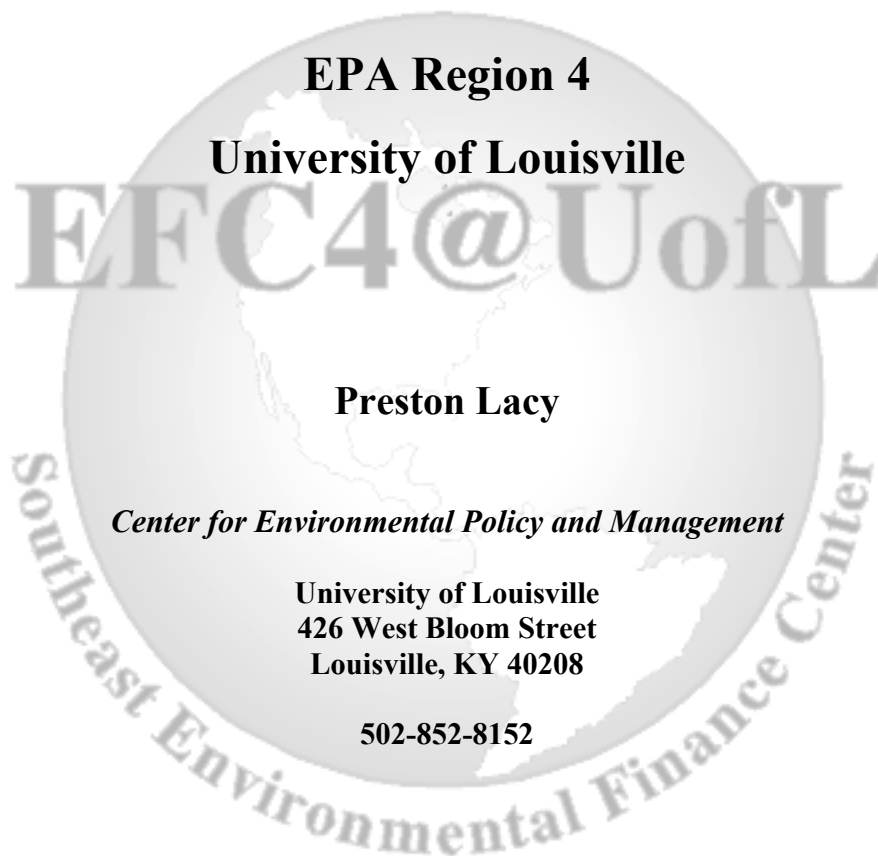


***Farmland Preservation: The Benefits of Saving
Our Agricultural Land and Resources***

**Practice Guide #16
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Southeast Regional Environmental Finance Center



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Introduction

Due to urban expansion in the United States, farmland continues to disappear at an alarming rate. The increasing popularity of residential large lot developments escalates this loss of productive agricultural land. This loss is not an isolated occurrence or happening only in selected regions. Instead, it is a widespread problem that is depleting the vital natural resource of farmland across the nation. Maintaining prime agricultural land allows communities to sustain local agricultural economies, increases the production of more agricultural produce with less potentially harmful inputs such as chemicals, and maintains the environmental and aesthetic benefits associated with these lands.

There are many locations across America that has few to no policies related to farmland preservation. Without effective farmland preservation policy, communities continue to have little control over what land is developed. Due to relatively flat topography and deep fertile soils, land that qualifies as prime farmland is also the most readily available and least expensive for the construction of urban development. Therefore, this type of land near a growing community has the greatest potential to become part of the unchecked sprawling pattern of urban development. Farmland preservation policies are enacted in order to protect prime farmland and directly benefit both the rural and urban communities.

This practice guide begins by providing a brief history of farmland preservation in the United States. The discussion then describes the current solutions to the farmland preservation dilemma that are already being used in certain areas of the country. These programs and strategies are described in detail. It is important to note that certain programs that have seen great success in some areas will not necessarily produce similar results in other locales. Factors such as the local economy and political climate play a major role in the likelihood of forming certain types of farmland protection policies.

