

SERVING SMALL FARMS IN THE 21st CENTURY

Stephan Tubene and David Holder¹

Abstract

The 1998 National Commission on Small Farms appointed by the Secretary of Agriculture Dan Glickman (in nearly 20 years), examined the status of small farms in the U.S. and determined a course of action for the United States Department of Agriculture (USDA) to recognize and respond to the needs of small farms (USDA, 1998). Despite the recognition of small farms as the foundation of the U.S., small farms still struggle in today's economy. Much has to be done as a nation to support small family farms. Policy makers and USDA agencies need to work closely together to get laws put into actual actions. Land-grant universities and small farm centers may have to move outside their comfort zone, whether reaching unreachable, non-traditional audiences, or lobbying policy makers. Private institutions serving the farming community may have to reinvent themselves and become more innovative in program delivery.

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¹Tubene is the 2001 CSREES-ECS Fellow and the Coordinator of the Small Farm Institute, University of Maryland Eastern Shore. Holder is the Program Leader, Agricultural Marketing, CSREES-ECS and the Fellow's Mentor.

Contents

Abstract.....	1
Acknowledgments.....	1
Contents	2
Executive Summary	3
Introduction.....	4
Methodology.....	4
Farm Typology.....	4
Small Family Farms.....	4
Other Family Farms	5
Non-Family Farms.....	5
Small Farm Operators and the ERS Typology	5
Small Farms in the 21 st Century.....	6
Issues Facing Small Farms.....	6
Addressing Small Farms' Concerns.....	8
Concluding Remarks.....	9
References.....	10

EXCECUTIVE SUMMARY

The complex nature of the U.S. small farm sector makes it difficult to provide a homogeneous and unambiguous definition of the small farm. Small family farms vary in size and other characteristics such as business organization and arrangements, production methods, success measurement, source of household income, financial returns, and government payment shares. A farm typology developed by the USDA's Economic Research Service (ERS) categorizes small family farms (sales less than \$25,000) into 4 groups for policy development and evaluation purposes. These groups include limited-resource, retirement, residential/lifestyle, and farming-occupation. The implication of this typology is that policies are to be targeted to specific groups of small family farms taking into consideration their specific needs. Critics think that this typology leaves out other significant groups of small family farmers such as immigrant farmers, beginning farmers, farms in transition, and seasonal farmers whose needs are totally different from those of the mainstream widely recognized groups. This paper discusses issues facing small family farmers in the 21st century, and suggests recommendations (intended to better serve small family farmers) to land grant universities, federal agencies, small farm service providers, and policy makers.

1. Introduction

The small farm sector in the 21st Century is more than ever confronted with diverse challenges. Issues facing the small farm sector range from farmers' survival in a competitive environment to farmers' needs for relevant management and marketing skills. Small farms have been recognized as the foundation of the U.S. since Thomas Jefferson (USDA, 1998). Consequently, U.S. public policies should recognize the value of small farms and actively encourage their growth and prosperity. Yet these policies are to be actually implemented.

This study is a product of a CSREES fellowship program. CSREES fellows spend three months in Washington, DC working on several projects of the federal government. The study discusses issues and concerns facing the small farm sector in the 21st century. Practical recommendations on how to effectively serve the small farm sector in the 21st century are suggested.

2. Methodology

Methods used in this study are a qualitative analysis of farmers' successful stories, organizations serving small farmers, literature search, and personal experience with farmers and agricultural service providers.

3. Farm Typology

A farm typology developed by USDA's Economic Research Service (ERS) distinguishes three categories of farms including small family farms (sales less than \$250,000), other family farms (sales more than \$250,000) and non-family farms (Hoppe and MacDonald, 2001). The ERS typology is based on the occupation of operators and the sales class of farms.

3.1 Small Family Farms

As suggested by the National Commission on Small Farms, small family farms are farms with sales as high as \$250,000. The USDA-ERS typology categorizes these farms into 4 fairly homogeneous groups for policy development and evaluation purposes. These groups include limited-resource, retirement, residential/lifestyle, and farming-occupation farms.

Limited-Resource Farms

Limited-resource farms are small farms that reported gross sales less than \$100,000, total farm assets less than \$150,000, and total operator household income less than \$20,000. These farm operators may report farming, a non-farm occupation, or retirement as their major occupation.

Retirement Farms

Operators of these farms reported that they were retired. This group excludes limited-resource farms operated by retired farmers.

Residential/lifestyle Farms

Farms identified as residential/lifestyle farms are small farms whose operators reported a major occupation other than farming.

