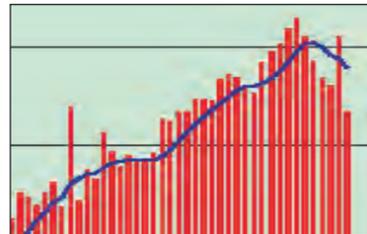


NEW HAMPSHIRE

BUSINESS REVIEW

• news & analysis
Granite State exports take a dive



...See page 14

Inside:

Page 3	3	NH Opinions	20	R.E. & Construction	33
Q&A	5	Resources		One-Liners	40
News & Analysis		Calendar	22	Top Shelf	43
In Brief	6	Improving Performance	23	The Latest	44
Stock Check	10	Legal	26	Flotsam & Jetsam	46
Cook on Concord	12	Education	28	The Last Word	47

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THIS ISSUE

NHBR interview:
Airport Director Kevin Dillon 5

State House wrap-up:
Two health-care mandates gain . . . 11

Disciplinary panel sinks water firm's ethics charges 26



Real Estate & Construction section 33

ECONOMIC IMPACTS OF NEW HAMPSHIRE AGRICULTURE



A SECOND HARVEST

Direct agricultural sales can affect related businesses and suppliers creating indirect and induced economic impacts

- \$475m indirect sales in agriculture from \$357m direct sales (including farm-product sales and horticultural plant production) = TOTAL \$832m

- \$283.5m indirect other horticultural sales from \$197m direct sales (including retail trade and landscape construction) = TOTAL \$481m

- \$633.5m indirect agriculture-related tourism sales from \$380.7m direct sales (including fairs, tourism and scenery visits) = TOTAL \$1.014b

GRAND TOTAL = \$2.3b

New Hampshire's farm economy grows into new role

AGRICULTURE

By Cindy Kibbe

The future of New Hampshire's agricultural industry may rely on niche markets instead of supermarkets, according to a recent study.

The study, prepared earlier this year by Dr. Laurence Goss of the Institute for New Hampshire Studies at Plymouth State University for the New Hampshire Department of Agriculture, found that the state's agricultur-

al businesses recorded an estimated \$934 million in sales and employed some 10,866 people in 2005, the most recent year for which statistics were available. When secondary economic impacts totaling \$1.392 billion are added, New Hampshire's agriculture industry provided 19,441 jobs and generated over \$2.3 billion to the state's economy, equal to 4.3 percent of the gross state product.

"Contrary to popular myth, New Hampshire's **Farm economy** page 18

Reimbursement cuts assailed by pharmacies

HEALTH CARE

The federal Centers for Medicare and Medicaid has announced plans to decrease the reimbursements paid for generic drugs that it pays to health-care providers starting July 1, but at least some New Hampshire pharmacists say that the action could force them to cut back on services and even turn away Medicaid patients.

"The numbers just don't add up," said Mike Smith, a director of the New Hampshire Association of Pharmacists. "Essentially what CMS did is left out the wholesaler's mark-up in drug costs to the pharmacist."

The cut in reimbursements is part of the Medicaid Deficit Reduction Act of 2005, which is designed to save as much as \$8.4 billion in state and federal funds over five years in drug benefits alone.

The Government Accountability Office reviewed CMS's cost-containment strategy in its December 2006 memo, "Outpatient Prescription Drugs: Estimated 2007 Federal Upper Limits for Reimbursement Compared with Retail Pharmacy Acquisition Costs."

The agency said it had "significant concerns" with estimates on drug costs, namely that the average manufacturer prices it used to calculate its upper limits for deciding reimbursement were found to be 36 percent lower than average retail pharmacy acquisition costs.

Reimbursement cuts page 15

N.H. firm states case against patent reform bill

THE LAW

By Cindy Kibbe

Depending on where you stand, patent reform legislation making its way through Congress is needed to keep the United States competitive in the 21st century or it would be "devastating" to tech businesses and innovation.

Among its provisions, the Patent Reform Act of 2007 — introduced in April by Sen. Patrick Leahy, D-Vt., chairman of the Senate Judiciary Committee, and Congressman Howard Berman, D-Calif., chairman of the House Judiciary Committee — would limit the damages a patent holder can collect when an infringing technology is part of a larger product. It also would allow new ways to challenge patents after the U.S. Patent and Trademark Office has granted them, award patents to those first to file, as opposed to those first to invent, limit the damages patent holders can collect in infringement lawsuits and create a

new procedure to patent validity challenges, called a "post-grant review."