The Issue

Farmland continues to disappear at a very rapid rate due to urban expansion in America. Between 1982 and 1997, while the population of the U.S. grew by 17 percent, the amount of land developed for urban purposes grew by 47 percent. Acreage-per-person for new housing has nearly doubled since 1994, contributing to the greater increase in developed land. Housing lots that are 10 acres or larger account for 55 percent of the land developed (American Farmland Trust, 2005), signifying that many homeowners are drawn to these types of 'secluded' developments. This type of large lot development adds to the adverse effects that urban sprawl has on surrounding farmland. Dodds-Weir and Dykstra (2003) claim this trend continues due to the lack of restrictions on development and the increasing number of citizens who have pushed for larger residential properties in rural areas near cities. It is incorrect to assume that all locations are experiencing a 'free for all' or lack of development restrictions; however, it is correct to state that many locales have either very few or no restrictions which would help to preserve farmland.

Productive farmland is lost to urban development all across the U.S. This loss is not just an isolated event occurring in a few regions of the country. The amount of farmland acres that were developed in the 1990s was twice as much as the 1980s (American Farmland Trust, 2005). The doubling that occurred within the past two decades shows that the trend will continue unless proper land use policy actions are taken and changes are made.

Between 1992 and 1997, more than 6 million acres of farmland (which nearly equals the size of Maryland) in the U.S. were lost to development. This is a national loss of two acres of farmland every minute (American Farmland Trust, 2005). As these trends continue, the potential for community sustainability decreases due to lack of surrounding prime farmland and deterioration of the local farming economy.

During this same five-year period, prime agricultural land disappeared 30 percent faster than more marginal land (American Farmland Trust, 2005). The high quality soil associated with prime farmland is an important natural resource to maintain in order to provide greater levels of food production at lower costs. As this land is developed, the farming industry is forced to bring more marginal agriculture land into production. Marginal farmland consists of less productive soil and more irregular topography, such as steeper slopes.

History

Throughout the decades, the use of economic incentive policy tools in the field of farmland preservation continued to grow and expand. These tools are constantly tweaked and amended in order to reach a higher level of effectiveness within America's capitalist economic system.

Academic researchers were the first to voice concern over urban development severely impacting surrounding farmland in the late 1950s and early 1960s (Bunce 1994). The 1960s and 1970s proved to be a time for change and rejection of historical ways of thinking about both planning and farmland preservation. Lehman (1995) observed that distress over world food scarcities increased at the same time that the environmental movement of the 1970s started. Greater concern for the proper conservation and preservation of farmland in America began to emerge. All of this coincided with an increasing acceptance that farmland supply was a limited resource.

By the late 70s, most U.S. states had adopted policies to control the conversion of farmland to urban development (Furusetth and Pierce, 1982). The effectiveness of these early policies is debatable, and the level of public support had room for improvement. Local advocacy groups, many of which were known as land trusts, began to form in locations where development pressures were especially high. These were originally founded in the late 19th century in New England but increased rapidly and spread across the country in the past 20 years (Bunce, 1994).

Historically, the U.S. has been very decentralized and structurally fragmented on many issues including farmland preservation. Lehman (1995) states “the environmental movement of the 1970s ran squarely against the profound American hostility toward centralized regulatory controls” (p. 4). The conservationists began calling for coordinated policy planning and federal recognition of a national interest in private lands. Several attempts to create federal land use policies covering the nations farmland failed.

As the lack of federal support became obvious, state and local governments created their own decentralized policies. Many of these policies were ineffective due to lack of power and funding on the local government level. The federal government had difficulty passing any legislation on the issue due to the fear that this would lead to stronger federal regulations and policies on all land use in the nation. The national farmland preservation movement faded in the early 1980s due to the deregulated federal government beliefs of the Reagan administration and the increasing production surpluses from farmland due to technological advances. Lehman (1995) asserts, “Failure at the national level left the movement without a focus, but state and local protection programs continued to sprout at a rate which suggested that local interest in farmland protection remained strong” (p. 156). Public support continued to grow throughout the decade as it became clear that the federal government was not willing to contribute to farmland preservation.