Farming-occupation Farms

Farming-occupation group includes operators whose primary/major occupation is farming. Due to substantial variation among farms in this group, farming-occupation group was further divided into low-sales and high-sales farms. Farming-occupation/low-sales farms are small farms with gross sales less than \$100,000 with operators reporting farming as their major occupation.

Farming-occupation/high-sales Farms

Operators of the farming-occupation/high-sales farms reported gross sales between \$100,000 and \$249,999, and farming as their major occupation.

3.2 Other Family Farms

According to ERS-USDA, other family farms include large and very large family farms. Large family farms have gross sales between \$250,000 and \$499,999 whereas very large family farm operators reported sales of \$500,000 or more.

3.3 Non-Family Farms

Non-family farms are farms organized as non-family corporations or cooperatives including farms operated by hired managers.

3.4 Small Farm Operators and ERS Typology

Commonality

A farmer panel breakout session from a North East Small Farm workshop compiled by Smith and Ruhf (2001) indicated useful applications of small farm characteristics to the USDA-ERS farm typology in various areas including measures of success, culture and community characteristics, market strategies, scale of the farm operation, resources, risk management, production technologies, and economic contribution

Disparities

Farmers indicated that the USDA-ERS typology based on gross sales was not accurate. The \$250,000 cut-off seemed too narrow reported farmers who suggested income cut-off rather than gross sales. Yet, the farmers indicated that the farm typology was useful in shaping Extension and educational programs.

Suggestions

According to North East farmers, the USDA-ERS farm typology presents a potential risk of bringing an artificial cut-off among small farms excluding them from a given group (Smith and Ruhf, 2001) of small farms. In fact, most small farms are a combination of several farm groups, and not one single group per se.

North East small farmers also suggest an addition of the following groups to the farm typology: beginning farmers, immigrant farmers, farms in transition, farms supported by seasonal or off-farm income. These distinctive features are needed for policy design purpose.

4. Small Farms in the 21st Century

4.1 Issues Facing Small Farms

The National Commission on Small Farms has formulated 146 recommendations in a “A Time to Act” report aimed at improving USDA’s service to small and beginning farmers in several areas including credit, risk management, research, education, rural development, marketing, and outreach (USDA, 1998).

Characteristics of Small Farms

U.S. small farm characteristics include size of operation, land use, production, farm financial returns, government payment patterns, source of household income, location and business arrangements (Hoppe and MacDonald, 2001).

Most U.S. farms are small and most farmland is on small farms. However, most agricultural production (more than 2/3) comes from large family and nonfamily farms. Small farms, on average, are less viable business than large farms. In fact, in 1998, the economic cost/revenue ratio for small farms was greater than one suggesting financial hardship encountered by small farmers.

In terms of government payments, high-sales small farms and large family farms receive a large share of government payments. In addition, small farm household rely heavily on off-farm income. Most family farms are organized as sole proprietorships.

Competition

Nowadays, small farms struggle to keep up with economic and technological changes that have affected the U.S. agricultural industry since last decade. The competitive world in which small farms operate has created a business uncertainty and added more risk to farm operations (Tubene and Hanson, 2002). Adequate risk management tools and marketing skills are no longer an exception but a requirement. Small farms must be creative in order to compete against their large farm counterparts. Innovations may take several forms including more diversified enterprises, product and market development.

Public Research Impact on Small Farms

A study conducted by the National Research Council (NRC) revealed that publicly funded agricultural research is an important, but not an exclusive factor in the structural change of the U.S. agriculture (NRC, 2001). Even though the overall relationship between publicly funded agricultural research and structural change is not clearly defined, empirical evidence suggests that publicly funded agricultural research is positively correlated with increases in average farm size.

The adoption of the public-sector agricultural research is linked to the farm typology. According to NRC (2001), heterogeneity among producers influences the way research results are adopted. New technologies, which are based on public research are adopted earlier by larger farmers. The bias in technology adoption generates therefore greater benefits to larger farmers than to smaller farm operators.

Educational and Outreach Programs

Land-grant universities have a mandate from the Congress of the United States to make the public education available and accessible to the public at large. Very often, small farmers do not have access to cooperative extension educational and outreach programs for several reasons including lack of interest in the programs, limited resources, programs not targeted to their needs, and methods used to reach them.

