee shall not be more than that amount charged the Lessee by the Lessor, plus an amount approved by lessor to cover costs to Lessee for the Improvements.
- c) In the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Option Price as calculated in accordance with Article 10 above.

**ARTICLE 12: DEFAULT**

12.1 MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to pay the Ground Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee.

12.2 NON-MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, in the case where the Lessee or Permitted Mortgagee has commenced to cure such default within such 60-day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure, but in any event, not longer than one year.

12.3 DEFAULT BY LESSEE RESULTING FROM JUDICIAL PROCESS: It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of Lessee's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.4 REMEDIES: In the case of any of the events of default described above, Lessor shall have the following remedies therefore:

- (a) Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of

rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor reenters the Leased Premises pursuant to an Event of Default, the Lessee agrees to pay and be liable for any unpaid Ground Lease Fee, damages which may be due or sustained prior to or in connection with such termination or re-entry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

If Lessor elects to terminate the Lease, then a Permitted Mortgagee shall have the right (subject to Article 8 above) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Lessee's interest in the Improvements and Leased Premises by foreclosure of its mortgage or otherwise.

(b) Lessor may bring an action at law or in equity for money damages or equitable relief, including, without limitation, an action seeking to restrain by injunction any violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or seeking specific performance of any such covenants, conditions or provisions; provided, however, that the foregoing shall not be construed as a confession of judgment by the defendant in any such action.

(c) Lessor may exercise any other remedy or remedies expressly provided in this Lease.

The foregoing remedies shall be cumulative and are not intended to be exclusive of any other remedies or means of redress that Lessor may be lawfully entitled to seek, either at law or in equity, in case of any breach or threatened breach of any provision of this Lease.

**12.5 DEFAULT BY LESSOR:** Lessor shall in no event be in default in the performance of any of its obligations under the Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.

**12.6 LIMITATION ON LIABILITY:** Lessee shall neither assert nor seek to enforce any claim for breach of this Lease against any of Lessor's assets other than Lessor's interest in the Lease and the Land, and Lessee agrees to look solely to such interest for the satisfaction of any liability of Lessor under this Lease, it being specifically agreed that neither Lessor, nor any successor holder of Lessor's interest hereunder, nor Lessor's managing agent shall ever be personally liable for any such liability. This paragraph shall not limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors-in-interest, or to take any other action otherwise permitted under this Lease which shall not involve the personal liability of Lessor, or of any successor holder of Lessor's interest hereunder, or of Lessor's managing agent, to respond in monetary damages from Lessor's assets other than Lessor's interest in this Lease and the Land, as aforesaid. In no event shall Lessor ever be liable for any indirect or consequential damages or loss of profits or the like.

**ARTICLE 13: ARBITRATION**

13.1 ARBITRATION PROCESS: Should any grievance or dispute arise between Lessor and Lessee concerning the terms of this Lease which cannot be resolved by normal interaction, the following arbitration procedure shall be used.

Lessor or Lessee shall select a disinterested arbitrator and shall give written notice to the other party of such selection. Within fifteen (15) days of the receipt of this written notice, the other party may give written notice to the first party appointing a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to name an arbitrator within fifteen days of receiving the notice from the first party, the arbitrator selected by the first party shall be the sole arbitrator. In the case of a dispute involving provisions of this Lease relating to land use restrictions and requirements, the parties shall endeavor to select arbitrators who are familiar with standard agricultural and conservation practices. Each party shall pay for the costs of its respective arbitrator, and the costs of any third arbitrator selected as provided for herein shall be borne equally by the parties.

The arbitrator or arbitrators shall hold a hearing within thirty (30) days after the initial written notice by the initiator of the arbitration process. At the hearing Lessor and Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than fifteen days after the hearing, the arbitration panel shall make a written report to the Lessor and Lessee of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final.