Only one true national private organization developed and filled part of the leadership gap left vacant by the federal government. This advocacy group, The American Farmland Trust (AFT), is described by Bunce (1994) as an organization “committed to protecting America’s farmland through direct land acquisition, advice on policy development and acting as an information clearinghouse” (p. 199). Most of the work done by the AFT is directed to state and local programs that continue to grow and implement new policy tools.

Considering the vast American geographical land area and the bottom-up formation of farmland preservation groups factored in with the very recent expansion of public support, it is safe to assume that the policies developed by the U. S. were and are still very diverse in both availability and implementation across the nation. Farmland preservation in the U.S. is often presented as a package of tools that are used either separately or together depending on individual situations.

Throughout the past 50 years, this set of tools expanded as new ways of dealing with the loss of farmland to urban development are discovered. America’s farmland preservation methods developed everywhere except at the national level. Both public and private organizations at the local, regional, and state levels have contributed to the dispersed pattern of a variety of preservation techniques being used today. Within the past decade, the federal government began to demonstrate an increased interest in the farmland preservation cause by creating funding that was used by many farmland preservation programs throughout the country. However, at present this federal funding is on the decline.

Types of Land Conservation Tools

Throughout the history of farmland preservation, the toolbox continued to grow and expand. The following tools all played a role in preserving farmland. As will be seen, some have been more successful than others.

- ***Donations of Land or Agricultural Conservation Easements*** – An outright donation of land or agricultural/conservation easement(s) to a nonprofit or government entity that provides tax benefits to the donor (Placer Land Trust, 2006). The donation (or purchase) of both types of easements perform the same function of restricting urban development, and the terms *agricultural easements* and *conservation easements* may be used together or interchangeably.
- ***Acquisition*** – Land preservation organizations or programs can purchase land and then sell it to a state or federal agency or a conservation buyer.
- ***Land Exchanges*** – Land preservation organizations or programs can assist with land exchanges between public agencies and private landowners by negotiating the acquisition and then finding a buyer for the land.
- ***Purchase of Property in Installments (Installment Purchase Agreement)*** – Land preservation organizations or programs can pay the sales price in two or more installments.
- ***Bequest Donation in Will*** – Donation of property or conservation/agricultural easement can be made through a will and turned over to the land preservation organization or program upon death.
- ***Life Estate Donation/Sale*** – Seller retains the right to continue to use and live on the property until death, and this may run simultaneously or consecutively. For example, a husband and wife may simultaneously share a life interest and/or the life interest may be passed on for consecutive generations. Once both generations are deceased, the land is passed on to the designated nonprofit or government agency.
- ***Conservation/Cluster Subdivisions*** – Conservation subdivisions are developed to provide open space that can be maintained as farmland, forest, or natural areas through such incentives as density bonuses. Though similar, cluster subdivisions do not usually focus on what areas of the property are most naturally significant and important to conserve when developing the plan. Both conservation and cluster subdivisions have the potential to provide a buffer between urban development and agricultural and natural areas (Arendt, 1997).