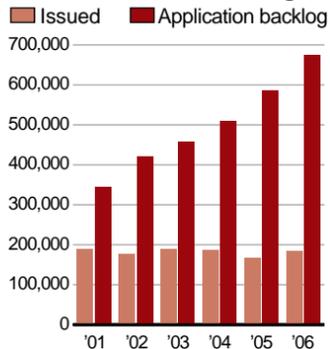
Many large tech vendors have argued that the U.S. Patent and Trademark Office too often approves questionable patents, and that it's too easy for patent holders to sue, collect huge damages and shut down product lines that have a small infringing piece.

Patent reform bill page 17

Waiting game

The backlog of patent applications at the U.S. Patent and Trademark Office is expected to reach a record 800,000 by the end of this year.

Patents issued and backlog



SOURCE: U.S. Patent and Trademark Office AP

eye AWARD
 Emerging Young Entrepreneur

Luc Monzies ...Story on page 16

Honoring New Hampshire's Young Entrepreneurs



NEWS & ANALYSIS

Farm economy

> Continued from page 1

farms are not disappearing, but changing dramatically," said Goss. "Small farms and horticultural growers are doing really well. They can't grow enough food fast enough. It's the large commodity farms that are struggling."

Amid widespread food recalls, New Hampshire's small farms appear to be benefiting from a growing number of consumers looking for local produce and other agricultural products, said Gail McWilliam Jellie, director of the state Division of Agricultural Development.

"People are becoming more and more interested in where their food is coming from," said Jellie.

For instance, she said, "we've had phenomenal growth in the number of farmer's markets. In the 1990s there were about 12. Today there are almost 60. We don't have enough farmers to handle the demand."

Organic and sustainable lifestyles also are gaining in popularity and have given rise to niche farms growing organic foods as well as programs like New Hampshire

Farm to Restaurant, a collaboration of the Agriculture Department, New Hampshire Made, the New Hampshire Restaurant and Lodging Association and several other groups, encouraging the purchase and use of local farm and food products for restaurant meal preparation by linking the state's food producers with restaurants.

Difficult to define

According to Goss, while he estimates the overall 2005 economic impact of New Hampshire agriculture at \$2.3 billion, the figure might even be larger. That's because one of the difficulties in preparing the report was defining what businesses comprised agriculture, in terms of data gathering.

"No one agency keeps all the data," said Goss.

He relied on the functions the state Agriculture Department terms agricultural as well as statistics from the U.S. Census Bureau, the U.S. Department of Agriculture, the U.S. Bureau of Economic Analysis, the IRS, state and federal tourism agencies, even the New England Nursery Association.

Despite these sources, he said, determining which activities could be considered agricultural still posed some difficulty.

"For example, while many of us might consider the farming of Christmas trees to be an agricultural business, the government considers that to be a forestry activity, so those statistics weren't in the report," Jellie said.

Other types of farming activities, such as egg and wool production, are classified as indirect sales. Some functions, such as the dairy industry and wineries were not included either.

"There are so few dairies in New Hampshire, that data is not disclosed," said Goss.

Jellie said the USDA doesn't keep statistics on New Hampshire wineries yet, "but I wouldn't be surprised if future reports include them because this industry is growing so rapidly here."

Agricultural production

Total sales made on New Hampshire's farms in 2005 were \$357 million, including purchasing products directly from farmers or at farmer's markets.

This included \$173 million in agricultural sales and \$184 million in horticultural sales – the sale of plants grown for consumers at nurseries.

Other aspects of the nursery industry, such as wholesale trade sales and landscape maintenance, were not included as agricultural activities, primarily because sales were not made to the final users.

The U.S. Bureau of Economic Analysis reported 6,748 people in New Hampshire were engaged in actual farming in some capacity, generating some \$63.5 million in wages.

Based on statistical models developed by Goss, secondary businesses affected by the \$357 million generated by primary farming activities created an induced effect of an additional \$475 million and 4,270 jobs.

The total impact of the agricultural sector, including primary and induced, was \$832 million, or 1.6 percent of the gross state product.

Other horticultural sales, such as retail trade sales and landscape construction, were included in the report's analysis, reaching \$197 million in 2005.

This category generated an additional >

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