**ARTICLE 14: GENERAL PROVISIONS**

14.1 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, or by nationally recognized overnight courier service, to the party at the address set forth below, or such other address designated by like written notice: If to Lessor: \_\_\_\_\_

with a copy to: \_\_\_\_\_ (Lessor's attorney) If to

Lessee: \_\_\_\_\_

All notices, demands and requests shall be effective upon being deposited in the United States Mail or with a nationally recognized overnight courier service, or, in the case of personal delivery, upon actual receipt.

14.2 NO BROKERAGE: Lessee warrants that Lessee has not dealt with any broker other than \_\_\_\_\_ in connection with the consummation of this Lease, and in the event any claim is made against Lessor relative to dealings with brokers other than \_\_\_\_\_, Lessee shall defend the claim against Lessor with counsel of Lessor's selection and save harmless and indemnify Lessor on account of loss, cost or damage which may arise by reason of any such claim.

14.3 SEVERABILITY: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law.

14.4 DURATION: It is the intention of the parties that their respective options to purchase, rights of first refusal, and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons:

***NOTE: List an identifiable group of small children, e.g., the children born during the year preceding the date of this Lease in a specified hospital within the region in which the Premises is located.***

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, Lessor shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offered to Lessee. Such right shall be as specified in Exhibit D (FIRST REFUSAL). Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by Lessor at any given time of any term or condition of this Lease, or the failure of Lessor to take action with respect to any breach of any such term or condition, shall not be deemed to be a waiver of such term or condition with regard to any subsequent breach of such term or condition, or of any other term or condition of the Lease. Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

The subsequent acceptance of Ground Lease Fee payments by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term or condition of this Lease, other than the failure of the Lessee to pay the particular Ground Lease Fee so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such Ground Lease Fee payment.

14.7 LESSOR’S RIGHT TO PROSECUTE OR DEFEND: Lessor shall have the right, but shall be under no obligation, to prosecute or defend, in its own or the Lessee’s name, any actions or proceedings appropriate to the protection of its title to, and Lessee’s interest in the Leased Premises. Whenever requested by Lessor, Lessee shall give Lessor all reasonable aid in any such action or proceeding.

14.8 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.9 HEADINGS AND SUBHEADINGS: The headings and subheadings appearing in this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.10 PARTIES BOUND: This Lease, including the attached Exhibits and other attachments, sets forth the entire agreement between Lessor and Lessee with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by Lessor and Lessee or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 COUNTERPARTS: This Lease may be executed in several counterparts, each of which shall be deemed an original, and such counterparts shall constitute but one and the same instrument.

14.12 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of the State of \_\_\_\_\_. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Lessor or Lessee.

14.13 RECORDING: The parties agree, as an alternative to the recordation of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to Lessor’s attorneys. In no event shall such document set forth the rent or other charges payable by Lessee under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

IN WITNESS WHEREOF, the parties have executed this lease at \_\_\_\_\_ on the day and year first above written.

**Notarized Signatures:** \_\_\_\_\_

**Exhibits**

- A: LETTERS OF STIPULATION AND ACKNOWLEDGMENT
- B: PREMISES
- C: CONSERVATION EASEMENT  
FIRST REFUSAL  
REQUIREMENTS AND RESTRICTIONS
- F: DEED
- G: PERMITTED MORTGAGES

**Exhibit D: FIRST REFUSAL**

Whenever any party under the Ground Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale (“Offering Party”) shall within the term of the Ground Lease receive a bona fide third party offer to purchase the property which such Offering Party is willing to accept, the holder of the right of first refusal (the “Holder”) shall have the following rights:

- a) Offering Party shall give written notice of such offer (“the Notice of Offer”) to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer (“the Election Period”) within which to exercise the right of first refusal by giving notice of intent to purchase the property (“the Notice of Intent to Purchase”) for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.
- b) If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.
- c) Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Ground Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and

conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one-year period, the Offering Party's right so to sell shall end, and all of the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one-year period, the purchaser shall purchase subject to a renewed right of first refusal in said property.