- ***Property Tax Incentives*** – Includes differential tax assessments, deferred taxation with rollback penalties, and restrictive agreements. Property tax policies help decrease the financial burdens of a farming operation but do very little to directly avoid developmental pressures. The Maryland state government began a differential tax assessment program in 1956. Since then, this property tax policy has spread to every state except Michigan.
- ***Agricultural Zoning*** – Relatively inexpensive to apply and commonly used as a tool for farmland preservation in 24 states (American Farmland Trust, 1998), agricultural zoning can be divided into two major categories. Exclusive zoning restricts the construction of non-farm buildings (Daniels and Bowers, 1997) but does little to protect farmland on the fringe of a growing city since the land can easily be rezoned at any time by the local planning commission. Nonexclusive zoning allows a limited amount of development to occur while preserving a predetermined percentage of either natural areas or farmland. This can be a useful tool for providing large individual lots or small areas of preserved open space, but it cannot act as a boundary to prevent growth of cities and suburbs. Agricultural zoning was first used in California, Washington, and Pennsylvania in the mid 1970s (Halich, 1999). In 1995, the American Farmland Trust found nearly 700 counties in the 24 states using agricultural zoning (1998). In EPA Region 4, two of the eight states use Agricultural Protection Zoning within certain counties. These states are Florida and Kentucky (American Farmland Trust, 2002).
- ***Large Lot Zoning*** – When used to preserve farmland, the minimum lot size should be no less than 40 acres to effectively retain farmland and natural areas while at the same time deter urban sprawl (Nelson, 1992).
- ***Agricultural District Program (Agriculture Security Area)*** – Voluntarily created by farmers in order to receive improved property tax incentives, this program limits the amount of agricultural land being annexed or rezoned for development by adjacent cities (Daniels and Bowers, 1997). These districts are legally recognized geographic entities where agricultural activities and their land bases are encouraged and protected (United States Department of Agriculture, 2005). Much like property tax incentives, the formation of agricultural districts provides some economic incentives. The Agricultural District Program tool originated in California in 1965. As of 2001, there were Agricultural Districts operating in 16 states (United States Department of Agricultural, 2005). In EPA Region 4, the states of Kentucky, North Carolina, and Tennessee all incorporate Agricultural Districts (American Farmland, Trust 2002).
- ***Right-to-Farm Laws*** – Provide a more stable investment climate for agricultural infrastructure and allow farmers to continue operating without fear of nuisance lawsuits as surrounding properties develop (American

Farmland Trust, 2004). Right-to-Farm laws exist in all 50 states (United States Department of Agriculture, 2006).

- ***Transfer of Development Rights (TDR) Program*** – Allows development rights from areas that are earmarked for preservation to be sold to developers who can then transfer those rights to increase densities on pre-approved sites that have been delegated for a city’s future growth. The first TDR Program began in 1967 in Boulder County, Colorado (United States Department of Agriculture, 2005). This program functions through the private market. The sending zones also allow for contiguous arrangement of preserved farmland that could potentially allow a local farming economy to sustain itself, while creating barriers that protect the best agricultural land from urban development and diverting city expansion to more marginal farmland. TDR programs cannot easily expand outside of their local political boundaries, and there have not been any attempts for a regional program as of yet (Halich, 1999). Use of the TDR program has not become widespread throughout America. According to the American Farmland Trust’s Farmland Information Center, using TDR, Montgomery County, Maryland, has protected 40,583 acres. This alone represents 60 percent of the total number of TDR protected acres in the U.S. (American Farmland Trust, 2005). Despite the fact that this program has not been successful nationwide, it is apparent when looking at Montgomery County, Maryland, that a properly designed and managed TDR program can successfully promote sustainable growth of the city while preserving the best surrounding agricultural land.
 - ***TDR Program in EPA Region 4***

Florida has two TDR programs related to farmland preservation. The first has begun transferring while the second has not. As of 2005, the local program in Marion County successfully approved two TDR transfers, preserving 307 acres of farmland in return for 90 bonus dwelling units in the receiving area of the town (Pruetz, 2005). The other TDR program, in Hillsborough County, Florida, has a goal of preserving farmland along with other lands and sites such as environmentally sensitive areas and historic landmarks. However, this program has had no TDR transactions on any land as of March 2005 (Pruetz, 2005). There is also a TDR program in Clark County, Kentucky. Two transfers have been completed as of 2004. The receiving sites are crossroad community districts in the rural areas of the county (Pruetz, 2005).
- ***Purchase of Development Rights (PDR) Program*** – Also known as Purchase of Agricultural Conservation Easements (PACE), Purchase of Development Rights (PDR) allows development rights to be purchased from the individual property owners. Though the current owner and future owners still have control over the land, they have made a legal agreement to never develop their land for residential or any other non-agricultural use (Halich, 1999). This program first began in 1974 in Suffolk County, New York. Increasing concern about regional food security issues and the loss of open space led the states of Maryland,