Small farmers, especially minority farmers who have been discriminated in the past by most government agencies including the cooperative extension do not have interest in current programs. Gaining their trust is what is needed to get them back into cooperative extension programs. Most traditional extension programs are not adequate for limited-resource farmers. Designing programs that meet their needs should be the priority of extension services.

Finally, newsletters, cooperative extension meetings and seminars are a better way to reach well established small farmers but a worse strategy for other groups of small farmers who will never attend meetings nor read newsletters. The best alternative for these types of farmers is to reach them where they live without expecting them to reach the cooperative extension office.

4.2 Addressing Small Farms' Concerns

Farm Typology Limitation

ERS typology recognizes three types of farms including small family farms (sales less than \$250,000), other family farms (sales more than \$250,000) and non-family farms. However other groups of farmers such as beginning farmers, immigrant and seasonal farmers are not accounted for in this typology. This exclusion makes it difficult for the U.S. government to design policies that could meet the needs of these forgotten farmers.

Land-Grant Universities and Agricultural Service Providers

Land-grant universities and other agricultural institutions deliver agricultural programs intended to meet the needs of small farmers. Unfortunately, many small farm service providers do not collaborate to collectively and efficiently address small farm concerns. Sometimes, small farm needs are not assessed before attempting to help them.

Most land-grant universities have a small farm contact person appointed by the college of agriculture to represent USDA national small farm program. A contact person could coordinate the dispersed effort of the land-grant institutions in meeting the needs of small farms. Currently, small farm contact individuals at the land-grant universities are not fully recognized by the college of agriculture as a valuable resource person for small farm programs. The lack of adequate resources makes their job difficult. Very often, their effort goes unnoticed and unrecognized by the college.

It is strongly suggested that USDA small farm contact persons at the land-grant universities be officially empowered by the dean of agriculture and also given adequate resource to serve small farmers.

U.S. Agriculture's Structural Change

The negative impact of the publicly funded agricultural research on the U.S. agricultural sector led NRC to the following recommendations (NRC, 2001). The public sector should acknowledge the importance of structural change in agriculture and continue to monitor and analyze structural change and its causes. In addition, the goals of public-sector research and extension should be broadened beyond productivity and efficiency to serve constituents in a variety of circumstances and production systems. New methods should be explored to more effectively serve diverse audiences including working with minority-serving institutions, interagency, and multi-state partnerships.

Government Policies and their Implications

U.S. farm characteristics indicate that “one-size-fits-all” policy for all farms is not adequate. Targeting farm policies to different groups of small farms would be the solution since the “one-size-fits-all” policy does not reflect the diversity of the U.S. farms.

Government payments have mostly benefited high-sales small farms and large family farms. Providing alternative assistance to small farmers who do not benefit from government payments is highly recommended.

Small farms manage and operate a wide variety of farm assets and nonfarm resources. Farm policies should be designed with small farmers’ participation since they are the ones that are affected by these policies.

Finally, programs that assist small farmers assess risks and develop alternative agriculture are to be encouraged and designed as such. This requires a more coordinated and collaborative effort among USDA agencies.

5. Concluding Remarks

The complex nature of the small farm sector makes it difficult to provide a homogeneous and unambiguous definition of the small farm. Small family farms vary in size and other characteristics such as business organization and arrangements, production methods, source of household income, financial returns, government payment shares, and success measurement. A farm typology developed by the USDA’s Economic Research Service (ERS) categorizes small family farms (sales less than \$25,000) into four groups for policy development and evaluation purposes. These groups include limited-resource, retirement, residential/lifestyle, and farming-occupation. The implication of this typology is that policies are to be targeted to specific groups of small family farms taking into consideration the specific needs of these farms. Some critics think that this typology leaves out other groups of small farmers such as immigrant farmers, beginning farmers, farms in transition, and seasonal farmers whose needs are totally different from those of the four widely recognized groups.

In addition, a positive correlation between public-sector agricultural research and structural change of U.S. agriculture suggests that the public sector has to rethink its research agenda.

In the light of these findings, agricultural professionals, government agencies and land-grant universities serving the small farm sector are to develop research, educational, and outreach programs capable of reaching diverse audiences including small farmers, beginning and immigrant farmers.

Given a traditional role played by land grant universities in serving small farm operators, such role might be strengthened through a coordinated effort of small farm contact persons under the recognition of the college of agriculture's deans.

Finally, farm policies are to be designed with small farmers' participation. Most government programs including government payments, a "one-size-fits-all" policy for family farms, do not benefit small family farms. Working closely with all types of farmers (based on their needs) could avoid mistakes of the past.

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