**Exhibit G: PERMITTED MORTGAGES**

The provisions set forth in this Exhibit shall be understood to be provisions of Article 8 of the Lease to which the Exhibit is attached and in which the Exhibit is referenced. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A) STANDARD PERMITTED MORTGAGE: A “Standard Permitted Mortgage,” as identified in Section 8.1 of the Lease to which this Exhibit is attached shall be a mortgage that meets the following requirements.

- 1) Such Mortgage shall run in favor of either (a) a so-called “institutional lender” such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (b) a “community development financial institution” as certified by the U.S. Department of the Treasury, or similar non-profit lender to housing projects for low and moderate income persons.
  
- 2) Such Mortgage shall be a first lien on all or any of the Improvements and the Lessee’s interest in the Leased Premises (the “Security”).
  
- 3) Such Mortgage and related documentation shall provide, among other things, that in the event of a default in any of the mortgagor’s obligations thereunder, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor’s name and on mortgagor’s behalf, provided that current payments due the holder during such 120-day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default.
  
- 4) Such Mortgage and related documentation shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of this Lease, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage.

5) Such Mortgage and related documentation shall provide, among other things, that, in the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure, upon acquisition of title to the Improvements and the Lessee's interest in the Leased Premises by the Permitted Mortgagee, the Permitted Mortgagee shall give the Lessor written notice of such acquisition and the Lessor shall have an option to purchase the Improvements and acquire the Lessee's interest in the Leased Premises from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the Lessor gives written notice to the Permitted Mortgagee of the Lessor's intent to purchase the Improvements and acquire the Lessee's interest in the Leased Premises within thirty (30) days following the Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and Lessee's interest; further provided that Lessor shall complete the purchase of the Improvements and acquisition of Lessee's interest in the Leased Premises within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the Lessor does not complete the purchase within such period, the Permitted Mortgagee shall be free to sell the Improvements and transfer the Lessee's interest in the Leased Premises to another person;

6) Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the \_\_\_\_\_ area by institutional mortgagees.

7) Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of the Lessor's interest in and to this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

8) Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to Lessor or Lessor's interest in the Leased Premises, but will look solely to Lessee, Lessee's interest in the Leased Premises, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgement).

9) Such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of ARTICLE 9 hereof.

10) Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Ground Lease Fee or other rent payable by Lessee under the terms of this Lease.

**B) RIGHTS OF PERMITTED MORTGAGEE:** The rights of a holder of a Permitted Mortgage (Permitted Mortgagee) as referenced under Section 8.2 of the Lease to which this Exhibit is attached shall be as set forth below.

1) A Permitted Mortgagee shall without requirement of consent by the Lessor have the right, but not the obligation, to:

- a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;
- b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in said Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and
- c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.

2) Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of the Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

3) In the event that title to the estates of both Lessor and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor's remedies as provided in the Lease.

4) If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to Lessor for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee thereunder,

and the Permitted Mortgagee shall have cured all defaults under the Lease which can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Premises as the Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by Lessor, Lessee and the Permitted Mortgagee.

5) The Lessor shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.

6) In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to Lessor by a written notice to Lessor sent in the manner set forth in said Section 14.2 of the Lease.

Appendix F

Sample Mentor Program Design

This appendix describes the background, objectives, roles and responsibilities, and expectations surrounding the attribution of stipend monies raised by NCP for a new farmer mentoring and education program for Baltimore County farmers and farms for 2009.

### ***Background and Objectives***

NCP has coordinated the raising of funds from public and private organizations to support experienced farmers who decide to mentor intern farmers in a structured setting. NCP will grant funds to the Baltimore County Agricultural Resource Center (BCARC) which will administer the program with initial support from NCP. The University of Maryland Extension Service in Baltimore County will coordinate the implementation of the educational series.

The objective of the project is to provide new farmers with a combination of hands-on experience and classroom knowledge that will put them in a position to start their own farm operation by the end of a one-year period.