Massachusetts, Connecticut, and New Hampshire, along with King County, Washington, to enact their own PACE programs by the end of the 1970s (United States Department of Agriculture, 2005). PDR programs can be statewide or local. Unlike the TDR programs that use developer funding through private markets, the PDR programs throughout the nation are operated by state and local governments and use public funding for support. The variety of funding sources available for this program is diverse; therefore finding creative ways to use as many as possible will lead to the most successful programs. Because the PDR program creates a more substantial economic incentive for farmers to stay in production, it is a stronger approach to farmland preservation. Farmland owners are paid by subtracting the value of what the land is worth if sold for development from the fair agricultural value or the worth if it were sold as agricultural land. There are many examples nationwide where landowners believe so strongly in the goals of farmland preservation that they skip the appraisal process and donate their development rights to the PDR program. Overall, the PDR program has seen more implementation than the TDR program. PDR programs do not have specific sending areas like the TDR program but preserve farmland that best meets the criteria for preservation over the entire jurisdiction of the program, whether it is countywide or statewide. This can lead to the longer process of forming more contiguous preserved farmland boundaries than would be possible with the designated sending areas of the TDR program.

- ***PDR Programs in EPA Region 4***

Kentucky and North Carolina both have active state PDR/PACE programs. South Carolina also has a state program but as of August 2005 has yet to acquire any land conservation easements through the program. Kentucky and North Carolina also have local PDR/PACE programs. Kentucky has one active program and North Carolina has four total programs, two of which are active and two have yet to acquire any land conservation easements (American Farmland Trust Farmland Information Center State and Local PACE Programs Fact Sheets, 2005).

State Programs

The Kentucky PACE state program has purchased agricultural conservation easements on 86 farms that total 20,492 acres across the state for \$17,497,530. These easement costs averaged \$854 per acre, while the farm size averaged 238 acres. Twenty-seven easements on 3,815 acres have also been donated to the program. This brings the total amount of preserved land under the Kentucky statewide PACE program to 113 farms containing 24,307 acres (Kentucky Department of Agriculture, 2005).

The North Carolina Farmland Preservation Program has been administered by the Conservation Trust for North Carolina since 1998. The program has preserved 33 farms, totaling 4,412 acres. It received \$2.6 million in funding up to 2003 and leveraged over \$26 million in other funds and

equivalent values of donated development rights. Funding has been completely cut since 2004, and local land trusts are placing the restoration of funding for this program on the top of their agenda (Conservation Trust for North Carolina, 2006).

Local Programs

Kentucky's first and only local PDR program is the Lexington-Fayette Urban County Government PDR program. As of April 10, 2006, 141 farms totaling more than 15,903 acres are protected by conservation easements. Fifteen of these farms have been donated, totaling 475 acres (Lexington-Fayette Urban County Government, 2006). As of August 2005, \$10,402,883 was available for the program.

The two active local programs in North Carolina are in Forsyth and Orange Counties. Forsyth County has protected 1,606 acres on 27 farms and spent \$2,630,066. Orange County has protected 340 acres on three farms, spending \$916,097. As of August 2005, the Currituck County Soil and Water Conservation District and the Rowan County Soil and Water Conservation District both have PACE programs approved but have yet to make any land acquisitions (American Farmland Trust, 2005).

- ***Smart Growth and Level of Service (LOS) Programs*** – Both programs indirectly preserve farmland through economic incentives and basic regulations that slow development on the urban fringe.
- ***Urban Growth Boundaries*** – Low density and decentralized development is prevented on nearby farmland by creating a boundary where a city's public services must stop. The first Urban Growth Boundary (UGB) in America was set up in 1958 in Lexington, Kentucky. The Lexington UGB initially provided capital improvement incentives that made building within the boundary less expensive.

Governmental and Non-governmental Programs for Land Preservation

There are many governmental and non-governmental land preservation programs across the U.S. This is an overview of these programs on the national, state, regional, and/or local levels.

National Governmental Programs

- **Farm and Ranch Lands Protection Program (FRPP):** Partnering with state, tribal or local governments and non-governmental organizations, often through existing programs like PACE and PDR programs across the nation, FRPP provides matching funds used to help purchase agricultural conservation easements on productive farm and ranchlands. This program was established in the 1996 Farm Bill.

- **Grassland Reserve Program:** This voluntary program helps landowners and operators restore and protect grassland, including rangeland, pastureland, and scrublands while maintaining the areas as grazing lands. This program offers permanent easements and 30-, 20-, 15-, and 10-year rental agreement contracts.

State Programs

- **PACE Programs** – These programs not only purchase conservation easements but also encourage land owners to donate easements in order to dedicate their land to agricultural uses. There are 27 statewide programs and at least 50 local programs operating in 16 states. Nationally, the statewide programs have protected 1,361,591 acres, and the local programs have independently protected 241,181 acres (American Farmland Trust, 2005). There are many sources of funding that may be used for PACE programs. Most often, general bonds that lead to increased property taxes are used to fund these programs. Other programs have used real estate and agriculture transfer taxes and sales tax increases (American Farmland Trust, 2005). Another major source of funding comes from the federal Farm and Ranch Lands Protection Program, which provides matching funds for state, local, and tribal PDR programs (American Farmland Trust, 2005). For some PDR programs a more surprising source of funding has come from the Intermodal Surface Transportation Efficiency Act of 1991. This act provides money to acquire scenic views along the nation’s highway system (American Farmland Trust, 2005). Often the scenic views along highways are working farms. The states of Delaware, Maryland, Massachusetts, Michigan, and Vermont have been the first to incorporate this funding into their state or local PDR programs (American Farmland Trust, 2005).

Local/Regional Programs

- **PDR Program** –Local PDR programs work within a smaller geographical area and have a denser, more focused area of preserved agricultural land when compared to statewide PACE programs.
- **TDR Programs** - Allows development rights from areas that are earmarked for preservation to be sold to developers, who can then transfer those rights to increase densities on pre-approved sites that have been delegated for a city’s future growth. The first TDR Program began in 1967 in Boulder County, Colorado (United States Department of Agriculture, 2005). There have been no attempts to establish TDR programs on a regional basis.
- **Land Trusts** – Trusts can be developed by government entities. They hold conservation easements on properties. Further detail on land trusts will be addressed in the following section.
- **Planning and Zoning Offices** – These offices administer many of the policies that protect farmland, such as conservation/cluster subdivisions, agricultural zoning and urban service boundaries.

Non-governmental Organizations (National, Regional, Local)

- **Land Trusts** – Not only have land trusts provided one of the most common ways to permanently preserve agricultural and natural lands by accepting donated conservation easements that restrict development rights, they also purchase conservation easements or directly buy properties at an agreed upon discounted rate from landowners and partner with state and local governments to monitor compliance with easements. The 2002 Farm Bill allows nongovernmental organizations such as these trusts to receive the same matching federal funding given to the state and local PDR programs (United States Department of Agriculture, 2005). Many nongovernmental land trusts are forming partnerships with the federal, state, and local governmental land preservation programs. According to the Land Trust Alliance (2005), which is the national organization for all of these trusts, there are currently over 1,500 nonprofit land trusts that have protected 9.3 million acres in America.

Conclusion – Combining Tools

In order for preservation of farmland to reach its full potential, the proper preservation tools must be combined. Lexington, Kentucky, has seen great success, when compared to the rest of EPA Region 4, due to its combination of preservation tools. The most important tools used are: Urban Service Boundary (USB), large lot zoning with a minimum of 40 acres (outside the USB), the Lexington-Fayette Urban County Government Purchase of Development Rights Program (PDR), and the nongovernmental Bluegrass Conservancy land trust. Concentrated success occurs when a combination of tools are used in conjunction with the collaboration between governmental and nongovernmental entities. This combination of tools and organizations is vital if a region is to have a successful farmland preservation program.