2009 is the first year of the project. In order to best define the content and parameters of the program, the project will be piloted the first year by Calvert's Gift Farm in Sparks MD. The goals of the 2009 pilot project are to define:

- the main subject categories of the program
- new content or repackaged existing material for web-based learning or review
- a process to revise and update the web-based material
- content that is specific to a farm sector, versus generic farm operations
- advertising, recruitment, and selection processes for future farmer interns
- a process for recruiting potential mentors
- an evaluation process for the program
- an evaluation process for the intern farmers
- a process for identifying landowners to lease parcels to new farmers
- model lease contracts for land leased to interns
- a budget for the 2010 program
- a process for continued fundraising
- a process for providing stipends to interns, other interested farmers, and/or "want to be farmers" to attend related conferences, workshops, etc.

### ***Roles and Responsibilities***

NCP will provide to BCARC a \$2000 stipend per intern trained by the mentoring farmer. In the pilot year, Calvert's Gift intends to mentor a maximum of five interns. BCARC offers each of the interns the total of the \$2,000 in four payment distributions, after receiving from the mentoring farmer a signed checklist of performed educational activities by each trainee (class attendance and on-the-farm practical training). NCP will disburse the funds once BCARC and Calvert's Gift sign this agreement to take on the roles and responsibilities as described in this document.

NCP will support the project in the development of the classroom educational series, web-based material, and processes for recruiting, training, and evaluating the interns and the programs, providing volunteer time and financial assistance to contract ZGA, LLC.

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During the pilot year, BCARC's role is to administer the disbursement of the stipend to interns and to plan for taking on the following tasks in the subsequent year:

- manage relationship with mentor farmers
- disburse stipend to interns
- develop process for advertising for, recruiting, and selecting future farmer interns
- develop evaluation process for program and for intern farmers
- develop process for identifying landowners
- Support Calvert's Gift in following up with the interns on their progress

Calvert's Gift is the initial mentor farm for the pilot project. During the first (pilot) year, Calvert's Gift will:

- execute the mentoring program by structuring and overseeing the apprenticeship of the trainees on the farm.
- ensure that the hands-on training is documented in such a way that it can be used as a guide for future mentors.
- plan the classroom meetings and set specific dates with speakers.
- work with Extension Office, ZGA (year 1), and NCP (year 1) to validate classroom material and help incorporate it as a web-based program.
- work with Extension Office, ZGA (year 1), and NCP (year 1) to differentiate sector-specific material from material pertaining to all sectors.
- issue a minimum of two written reports on the interns' progress and the program effectiveness (after three months of internship and within one year of program completion).

Each intern will sign a written agreement with BCARC specifying his/her commitment to the training program:

- attendance of classroom training
- hands-on practical experience at Calvert's Gift Farm, abiding by the schedule established by Jack and Becky Gurley
- regular self-evaluation
- end-of-program comprehensive evaluation of the pilot project.

The Extension Office will support the development of the educational series and the promotion of the program for the pilot year and future years. The Extension Office will be opening this program up to the public and covering a wide range of topics pertinent to starting a successful, sustainable agricultural operation with a minimal amount of start-up monies. The Extension Office will:

- advertise the educational series classes and dates to the various industry groups.
- gather and repackage the appropriate classroom material in conjunction with the web based material.
- support Calvert's Gift in identifying the appropriate speakers and content.
- provide space/conference room for the educational series to be held.

The tentative schedule for the educational series includes:

- Feb 11 - Ginger Myers will speak on marketing.

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- Feb 26 - Jack and Becky Gurley will discuss crop scheduling and rotations within a diversified organic farm operation.
- March 3 - Ray Weil from the University of Maryland will discuss soil fertility on the small organic farm.
- March 19 - Jack and Becky Gurley will discuss business management and the small farm.
- April 2 - Jon Traunfeld will discuss transplant production and seeding.
- April 16 - Bryan Butler will discuss the merits and management of high tunnels.
- Date TBA - Dale Johnson will discuss Quickbooks for farm enterprises.