Appendix A:

It should be noted that at the time of publication the websites outlined below and in other Practice Guides were active sources, there is no guarantee that these web addresses will continue to be active.

Resources for National Programs:

Farm and Ranch Lands Protection Program (FRPP) www.nrcs.usda.gov/programs/frpp/
Grassland Reserve Program (GLP) www.nrcs.usda.gov/programs/GRP/

Resources for National Land Trusts:

The American Farmland Trust www.farmland.org/
Land Trust Alliance www.lta.org
The Conservation Fund www.conservationfund.org/
Trust for Public Land www.tpl.org/

Appendix B:

Financing Mechanisms

Governmental

PACE/PDR Programs

Statewide PACE Program Funding Methods

Funding Method	National	State	Local	# of States using Method
FRPP	X			19
Federal Wetland Conservation Fund	X			1
Bonds		X		14
Appropriations		X		13
Private/Foundations Contributions		X		11
Property Transfer Tax		X		4
Transportation Funding		X		3
Agricultural Transfer Tax		X		2
Tobacco Settlement Funds		X		2
Real Estate Transfer Tax		X		2
Repayment of Tax Credits by landowners withdrawing from the states circuit breaker program		X		1
Portion of State Sales and Use Tax		X		1
Portion of Lottery Proceeds		X		1
Portion of Lawsuit Settlement		X		1
Cigarette Tax		X		1
Credit Card Loyalties		X		1
Interest on Securities		X		1
Deed/Recording Fees		X		1
Farms for the Future Pilot Program		X		1
Local Government Contributions			X	14

Source: American Farmland Trust Farmland Information Center Fact Sheet: Status of State PACE Programs

Local PACE Program Funding Methods

Funding Method	National	State	Local	# of Local Programs using Method
FRPP	X			32
State Grants/Match Grants		X		6
State Agricultural Conservation Program Funds		X		1
State Bonds		X		1
State Funding		X		1
State Tobacco Settlement Funding		X		1
Bonds			X	28
Appropriations			X	26
Property Tax			X	16
Agricultural Transfer Tax			X	8
Private Contributions			X	7
Sales Tax			X	6

Real Estate Transfer Tax			X	5
Local Government Contributions			X	3
Transportation Funding			X	3
Deed/Recording Fees			X	2
Grants/County Grants			X	2
Mitigation Fees			X	2
Private/Foundation Contributions			X	2
Property Transfer Tax			X	2
Timber Excise Tax			X	2
Transient Lodging Tax			X	1
Use Tax			X	1
Gaming Revenue			X	1
Investment Income			X	1
Transfer Tax			X	1
Dedicated County Preservation Tax			X	1
Private Loans			X	1
Interest from Rollback Taxes			X	1
Rollback from Agricultural Use Assessment Program			X	1
Gift from Chamber of Commerce			X	1

Source: American Farmland Trust Farmland Information Center Fact Sheet: Status of Local PACE Programs.

Non-Governmental (NGOs)

Land Trusts

Donations

Donations can include money or equipment and land. Items such as equipment and land with little conservation value can be resold, and the money can then be put into the land trust budgets.

Charitable Remainder Trusts

A donor can transfer cash and/or appreciated property (stocks, bonds, land, or other marketable property) into a trust. Taxes are not paid on appreciation, and the interest in income goes to the land trust(s). Once the income interest ends, either by death or the conclusion of the term, the trust terminates. The trustee then pays the remaining assets to the charity or charities named in the trust for whatever use the donor originally stipulated.

Charitable Gift Annuities

Charitable gift annuities give the donor an immediate tax deduction and regular income payments for life when donating property, while providing long term financial support to the chosen land trust. A charitable gift annuity is partly a charitable gift and partly a purchase of an annuity contract. The land trust enters into a contract agreeing to pay the donor a fixed annuity for life. After death, the land is sold by the land trust. If the land

has conservation value, a permanent conservation easement is placed on the land. The income would then be set aside in a reserve account.

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