ZGA, LLC will support the Extension Office, BCARC, and Calvert's Gift in gathering existing material that can be adapted to the purpose of the educational series and creating new material where none is available. ZGA will help identify the web technology needed to provide web-based instruction and will be responsible for migrating the material to a web-based support.

### ***Tentative Budget***

A budget based on four interns is described below. Total final budget will be equal to \$17,250 for five interns.

<b>New Farmer Internship Program: Pilot Year Budget 2009</b>				
	<b>Units</b>	<b>No. of Units</b>	<b>Cost per unit</b>	<b>Total</b>
General Administrative Costs	Percent	0.15	\$8,000	\$1,200
Intern Stipend	Interns	5	\$2,000	\$10,000
Speaker/Educator Fees	Sessions	8	\$150	\$1,200
Room Booking Fees	Sessions	8	\$50	\$400
Curriculum Development	Hours	16	\$75	\$1,200
Materials and Copyright Fees	Licenses	40	\$30	\$1,200
Professional Services	Service Fee per Intern	5	\$65	\$325
Web Development Training	Per Site Hosting Cost	5	\$275	\$1,375
Additional 990 Schedule	Hours	2	\$175	\$350
Total Cost				\$17,250

Appendix G

Sample Local Food System Legislation

Resolution

Woodbury County Policy for Rural Economic Revitalization  
“Local Food Purchase Policy”

Preamble

It is the policy of Woodbury County to promote the economic vitality, and public health and safety, of its rural communities. The “Local Food Purchase Policy” is intended to increase regional per capita income, provide incentives for job creation, attract economic investment, and promote the health and safety of its citizens and communities.

Summary

Woodbury County shall purchase, by or through its food service contractor, locally produced organic food when a department of Woodbury County serves food in the usual course of business. The Woodbury County Jail, Work Release Center, and Juvenile Detention facilities are presently serving food in their usual course of business. The contractor may cover for unavailable local organic supply through its current procurement practices with preference to be given local non-organic food products. An arbitration board shall be established to assure fair value to Woodbury County. A single-point-of-contact broker, located in Woodbury County, shall interact with food service contractor, for availability, price, quality, presentation and delivery terms of all locally produced organic food. The current food service contract shall be modified to carry out the intent of this policy. Purchases under this policy shall begin June 1, 2006.

Local Food Purchase Policy

SECTION 1.0 GENERAL POLICY TERMS DEFINED

Section 1.1 Locally Produced Food

‘Locally produced food’ is food that is grown and processed within a 100-mile radius of the Woodbury County courthouse, Sioux City, Iowa. The source of a grown food item, or of processing services, may be from beyond that 100-mile radius when sufficient supply, or service, is not available within that radius.

Section 1.2 Organic Food

‘Organic food’ is defined to include food that has been certified organic by an accredited certifying agency and compliant with the USDA’s National Organic Program standards and guidelines. Food that is being produced by farmers who are converting from conventional to organic production practices, and who are seeking organic certification, is also approved for purchase (i.e., transitional).

Section 1.3 Food Service Contractor

‘Food service contractor’ is defined to include Woodbury County’s existing food service contractor, CBM Food Services, and any assigns or successors.

Section 1.4 Single-Point-of -Contact Broker

‘Single-Point-of-Contact Broker’ is defined to be an incorporated farmer-run cooperative with its main business office located within Woodbury County, Iowa that primarily handles locally produced organic (or transitional) food products as defined hereunder. The only presently known broker to be formed is Woodbury Farm Foods Cooperative, with a business address of 1211 5th Street, Sioux City, Iowa.

SECTION 2.0 GENERAL POLICY PROVISIONS

Section 2.1 County Purchase of Locally Produced Food Woodbury County shall purchase, by or through its food service contractor (hereinafter referred to as “Contractor”), locally produced organic food when a department of Woodbury County serves food in the usual course of business. The Woodbury County Jail, Work Release Center, and Juvenile Detention facilities are presently the only departments serving food in their usual course of business.

Section 2.2 Organic Food Supply and Non-Organic Cover

Subject to the price and quality provisions contained within this policy, it is mandatory that Contractor purchase available supply of locally produced organic (and transitional) food from the single-point-of-contact broker (hereinafter referred to as “Broker”) in accordance with Contractor’s historical food needs. Contractor may revise recipes to include more local food if deemed more healthful or cost-effective. If the available local organic (or transitional) food supply does not meet Contractor needs, Contractor may look to cover shortfalls through its regular purchasing procurement policies; however, it is desired that Contractor look to local non-organic producers for cover, when practicable.

Section 2.3 Purchase Procedures

Contractor shall work with Broker to establish a timely notification procedure with respect to Contractor periodic demands and Broker delivery guarantees. If Broker is unable to guarantee delivery of a specified item of Contractor demand, there should be sufficient time provided by the procedure for Contractor to exercise cover. Contractor demand shall specify quantity, quality, presentation, and delivery terms.

Section 2.4 Price Terms

Contractor and Broker shall negotiate prices that are fair to all parties concerned for each item traded, and with accountability to Woodbury County Board of Supervisors, as stated herein. It is preferred, but not mandatory, that the overall annual food cost to Woodbury County will not increase by reason of this policy. The price to be paid Broker for a particular food item, if cost is higher for locally produced organic food, shall be established by the following guidelines:

Section 2.4.1 Guidelines for Establishing Item Cost

- (a) The price for a particular food item shall reflect the fixed and variable costs of production, anticipating a reasonable profit to the local farmer, and include reasonable commission to Broker.
- (b) The price for a particular food item under this policy can be compared with the price a farmer (who supplies Broker) charged for the same item to other buyers over the previous 12-month period. Broker must justify any increase in price to the Contractor.
- (c) Contractor shall consider the cost of a particular item in view of the overall contract cost (i.e., another organic item may cost less, so the overall contract cost to the County is the same).
- (d) Fair market value for the food item may be established through comparable sales in comparable markets (i.e., local supermarket price, or the price charged for an item by other Midwest food brokers, wholesalers, and retailers).
- (e) Special attention shall be given if there is material increase in price over what Contractor would otherwise pay for a similar item.

Section 2.4.2 Guidelines for Woodbury County Policy Review

- (a) Woodbury County, through the Organics Board, shall review the costs of this policy in terms of food costs every 3 months to determine if costs to the County under this policy

exceed existing contract price. A report to the Woodbury County Board of Supervisors will be provided on a quarterly basis.

- (b) If the overall food service contract cost increases as a result of this policy, the higher cost can never exceed the expected benefits of the policy to Woodbury County. In determining the value of the policy to Woodbury County, it is accepted as general principle that dollars expended locally will circulate within the regional economy.
- (c) Woodbury County will consider the impact of this policy on the reduction of health care costs related to inmates, behavioral changes of inmates, and other factors that may potentially reduce costs to Woodbury County.
- (d) If the policy results in job creation by Broker, expanded markets for local organic products, or results in increased organic food production within the county, Woodbury County will compare the increase in costs under this policy with comparable costs associated with other forms of economic development tools to determine reasonableness of the increased costs.
- (e) Allowances will be made for the learning curves of local producers and suppliers to meet county demand.
- (f) It may be acceptable for the county to endure higher costs in the short term if there is clear evidence that in so doing, economics of size are being built that will reduce costs in the long term.

#### Section 2.5 Arbitration Board, Non-Binding Arbitration

An Arbitration Board shall be established by Woodbury County to hear any disputes between Contractor, Contract-Broker, or Woodbury County in the operation of this policy. Dispute resolution shall be by “non-binding arbitration”. Woodbury County directly, or by and through Contractor, reserves the right to reject a proposed purchase of locally produced organic food.